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# KNT

**KNT HOLDINGS LIMITED**

**嘉藝控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1025)

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The board of directors (the “Board”) of KNT Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2021, together with the comparative figures for the six months ended 30 September 2020.

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 September 2021*

		<b>Six months ended 30 September</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>37,532</b>	41,104
Cost of sales		<b>(33,534)</b>	(36,960)
Gross profit		<b>3,998</b>	4,144
Other income		<b>1,065</b>	623
Other gain		<b>189</b>	834
Administrative expenses		<b>(12,263)</b>	(13,698)
Impairment loss on trade receivables, net of reversal		<b>9</b>	(7,524)
Finance costs	5	<b>(573)</b>	(1,007)

\* *For identification purpose only*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Loss before taxation		(7,575)	(16,628)
Income tax credit	6	<u>38</u>	<u>139</u>
Loss for the period	7	<u><u>(7,537)</u></u>	<u><u>(16,489)</u></u>
Basic loss per share ( <i>HK cents</i> )	9	<u><u>(1.4)</u></u>	<u><u>(3.2)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2021*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss for the period	<u>(7,537)</u>	<u>(16,489)</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Deferred taxation relating to revaluation of leasehold land and buildings	(52)	26,028
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	<u>(141)</u>	<u>584</u>
Other comprehensive (expense) income for the period	<u>(193)</u>	<u>26,612</u>
Total comprehensive (expense) income for the period	<u><b>(7,730)</b></u>	<u><b>10,123</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	56,456	57,411
Right-of-use assets		634	738
Intangible asset		91	104
		<u>57,181</u>	<u>58,253</u>
Current assets			
Inventories		16,106	16,596
Trade receivables	11	4,360	4,226
Prepayment, deposits and other receivables		1,842	1,577
Amount due from a related company		2,441	4,473
Income tax recoverable		153	471
Pledged bank deposit		2,000	2,000
Bank balances and cash		6,161	8,452
		<u>33,063</u>	<u>37,795</u>
Current liabilities			
Trade payables	12	4,062	2,398
Other payables and accruals		4,688	4,845
Amount due to a controlling shareholder		4,258	–
Contract liabilities		2,881	2,333
Lease liabilities		232	227
Bank overdrafts and loans	13	31,076	35,313
		<u>47,197</u>	<u>45,116</u>
Net current liabilities		<u>(14,134)</u>	<u>(7,321)</u>
Total assets less current liabilities		<u>43,047</u>	<u>50,932</u>

		As at <b>30 September</b> <b>2021</b> <i>Notes</i> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 March 2021 <i>HK\$'000</i> (audited)
Non-current liabilities			
Lease liabilities		<b>411</b>	528
Deferred tax liabilities		<u><b>5,547</b></u>	<u>5,585</u>
		<u><b>5,958</b></u>	<u>6,113</u>
Net assets		<u><b>37,089</b></u>	<u>44,819</u>
Capital and reserves			
Share capital	<i>14</i>	<b>5,200</b>	5,200
Reserves		<u><b>31,889</b></u>	<u>39,619</u>
Total equity		<u><b>37,089</b></u>	<u>44,819</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

KNT Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office and principal place of business is 30th Floor, EW International Tower, No. 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company is manufacturing and trading garment; and trading of accessories.

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), whereas the functional currency of the Company is United States Dollar (“US\$”). The management of the Company and its subsidiaries (collectively referred to as the “Group”) considered that selecting HK\$ as its presentation currency is more beneficial for the users of the condensed consolidated financial statements as the Company’s shares are listed on the Stock Exchange.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 September 2021, the Group has net current liabilities of HK\$14,134,000 and incurred a net loss for the period of HK\$7,537,000 for the period then ended.

The directors of the Company believe that the Group has sufficient financial resources to meet the financial obligations when they fall due, after taking into account of the followings:

- (a) the net proceeds of approximately HK\$25,300,000 upon the completion of placing of 104,000,000 shares on 20 October 2021; and
- (b) the implementation of various cost control measures aiming at improving the working capital and cash flows of the Group.

Accordingly, the directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future at the time of approving the condensed consolidated financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

### **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and certain financial instruments that are measured at revalued amounts or fair values at the end of the reporting period, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2021.

#### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2  
HKFRS 7, HKFRS 4 and HKFRS 16

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group, net of discounts.

The following is an analysis of the Group's revenue:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Sales of garment products recognised at a point in time</b>		
Bridesmaid dresses	19,198	27,834
Bridal gowns	3,063	3,250
Special occasion dresses	2,268	7,533
Fashion apparels	323	–
Others ( <i>Note</i> )	<u>12,680</u>	<u>2,487</u>
Total	<u><b>37,532</b></u>	<u><b>41,104</b></u>

*Note:* Others include sales of fabrics and accessories.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Geographical markets</b>		
United States of America	<b>18,811</b>	32,682
Hong Kong	<b>12,891</b>	1,487
Europe	<b>2,962</b>	3,490
Australia	<b>1,732</b>	900
Others	<b>1,136</b>	2,545
	<hr/>	<hr/>
Total	<b>37,532</b>	41,104
	<hr/> <hr/>	<hr/> <hr/>

### **Segment information**

The Group's operation is solely derived from manufacturing and trading of garment products; and trading of accessories during the period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Company) reviews overall results and financial position of the Group as a whole based on same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment information is presented.

### **Geographical information**

The Group's operations are mainly located in Hong Kong and the PRC.

Non-current assets by geographical location of assets are detailed below:

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Hong Kong	<b>57,172</b>	58,253
PRC	<b>9</b>	–
	<hr/>	<hr/>
	<b>57,181</b>	58,253
	<hr/> <hr/>	<hr/> <hr/>

The Group's revenue from external customers based on the location of customers are disclosed above in this note.

### ***Information about major customers***

Revenue from customers individually contributing over 10% of the Group's revenue during the period are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Customer A	<b>11,000</b>	16,024
Customer B	N/A*	6,286
Customer C	<b>4,725</b>	6,603
Customer D	<b>12,518</b>	N/A*

\* *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

### **5. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on bank overdrafts and loans	<b>557</b>	970
Interest on lease liabilities	<b>16</b>	37
	<b>573</b>	1,007

## 6. INCOME TAX CREDIT

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Under provisions in prior years		
– PRC Enterprise Income Tax	–	156
	–	156
Deferred tax credit	(38)	(295)
Income tax credit	<u>(38)</u>	<u>(139)</u>

## 7. LOSS FOR THE PERIOD

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	104	104
Depreciation of property, plant and equipment	969	594
Less: Amount capitalised in inventories	–	(2)
	1,073	696
Amortisation of intangible asset	13	13
Cost of inventories recognised as cost of sales		
(including reversal of write down of inventories of HK\$71,000		
(2020: write down of inventories of HK\$199,000))	33,534	36,960
Bank interest income	(2)	(46)
Net exchange gain	<u>(189)</u>	<u>(834)</u>

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

## 9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

### Loss

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	<u>(7,537)</u>	<u>(16,489)</u>

### Number of shares

	Six months ended 30 September	
	2021	2020
	'000	'000
	(unaudited)	(unaudited)
Number of ordinary shares for the purposes of basic loss per share	<u>520,000</u>	<u>520,000</u>

No diluted loss per share was presented as there were no potential ordinary shares in issue during the six months ended 30 September 2021 and 2020.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired certain property, plant and equipment with an aggregate carrying value of approximately HK\$14,000 (six months ended 30 September 2020: approximately HK\$21,736,000).

During the six months ended 30 September 2020, the Group has changed the method of accounting for leasehold land and buildings from using cost model to revaluation model. As a result, a revaluation reserve of approximately HK\$26,028,000 was recognised in the condensed consolidated statement of changes in equity during the six months ended 30 September 2020.

## 11. TRADE RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	6,393	6,268
Less: Loss allowance	<u>(2,033)</u>	<u>(2,042)</u>
	<u><b>4,360</b></u>	<u><b>4,226</b></u>

The credit terms normally granted by the Group to customers upon delivery of goods range from 0 to 90 days. For a major customer of the Group during the six months ended 30 September 2020, a credit term up to 135 days from the invoice date would be allowed.

The following is an ageing analysis of trade receivables (net of loss allowance) of the Group presented based on the invoice dates, which approximates to the dates of delivery of goods on which revenue was recognised, at the end of the reporting period:

	<b>As at 30 September 2021 HK\$'000 (unaudited)</b>	As at 31 March 2021 HK\$'000 (audited)
Within 30 days	<b>1,962</b>	2,868
31 – 60 days	<b>917</b>	41
61 – 90 days	<b>606</b>	178
91 – 180 days	<b>871</b>	290
181 – 365 days	<b>4</b>	–
Over 365 days	<b>–</b>	849
	<b><u>4,360</u></b>	<b><u>4,226</u></b>

The Group applies simplified approach to provide for ECL of trade receivables prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually.

As at 30 September 2021, out of the past due balances, HK\$4,000 (31 March 2021: HK\$849,000) has been past due 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the management's historical experience on the settlement pattern or record from these debtors.

## 12. TRADE PAYABLES

The credit period on purchase of goods ranged from 0 to 60 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of the reporting period is as follows:

	<b>As at 30 September 2021 <i>HK\$'000</i> (unaudited)</b>	<b>As at 31 March 2021 <i>HK\$'000</i> (audited)</b>
Within 30 days	<b>1,947</b>	1,785
31 – 60 days	<b>1,363</b>	358
61 – 90 days	<b>388</b>	240
91 – 180 days	<b>342</b>	2
181 – 365 days	<b>9</b>	2
Over 365 days	<b>13</b>	11
	<b>4,062</b>	2,398

### 13. BANK OVERDRAFTS AND LOANS

	As at <b>30 September</b> <b>2021</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2021 <i>HK\$'000</i> (audited)
Unsecured and guaranteed:		
Bank loans	<u>6,000</u>	<u>5,000</u>
	<u>6,000</u>	<u>5,000</u>
Secured and guaranteed:		
Bank overdrafts	7,297	7,983
Bank loans	<u>17,779</u>	<u>22,330</u>
	<u>25,076</u>	<u>30,313</u>
Total	<u><b>31,076</b></u>	<u><b>35,313</b></u>
Carrying amounts of bank overdrafts and bank loans which based on scheduled repayment dates set out in the loan agreements and classified as current due to repayment on demand clause:		
Within one year	19,678	20,478
More than one year but not more than two years	3,871	8,584
More than two years but not more than five years	5,292	5,440
More than five years	<u>2,235</u>	<u>811</u>
Amounts shown under current liabilities	<u><b>31,076</b></u>	<u><b>35,313</b></u>

The variable-rate bank overdrafts and loans of HK\$31,076,000 (31 March 2021: HK\$35,313,000) bear interest ranged from Hong Kong Prime Rate minus 3.0% to Hong Kong Prime Rate per annum.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<b>As at 30 September 2021</b>	As at 31 March 2021
Effective interest rate:		
Variable-rate bank loans	<b>2.25% – 5.00%</b>	2.25% – 5.00%
Variable-rate bank overdrafts	<b><u>5.00% – 5.25%</u></b>	<b><u>5.00% – 5.25%</u></b>

The Group entered into several banking facilities with banks in Hong Kong. The banking facilities are secured by assets held by the Group and/or guaranteed by related parties, details of which is set out as follows:

- (a) Corporate guarantee from the Company as at 30 September 2021 and 31 March 2021;
- (b) Personal guarantee from controlling shareholders, Mr. Chong Sik and Mr. Chong Pun, as at 30 September 2021 and 31 March 2021;
- (c) Leasehold land and buildings of the Group as at 30 September 2021 and 31 March 2021; and
- (d) Pledged bank deposit as at 30 September 2021 and 31 March 2021.

#### 14. SHARE CAPITAL

	<b>Number of shares</b>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2020, 30 September 2020, 31 March 2021 and 30 September 2021	<b><u>10,000,000,000</u></b>	<b><u>100,000</u></b>
<i>Issued and fully paid:</i>		
At 1 April 2020, 30 September 2020, 31 March 2021 and 30 September 2021	<b><u>520,000,000</u></b>	<b><u>5,200</u></b>

## 15. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Six months ended	
		30 September	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Veromia Limited	Sales of garment products	1,060	1,675
	Purchases of samples	28	–
Mr. Chong Sik and Mr. Chong Pun	Rental expenses	N/A	N/A
	Interest expense on lease liabilities ( <i>Note</i> )	–	37

*Note:* Certain lease contracts were entered into with Mr. Chong Sik and Mr. Chong Pun for the use of factory premises and staff dormitories during both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a one-stop solutions provider of bridesmaid dresses, bridal gowns and special occasion dresses. The Group principally sells its products to brand apparel companies based in the United States. Over the years, the Group has built reputation and gained customers' recognition from its dedication to provide its customers with one-stop solutions and consistently high quality products, which has increased its customers' reliance on it and in turn enabled it to maintain its market position as one of the leading bridesmaid dresses manufacturers in the PRC. The Group is the sole supplier of certain largest customers for bridesmaid dresses whom had maintained long years of relationship with the Group. In addition to manufacturing apparels for its customers, the Group strives to become an integral part of its customers' business operations by offering a wide range of value-added services ranging from fashion trend analysis, product design and development, raw material procurement, production, quality assurance to inventory management. The Group has also commenced developing its online business platform for the sale of fashion apparels since November 2020.

The Group recorded revenue of approximately HK\$37.5 million for the six months ended 30 September 2021, representing a decrease of approximately 8.8% as compared to that of approximately HK\$41.1 million for the six months ended 30 September 2020. Revenue from the United States accounted for approximately 79.6% and 50.1% of the total revenue of the Group for the six months ended 30 September 2020 and 2021 respectively. The gross profit margin increased from 10.0% for the six months ended 30 September 2020 to 10.7% for the six months ended 30 September 2021. Loss for the period amounted to approximately HK\$7.5 million for the six months ended 30 September 2021, representing a decrease in loss of approximately 54.5% as compared to loss of approximately HK\$16.5 million for the six months ended 30 September 2020.

During the six months ended 30 September 2021, the Group continued to experience a challenging operating environment in view of prolonged trade disputes between the United States and China, tariff imposed, political tensions and continuing uncertainties in global economy. Since the Group's revenue was mostly derived from customers based in the United States, these factors in aggregate led to a certain extent of impact on the overall business performance of the Group. As a result, the revenue of the Group decreased for the six months ended 30 September 2021 as compared to the six months ended 30 September 2020 while gross profit margin remained stable for both periods.

In addition, due to the outbreak of the novel coronavirus disease (COVID-19) since the beginning of 2020, it has brought significant disruption to the global economy and caused adverse impact to the business environment of the Group. The Group made impairment loss net of reversal on trade receivables of approximately HK\$7.5 million, mainly related to one of the major customers who has filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code for the six months ended 30 September 2020. The loss for the six months ended 30 September 2021 decreased as impairment were provided in the last period ended 30 September 2020.

## **PROSPECT**

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year will remain highly challenging and uncertain. The Group will continue to review its existing business from time to time and take appropriate measures to tackle any possible impacts. In view of the unprecedented business environment, the management is actively exploring new business opportunities with a view to diversifying the income stream of the Group and mitigating risks. Currently, the Company is negotiating with a reputable outlet operator (the “Outlet Partner”) in the PRC in developing possible procurement and distribution business for new retailing and the Outlet Partner in the PRC, which enables the Group to commence procurement and distribution business for branded fashion, garments, and accessories in the PRC; and have its products reach out to the consumers in the PRC through the platform of the Outlet Partner. This opportunity could, on one hand, complement the business of the Group and, on the other hand, enable the Group to be benefited from expanding its client base in the PRC. The Group’s revenue base will therefore be broadened in the future and is expected to increase investment returns to the shareholders.

The Group is also taking cost-control measures since April 2020 so as to cope with the lingering business downturn. With the Group’s proven track record, experienced management team and reputation in the market, the Group is well-positioned and well equipped to sustain its development and grasp the opportunities to enhance the long-term potential growth in future for safeguard the interest of the shareholders.

## Revenue

Revenue represents revenue from the sale of bridesmaid dresses, bridal gowns, special occasion dresses, fashion apparels, and fabrics and accessories.

Revenue decreased by approximately HK\$3.6 million or approximately 8.8% from approximately HK\$41.1 million for the six months ended 30 September 2020 to approximately HK\$37.5 million for the six months ended 30 September 2021. The overall decrease in revenue was primarily attributable to the net effect of the increase in revenue generated from the sale of accessories of approximately HK\$12.5 million; the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK\$8.6 million and the sale of special occasion dresses of approximately HK\$5.2 million.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK\$27.8 million for the six months ended 30 September 2020 to approximately HK\$19.2 million for the six months ended 30 September 2021 was primarily as a result of aggregate effect of the decrease in sales quantity from 96.8 thousand units for the six months ended 30 September 2020 to 56.1 thousand units for the six months ended 30 September 2021 and the increase in average selling prices of bridesmaid dresses from HK\$288 for the six months ended 30 September 2020 to HK\$342 for the six months ended 30 September 2021.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK\$7.5 million for the six months ended 30 September 2020 to approximately HK\$2.3 million for the six months ended 30 September 2021 was primarily as a result of the decrease in sales quantity from 40.6 thousand units for the six months ended 30 September 2020 to 2.9 thousand units for the six months ended 30 September 2021.

The significant decrease in sales quantity of special occasion dresses was attributable to the suspension of sale to the major customer of special occasion dresses upon its filing for bankruptcy protection for the six months ended 30 September 2020. The decrease in sales quantity of bridesmaid dresses was attributable to fewer orders from customers with the escalation of trade tensions between China and the United States and the outbreak of COVID-19.

## **Cost of sales**

Cost of sales primarily consists of raw material costs, subcontracting charges, labour costs, overhead costs and others.

Cost of sales decreased by approximately HK\$3.5 million or approximately 9.5% from approximately HK\$37.0 million for the six months ended 30 September 2020 to approximately HK\$33.5 million for the six months ended 30 September 2021. The decrease was in line with the decrease in revenue for the six months ended 30 September 2021.

## **Gross profit and gross profit margin**

Gross profit decreased by approximately HK\$0.1 million or approximately 2.4% from approximately HK\$4.1 million for the six months ended 30 September 2020 to approximately HK\$4.0 million for the six months ended 30 September 2021. Gross profit margin remained stable for the six months ended 30 September 2020 and 2021.

## **Other income**

Other income increased by approximately HK\$0.5 million or approximately 83.3% from approximately HK\$0.6 million for the six months ended 30 September 2020 to approximately HK\$1.1 million for the six months ended 30 September 2021. The increase was mainly attributable to the deposit forfeited upon the cancellation of the purchase of properties by the purchaser and the increase in rental income.

## **Other gain**

Other gain represented net exchange gains for both periods. The decrease was mainly attributable to exchange gain from transactions denominated in Renminbi which appreciated during the six months ended 30 September 2021.

## **Administrative expenses**

Administrative expenses decreased by approximately HK\$1.4 million or approximately 10.2% from approximately HK\$13.7 million for the six months ended 30 September 2020 to approximately HK\$12.3 million for the six months ended 30 September 2021. The decrease was mainly attributable to (i) the decrease in total staff costs upon the implementation of cost control measures, and (ii) the decrease in legal and professional fees during the six months ended 30 September 2021.

## **Finance costs**

Finance costs decreased by approximately HK\$0.4 million or approximately 40.0% from approximately HK\$1.0 million for the six months ended 30 September 2020 to approximately HK\$0.6 million for the six months ended 30 September 2021. The decrease was mainly attributable to the decrease in the average bank borrowings during the six months ended 30 September 2021.

## **Income tax credit**

Income tax credit for the six months ended 30 September 2021 represented release of deferred tax liabilities on tax depreciation.

## **Loss for the period**

Loss for the six months ended 30 September 2021 amounted to approximately HK\$7.5 million. The decrease in loss was mainly attributable to (i) the decrease in administrative expenses such as total staff costs and legal and professional fees; (ii) the decrease in impairment loss on trade receivables; and (iii) the decrease in finance costs.

## **Interim dividend**

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

## **Capital structure**

The capital structure of the Company comprises of issued share capital and reserves. As at the date of this announcement, the issued share capital of the Company was HK\$6.24 million and the number of issued ordinary shares was 624,000,000 of HK\$0.01 each.

## **Liquidity and financial resources**

The Group generally finances its operation by internal cash generated from operations and bank borrowings. As at 30 September 2021, the Group had bank balances and cash of approximately HK\$6.2 million net of bank overdrafts of approximately HK\$7.3 million (31 March 2021: bank balances and cash of approximately HK\$8.5 million net of bank overdrafts of approximately HK\$8.0 million) and had net current liabilities of approximately HK\$14.1 million (31 March 2021: approximately HK\$7.3 million).

The current ratio of the Group was approximately 0.7 times as at 30 September 2021, as compared to that of approximately 0.8 times as at 31 March 2021. The current ratio decreased was mainly attributable to (i) the decrease in cash and cash equivalents; and (ii) the increase in amount due to a controlling shareholder.

The gearing ratio of the Group, which is calculated by dividing the total bank borrowings by the total equity and then multiplied by 100%, was 83.8% as at 30 September 2021 (31 March 2021: 78.8%). The increase in gearing ratio was mainly attributable to the loss for the period which led to a decrease in total equity.

## **Pledge of assets**

As at 30 September 2021, the Group pledged leasehold land and buildings with carrying value of approximately HK\$54.4 million (31 March 2021: approximately HK\$55.4 million) and bank deposit of approximately HK\$2.0 million (31 March 2021: HK\$2.0 million) to secure certain banking facilities granted to the Group.

## **Foreign exchange risk**

Certain transactions of the Group are denominated in foreign currencies which are different from United States Dollar, the functional currency of the Group, and therefore the Group is exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Material acquisitions and disposals of subsidiaries and associated companies**

During the six months ended 30 September 2021, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

## **Significant investments held**

As at 30 September 2021, the Group had no significant investments held (31 March 2021: nil).

## **Future plans for material investments and capital assets**

Save as disclosed in the prospectus of the Company dated 15 February 2019 (the “Prospectus”) and in this announcement, the Group currently did not have other plans for material investments and capital assets.

## **Events after the reporting period**

### ***Placing of new shares under general mandate***

On 30 September 2021, Bloomyears Limited (“Bloomyears”) as the placing agent and the Company entered into a placing agreement, pursuant to which Bloomyears conditionally agreed to place, on a best effort basis, up to 104,000,000 placing shares (the “Placing Shares”) at the placing price of HK\$0.250 per Placing Share to not less than six placees who and whose beneficial owners shall be independent third parties of and not connected with the Directors, chief executive or substantial shareholders of each of the Company, its subsidiaries and their respective associates (the “Placees”) (the “Placing”). The Placing Shares were allotted and issued pursuant to the general mandate obtained at the annual general meeting of the Company held on 20 August 2021.

On 20 October 2021, a total of 104,000,000 new shares of the Company at nominal value of HK\$0.01 each were successfully placed by Bloomyears at the placing price of HK\$0.250 per Placing Share. Upon the completion of the Placing, the total number of issued shares of the Company increased from 520,000,000 shares to 624,000,000 shares. The net proceeds from the Placing, after deducting commission and other expenses incidental to the Placing, amounted to approximately HK\$25,300,000 which were intended to be used as general working capital of the Group.

For details, please refer to the Company's announcements dated 30 September 2021, 20 October 2021 and 29 October 2021.

### **Employees and remuneration policy**

As at 30 September 2021, the Group had 260 employees (31 March 2021: 295 employees). The total staff costs, including directors' emoluments, of the Group for the six months ended 30 September 2021 were approximately HK\$14.2 million (six months ended 30 September 2020: approximately HK\$13.2 million).

Remuneration is determined with reference to market norms and the performance, qualification and experience of individual employee. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. The remuneration package generally includes basic salaries, discretionary bonuses and contributions to retirement benefits scheme. The Group provides training for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

### **Capital commitment**

As at 30 September 2021, the Group did not have any material capital commitment (31 March 2021: nil).

### **Contingent liabilities**

As at 30 September 2021, the Group did not have any material contingent liabilities (31 March 2021: nil).

## **Use of net proceeds from the Listing**

The net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange on 28 February 2019 (the “Listing”), after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK\$56.9 million (the “Net Proceeds”).

As at 30 September 2021, the Group has utilised approximately HK\$55.9 million, representing approximately 98.2%, of the net proceeds from the Listing.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumptions of future market conditions made by the Group at the time of preparing the Prospectus. The Group will continuously evaluate the business objectives and will change or modify the plans against the changing market conditions for meeting the business growth and long term interest of the Group.

As disclosed in the announcement of the Company dated 4 June 2020, the Board resolved to change the use of part of the unutilised Net Proceeds in the amount of HK\$10.0 million and HK\$2.0 million allocated to increase production capacity by investing or setting up production facilities in Vietnam and set up a sales office in the U.S. respectively for working capital and general corporate purposes.

As further disclosed in the announcement of the Company dated 29 October 2020, the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK\$3.7 million allocated to set up a sales office in the U.S. for the development of online business platform.

As further disclosed in the announcement of the Company dated 22 December 2020, the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK\$11.1 million allocated to increase production capacity by investing or setting up production facilities in Vietnam for repayment of bank borrowings.

<b>Intended use of Net Proceeds</b>	<b>Actual amount of Net Proceeds as at 31 March 2021 <i>HK\$ million</i></b>	<b>Actual amount utilised as at 30 September 2021 <i>HK\$ million</i></b>	<b>Amount of unutilised Net Proceeds as at 30 September 2021 <i>HK\$ million</i></b>	<b>Expected timeline for the intended use</b>
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group's existing business and production as well as that in Vietnam	22.1	21.5	0.6	End of 2021
Increase production capacity by investing or setting up production facilities in Vietnam	–	–	–	N/A
Set up a sales office in the U.S.	–	–	–	N/A
Repayment of bank borrowings	16.8	16.8	–	N/A
Development of online business platform	3.7	3.3	0.4	End of 2021
Working capital and general corporate purposes	<u>14.3</u>	<u>14.3</u>	<u>–</u>	N/A
	<u><b>56.9</b></u>	<u><b>55.9</b></u>	<u><b>1.0</b></u>	

As at 30 September 2021, the unutilised Net Proceeds were placed in licensed banks in Hong Kong.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the six months ended 30 September 2021, the Company has complied with the code provisions as set out in the CG Code, except for code provision A.2.1 (the details of which are set forth below).

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Mr. Chong Sik who is one of the co-founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Chong Sik can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Chong Sik had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group’s business.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has devised its own Code of Ethics and Securities Transactions (the “Code of Ethics”) regarding dealings in the Company’s securities by directors and the relevant employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Ethics during the six months ended 30 September 2021.

No incident of non-compliance of the Code of Ethics by the employees was noted by the Company.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) on 31 January 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

The Audit Committee comprises four members, namely Mr. Leung Martin Oh Man, Mr. Lau Koong Yep, Mr. Yuen King Sum and Mr. Lau Kwok Fan, all being independent non-executive directors. Mr. Leung Martin Oh Man is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group and the announcement for the six months ended 30 September 2021, including the accounting principles and practices adopted by the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information publicly available to the Company and within the best knowledge of the directors, during the six months ended 30 September 2021 and up to the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

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

This interim results announcement is published on the website of the Company (<http://www.kntholdings.com>) and the website of the Stock Exchange (<http://www.hkexnews.hk>). The interim report of the Company for the six months ended 30 September 2021 will also be published on the respective websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By Order of the Board  
**KNT Holdings Limited**  
**Chong Sik**  
*Chairman and Executive Director*

Hong Kong, 30 November 2021

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Chong Sik, Mr. Chong Pun, Mr. Lam Chi Yuen and Mr. Zhou Hai; one non-executive director, namely, Mr. Hu Shilin; and four independent non-executive directors, namely, Mr. Leung Martin Oh Man, Mr. Lau Koong Yep, Mr. Yuen King Sum and Mr. Lau Kwok Fan.*