

Interim Report 2021

# KNT

**KNT HOLDINGS LIMITED**

**嘉藝控股有限公司\***

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1025



\* For identification purpose only



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Chong Sik (*Chairman and Chief Executive Officer*)

Chong Pun

Lam Chi Yuen

Zhou Hai (appointed on 29 October 2021)

#### Non-executive Director

Hu Shilin (appointed on 29 October 2021)

#### Independent Non-executive Directors

Leung Martin Oh Man

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

#### AUDIT COMMITTEE

Leung Martin Oh Man (*Chairman*)

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

#### REMUNERATION COMMITTEE

Lau Koong Yep (*Chairman*)

Leung Martin Oh Man

Yuen King Sum

Lau Kwok Fan

#### NOMINATION COMMITTEE

Chong Sik (*Chairman*)

Leung Martin Oh Man

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

#### COMPANY SECRETARY

Chan Nga Chun

#### AUTHORISED REPRESENTATIVES

Chong Sik

Chan Nga Chun

#### AUDITOR

Deloitte Touche Tohmatsu

*Registered Public Interest Entity Auditors*

#### LEGAL ADVISER AS TO HONG KONG LAW

H.Y. Leung & Co. LLP, Solicitors

#### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

#### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30th Floor

EW International Tower

No. 120 Texaco Road

Tsuen Wan

New Territories

Hong Kong

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54 Hopewell Centre

183 Queen's Road East

Hong Kong

#### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

DBS Bank (Hong Kong) Limited

#### STOCK CODE

01025

#### COMPANY WEBSITE

[www.kntholdings.com](http://www.kntholdings.com)



## 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 China. The Group is the sole supplier of certain largest customers for bridesmaid dresses who 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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 China in developing possible procurement and distribution business for new retailing and the Outlet Partner in China, which enables the Group to commence procurement and distribution business for branded fashion, garments, and accessories in China; and have its products reach out to the consumers in China 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 China. 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Capital structure

The capital structure of the Company comprises of issued share capital and reserves. As at the date of this report, 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 of 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **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 interim report, the Group currently did not have other plans for material investments and capital assets.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Events after the reporting period

#### Placing of new shares under general mandate

On 30 September 2021, Bloomyeats Limited (“Bloomyeats”) as the placing agent and the Company entered into a placing agreement, pursuant to which Bloomyeats 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 were 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 “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 Bloomyeats 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.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.



**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

<b>Intended use of Net Proceeds</b>	<b>Actual amount of Net Proceeds as at 31 March 2021</b> HK\$ million	<b>Actual amount utilised as at 30 September 2021</b> HK\$ million	<b>Amount of unutilised Net Proceeds as at 30 September 2021</b> HK\$ million	<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	14.3	14.3	–	N/A
	<u>56.9</u>	<u>55.9</u>	<u>1.0</u>	

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

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of the directors (the "Directors") and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

#### Long position in the Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Mr. Chong Sik	Interest in controlled corporation (Note 2)	235,950,000	45.375%
Mr. Chong Pun	Interest in controlled corporation (Note 3)	154,050,000	29.625%

Notes:

1. The percentage is calculated based on the total number of 520,000,000 shares in issue as at 30 September 2021.
2. These shares were held by Strategic Elite Limited ("Strategic Elite"), a company which was beneficially and wholly-owned by Mr. Chong Sik. Mr. Chong Sik was deemed to be interested in all the shares held by Strategic Elite by virtue of the SFO.
3. These shares were held by Total Clarity Investments Limited ("Total Clarity"), a company which was beneficially and wholly-owned by Mr. Chong Pun. Mr. Chong Pun was deemed to be interested in all the shares held by Total Clarity by virtue of the SFO.

## OTHER INFORMATION (continued)

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2021, so far as known to the Directors or the chief executive of the Company, the following corporations or individuals (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange:

### Long position in the Shares

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Strategic Elite	Beneficial owner	235,950,000	45.375%
Ms. Lok Pui Yee, Fanny	Interest of spouse (Note 2)	235,950,000	45.375%
Total Clarity	Beneficial owner	154,050,000	29.625%
Ms. Tsang Kit Fong	Interest of spouse (Note 3)	154,050,000	29.625%

Notes:

- The percentage is calculated based on the total number of 520,000,000 shares in issue as at 30 September 2021.
- Ms. Lok Pui Yee, Fanny is the spouse of Mr. Chong Sik and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Sik through Strategic Elite pursuant to the SFO.
- Ms. Tsang Kit Fong is the spouse of Mr. Chong Pun and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Pun through Total Clarity pursuant to the SFO.



## **OTHER INFORMATION (continued)**

Save as disclosed above, as at 30 September 2021, the Directors were not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to a written resolution of the shareholders passed on 31 January 2019. A summary of the principal terms of the Share Option Scheme is set out as follows:

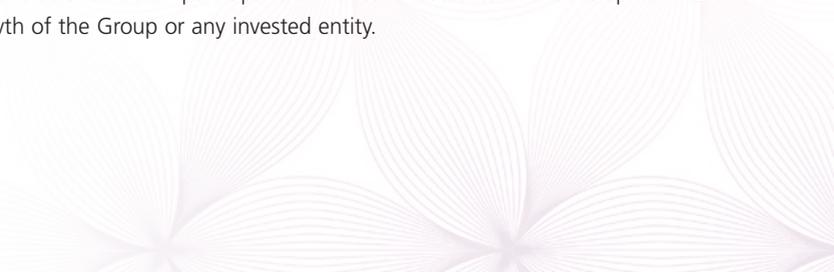
### **(1) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

### **(2) Participants of the Share Option Scheme**

The participants of the Share Option Scheme shall be:

- (i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and
- (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or other participants who contributes to the development and growth of the Group or any invested entity.



**OTHER INFORMATION (continued)****(3) Total number of shares available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this interim report**

- (i) The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time.
- (ii) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 52,000,000 shares (representing 10% of the issued shares as at the date of this interim report), being 10% of the total number of shares in issue on the Listing Date (the "Scheme Limit") unless approved by the shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Limit.
- (iii) The Company may seek separate approval of the shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of shareholders, a circular containing the information as required under the Listing Rules shall be sent by the Company to the shareholders.



## OTHER INFORMATION (continued)

- (iv) The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the shareholders, the Company shall send a circular to the shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.
- (v) The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. No options under any schemes may be granted if this will result in the 30% limit being exceeded.

### (4) Maximum entitlement of each participant

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue.

### (5) Period within which the shares must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be longer than 10 years from the relevant date of grant.



## **OTHER INFORMATION (continued)**

### **(6) Minimum period for which an option must be held before it can be exercised**

There is no minimum period in which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

### **(7) Payment on acceptance of option offer**

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 days inclusive of, and from the date upon which it is made.

### **(8) Basis of determining the subscription price**

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant.

### **(9) Remaining life of the Share Option Scheme**

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 31 January 2019.

During the six months ended 30 September 2021, no options had been granted, exercised or cancelled or lapsed under the Share Option Scheme. There were no outstanding options under the Share Option Scheme as at 30 September 2021.



## **OTHER INFORMATION (continued)**

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles of Association, subject to the applicable laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance for the Directors and officers of the Group in respect of legal actions against them arising from corporate activities of the Group.

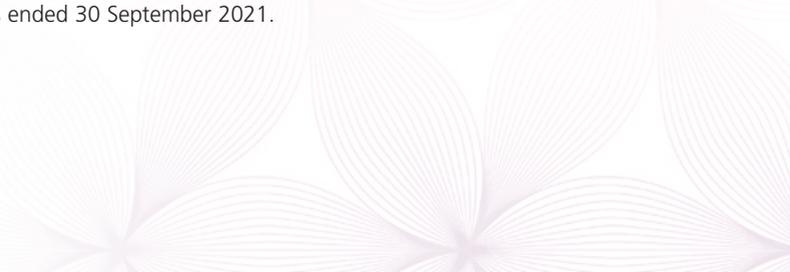
### **SUFFICIENCY OF PUBLIC FLOAT**

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 interim report, the Company has maintained the prescribed public float under the Listing Rules.

### **NON-COMPETITION UNDERTAKING**

In accordance with the non-competition undertakings set out in the deed of non-competition dated 31 January 2019 (the “Deed of Non-competition”) executed by the controlling shareholders of the Company (the “Controlling Shareholders”) in favour of the Company (for itself and as trustee for its subsidiaries), save and except the exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group in Hong Kong, Macau and any other country or jurisdiction, the principal terms of which are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

The Company has received a declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the six months ended 30 September 2021. The Controlling Shareholders also confirmed in the said declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the six months ended 30 September 2021.



## OTHER INFORMATION (continued)

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the six months ended 30 September 2021:

- (i) The Controlling Shareholders had procured the independent non-executive Directors to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition.
- (ii) The Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition.
- (iii) The Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition during the six months ended 30 September 2021.
- (iv) The independent non-executive Directors, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders during the six months ended 30 September 2021.



## OTHER INFORMATION (continued)

### LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

- (1) On 28 April 2020, KNT Limited ("KNT"), a wholly-owned subsidiary of the Company, as borrower, accepted a revised facility letter (the "Facility Letter A") issued by a bank (the "Bank A") offering for the grant of trade finance and a revolving loan facility of an aggregate amount HK\$28,000,000 and a 16-month term loan of approximately HK\$1,300,000 (the "Facility A"), which is subject to review by the Bank A from time to time.

Pursuant to the Facility Letter A, amongst other things, the Company had undertaken to the Bank A that the Controlling Shareholders shall at any time, directly or indirectly, maintain not less than 50% of the issued share capital of the Company and remain as the executive directors of the Company and shall notify the Bank A for the change of their directorship or if the aggregate beneficial interest of the Controlling Shareholders dropped to less than 50%.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 58.97%.

- (2) On 27 May 2020, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the "Facility Letter B") issued by a bank (the "Bank B") offering for the grant of a 36 months non-revolving term loan facility of HK\$4,000,000 (the "Facility B").

Pursuant to the Facility Letter B, amongst other things, the Controlling Shareholders, shall provide irrevocable and unconditional personal guarantee to the Facility B and that the Controlling Shareholders, shall at any time during the term of the Facility B, directly or indirectly, maintain at least 70% of the issued share capital of the Company.



## OTHER INFORMATION (continued)

(2) (continued)

On 28 October 2020, KNT accepted a supplementary facility letter (the “Facility Letter D”) issued by the Bank B for the extension of repayment term from 36 months to 60 months and the change in personal guarantee requirements of the aggregate beneficial interest of the Controlling Shareholders from 75% to 50%.

On 26 May 2021, KNT accepted a supplementary facility letter issued by the Bank B for a further extension of repayment term from 60 months to 96 months.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 58.97%.

(3) On 28 October 2020, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the “Facility Letter C”) issued by the Bank B offering for the grant of a 60 months non-revolving term loan facility of HK\$1,000,000 (the “Facility C”).

Pursuant to the Facility Letter C, amongst other things, the Controlling Shareholders, shall provide irrevocable and unconditional personal guarantee to the Facility C and that the Controlling Shareholders, shall at any time during the term of the Facility C, directly or indirectly, maintain at least 50% of the issued share capital of the Company.

On 26 May 2021, KNT accepted a supplementary facility letter issued by the Bank B for the extension of repayment term from 60 months to 96 months.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 58.97%.



## OTHER INFORMATION (continued)

- (4) On 26 May 2021, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the “Facility Letter E”) issued by the Bank B offering for the grant of a 96 months non-revolving term loan facility of HK\$1,000,000 (the “Facility E”).

Pursuant to the Facility Letter E, amongst other things, the Controlling Shareholders, shall provide a joint and several irrevocable and unconditional personal guarantee to the Facility E and that the Controlling Shareholders, shall at any time during the term of the Facility E, directly or indirectly, maintain at least 50% of the issued share capital of the Company.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 58.97%.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the management of the Group with reference to the qualifications, experience and performances of the employees. The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee and approved by the Board having regard to the Company’s operating results, individual performance and comparable market statistics.

## 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.



## OTHER INFORMATION (continued)

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to 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.



## **OTHER INFORMATION (continued)**

### **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 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.

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

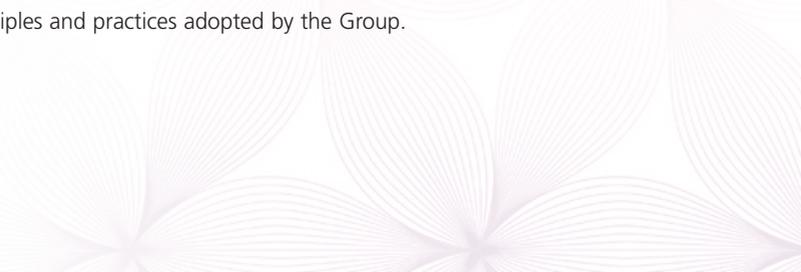
Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2021.

### **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 interim report for the six months ended 30 September 2021, including the accounting principles and practices adopted by the Group.



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 September 2021

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

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

For the six months ended 30 September 2021

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	56,456	57,411
Right-of-use assets		634	738
Intangible asset		91	104
		<b>57,181</b>	<b>58,253</b>
<b>Current assets</b>			
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
		<b>33,063</b>	<b>37,795</b>
<b>Current liabilities</b>			
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
		<b>47,197</b>	<b>45,116</b>
Net current liabilities		<b>(14,134)</b>	<b>(7,321)</b>
Total assets less current liabilities		<b>43,047</b>	<b>50,932</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2021

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Shareholders distribution reserve HK\$'000 (Note (c))	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020	5,200	62,111	19,520	694	-	(1,419)	2,538	(29,163)	59,481
Loss for the period	-	-	-	-	-	-	-	(16,489)	(16,489)
Other comprehensive income	-	-	-	584	26,028	-	-	-	26,612
Total comprehensive income (expense) for the period	-	-	-	584	26,028	-	-	(16,489)	10,123
At 30 September 2020	5,200	62,111	19,520	1,278	26,028	(1,419)	2,538	(45,652)	69,604
At 1 April 2021	5,200	62,111	19,520	3,068	26,951	(1,419)	2,538	(73,150)	44,819
Loss for the period	-	-	-	-	-	-	-	(7,537)	(7,537)
Other comprehensive expense	-	-	-	(141)	(52)	-	-	-	(193)
Total comprehensive expense for the period	-	-	-	(141)	(52)	-	-	(7,537)	(7,730)
At 30 September 2021	5,200	62,111	19,520	2,927	26,899	(1,419)	2,538	(80,687)	37,089

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2021

Notes:

- (a) Other reserve represents (i) the transfer of HK\$16,500,000 as a result of the transfer of the entire shareholding in Dong Guan HYG Garment Limited Company (“HYG”), one of the operating subsidiaries established in the People’s Republic of China (the “PRC”), from Mr. Chong Sik (“Mr. S Chong”) and Mr. Chong Pun (“Mr. P Chong”), the directors of the Company, in the previous year to KNT International Holdings Limited (“KNT Int’l”), a company incorporated in Hong Kong and wholly-owned by Mr. S Chong and Mr. P Chong, at nil consideration. HYG is then wholly-owned by KNT Int’l since the completion of transfer; and (ii) the transfer of HK\$3,020,000 as a result of the transfer of the entire shareholding in KNT Int’l and KNT, one of the operating subsidiaries incorporated in Hong Kong, from Mr. S Chong and Mr. P Chong in the previous year.
- (b) As stipulated by the relevant PRC laws and regulations, the subsidiary established in the PRC shall set aside 10% of its net profit to the statutory reserve. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary and by the relevant authority, to offset previous year’s losses or convert into additional capital of the PRC subsidiary.
- (c) The shareholders distribution reserve represents the share issue cost of the shares to be offered for sale by the shareholders of the Company, which was borne by the Group and deemed as shareholders’ distribution.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<b>(1,626)</b>	(2,184)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<b>(14)</b>	(18,236)
Bank interest received	<b>2</b>	46
Placement of pledged bank deposit	–	(2,000)
Withdrawal of pledged bank deposit	–	9,500
NET CASH USED IN INVESTING ACTIVITIES	<b>(12)</b>	(10,690)
FINANCING ACTIVITIES		
Advances from a controlling shareholder	<b>5,000</b>	–
New bank borrowings raised	<b>5,971</b>	29,403
Repayments of bank loans	<b>(9,522)</b>	(24,318)
Repayment to a controlling shareholder	<b>(741)</b>	–
Interest paid	<b>(573)</b>	(970)
Repayment of lease liabilities	<b>(112)</b>	(1,300)
NET CASH FROM FINANCING ACTIVITIES	<b>23</b>	2,815

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

For the six months ended 30 September 2021

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(1,615)</b>	(10,059)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>469</b>	32,715
Effect of foreign exchange rate changes	<b>10</b>	57
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<b>(1,136)</b>	22,713
Represented by:		
Bank balances and cash	<b>6,161</b>	36,538
Bank overdrafts	<b>(7,297)</b>	(13,825)
	<b>(1,136)</b>	22,713

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

### 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 are disclosed in this interim report.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 2. BASIS OF PREPARATION (continued)

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 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:

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

Note: Others include sales of fabrics and accessories.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 4. REVENUE AND SEGMENT INFORMATION (continued)

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (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/>

#### *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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 4. REVENUE AND SEGMENT INFORMATION (continued)

#### *Segment information (continued)*

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 5. FINANCE COSTS

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

### 6. INCOME TAX CREDIT

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 7. LOSS FOR THE PERIOD

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

### 8. DIVIDEND

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 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*

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

#### *Number of shares*

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

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 11. TRADE RECEIVABLES

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

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>4,360</b>	4,226

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 11. TRADE RECEIVABLES (continued)

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 HK\$'000 (unaudited)</b>	<b>As at 31 March 2021 HK\$'000 (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
	<hr/> <b>4,062</b> <hr/>	<hr/> 2,398 <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 13. BANK OVERDRAFTS AND LOANS

	<b>As at 30 September 2021 HK\$'000 (unaudited)</b>	As at 31 March 2021 HK\$'000 (audited)
Unsecured and guaranteed:		
Bank loans	<b>6,000</b>	5,000
	<b>6,000</b>	5,000
Secured and guaranteed:		
Bank overdrafts	<b>7,297</b>	7,983
Bank loans	<b>17,779</b>	22,330
	<b>25,076</b>	30,313
Total	<b>31,076</b>	35,313
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	<b>19,678</b>	20,478
More than one year but not more than two years	<b>3,871</b>	8,584
More than two years but not more than five years	<b>5,292</b>	5,440
More than five years	<b>2,235</b>	811
Amounts shown under current liabilities	<b>31,076</b>	35,313

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 13. BANK OVERDRAFTS AND LOANS (continued)

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>5.00% – 5.25%</b>	5.00% – 5.25%

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

### 14. SHARE CAPITAL

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

### 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 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Veromia Limited	Sales of garment products	1,060	1,675
	Purchases of samples	28	–
Mr. S Chong and Mr. P Chong	Rental expenses	N/A	N/A
	Interest expense on lease liabilities (Note)	–	37

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