

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1025)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2023

- Revenue was approximately HK\$71.7 million (2022: approximately HK\$80.0 million).
- Gross profit was approximately HK\$8.8 million (2022: approximately HK\$4.0 million).
- Loss for the year was approximately HK\$31.3 million (2022: approximately HK\$25.1 million).
- Basic and diluted loss per share was approximately HK3.7 cents (2022: HK3.9 cents)
- The Board does not recommend the payment of a final dividend (2022: nil).

* *For identification purpose only*

The board of directors (the “Board”) of KNT Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	71,667	79,978
Cost of sales		(62,860)	(75,996)
Gross profit		8,807	3,982
Other income		1,134	4,258
Other gains and losses, net		(461)	(1,215)
Selling and distribution expenses		(6,650)	(6,068)
Administrative expenses		(27,116)	(24,921)
Impairment loss on trade receivables under expected credit losses model, net		(7)	(7)
Impairment loss recognised in respect of property, plant and equipment		(1,858)	(19)
Finance costs		(897)	(1,063)
Share of results of associates		(4,089)	–
Loss before taxation		(31,137)	(25,053)
Income tax expense	5	(147)	(19)
Loss for the year	6	<u>(31,284)</u>	<u>(25,072)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic		<u>(3.7)</u>	<u>(3.9)</u>
Diluted		<u>(3.7)</u>	<u>(3.9)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(31,284)	(25,072)
Other comprehensive (expense) income for the year		
<i>Items that will not be reclassified to profit or loss:</i>		
– Net gain on revaluation of properties	198	1,356
– Deferred taxation relating to revaluation of properties	162	(42)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising on translation of foreign operation	<u>(626)</u>	<u>332</u>
Other comprehensive (expense) income for the year, net of tax	<u>(266)</u>	<u>1,646</u>
Total comprehensive expense for the year	<u>(31,550)</u>	<u>(23,426)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		As at 31 March	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		33,445	34,309
Investment properties		12,300	22,400
Right-of-use assets		323	530
Intangible asset		52	78
Interests in associates		2,311	–
Deposit paid for acquisition in an associate		–	3,000
		<u>48,431</u>	<u>60,317</u>
Current assets			
Inventories		6,416	9,403
Trade receivables	9	9,823	7,659
Deposits, prepayment and other receivables		34,734	2,860
Loan receivable		–	4,841
Amount due from an associate		11,547	–
Income tax recoverable		–	157
Pledged bank deposit		–	2,000
Bank balances and cash		3,155	58,426
		<u>65,675</u>	<u>85,346</u>
Current liabilities			
Trade payables	10	3,969	2,717
Other payables and accruals		6,844	5,121
Amounts due to directors		7,500	–
Contract liabilities		2,222	2,697
Lease liabilities		248	237
Bank loans	11(a)	9,260	19,163
Bank overdrafts	11(b)	5,962	5,668
		<u>36,005</u>	<u>35,603</u>
Net current assets		<u>29,670</u>	<u>49,743</u>
Total assets less current liabilities		<u>78,101</u>	<u>110,060</u>

		As at 31 March	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		43	291
Deferred tax liabilities		5,485	5,646
		<u>5,528</u>	<u>5,937</u>
Net assets		<u>72,573</u>	<u>104,123</u>
Capital and reserves			
Share capital	<i>12</i>	8,424	8,424
Reserves		64,149	95,699
		<u>72,573</u>	<u>104,123</u>
Total equity		<u>72,573</u>	<u>104,123</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of 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 are manufacturing and trading of garment products.

During the year ended 31 March 2022, the Group commenced the business of selling accessories and entered into new leases to lease certain properties in Hong Kong. The directors of the Company reassessed the Company’s functional currency and have determined that Hong Kong Dollars (“HK\$”) better reflects the economic substance of the Company as an investment holding company after considering the primary and additional factors provided in paragraph 10 and 11 of HKAS 21 “The Effects of Changes in Foreign Exchange Rates”. Accordingly, the functional currency of the Company was changed from United States Dollars (“US\$”) to HK\$. The change in functional currency of the Company was applied prospectively.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2022 for the preparation of the financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKAS 16	Property, plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendment to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 April 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 April 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of garment products recognised at a point in time		
Bridesmaid dresses	35,045	39,807
Bridal gowns	6,320	7,565
Special occasion dresses	13,471	8,297
Accessories	14,498	22,696
Others (<i>Note</i>)	2,333	1,613
	<hr/>	<hr/>
Total	71,667	79,978
	<hr/> <hr/>	<hr/> <hr/>

Note: Others include sales of fashion apparels, fabrics and other garment accessories.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Geographical markets		
United States of America	29,482	36,984
Hong Kong	19,106	24,716
Europe	12,673	10,701
United Kingdom	8,278	4,965
Australia	1,991	2,488
Others	137	124
	<hr/>	<hr/>
Total	71,667	79,978
	<hr/> <hr/>	<hr/> <hr/>

Segment information

The Group's operation is solely derived from manufacturing and trading of garment products during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Company) reviews revenue analysis by geographic location of customers, overall results and financial position of the Group as a whole based on same accounting policies. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. All non-current assets as at 31 March 2023 and 2022 were located in Hong Kong and the non-current asset located in the PRC had been fully impaired.

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 year are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	14,498	N/A*
Customer B	11,107	18,891
Customer C	7,693	N/A*
Customer D	N/A*	8,986
Customer E	N/A*	18,868
	<u> </u>	<u> </u>

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

5. INCOME TAX EXPENSE

Income tax expense relating to operations has been recognised in profit or loss as following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Under provisions in prior years		
– PRC Enterprise Income Tax	146	–
Deferred tax charge	<u>1</u>	<u>19</u>
Income tax expense	<u>147</u>	<u>19</u>

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided in the consolidated financial statements as the subsidiaries of the Group operating in Hong Kong have no assessable profits for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No PRC Enterprise Income Tax has been provided in the consolidated financial statements as the PRC subsidiaries of the Group have no assessable profits for both years.

6. LOSS FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Directors' emoluments	5,600	4,058
Other staff costs:		
– Salaries and other allowances	26,175	25,682
– Retirement benefits scheme contributions	<u>2,198</u>	<u>2,501</u>
Total staff costs	33,973	32,241
<i>Less: Amount capitalised in inventories</i>	<u>(13,926)</u>	<u>(14,444)</u>
	20,047	17,797
Depreciation of right-of-use assets	1,147	1,860
Depreciation of property, plant and equipment	<u>1,593</u>	<u>1,460</u>
	2,740	3,320
<i>Less: Amount capitalised in inventories</i>	<u>(871)</u>	<u>(1,533)</u>
	1,869	1,787
Auditor's remuneration	840	1,159
Amortisation of intangible asset	26	26
Cost of inventories recognised as cost of sales (including reversal of write down of inventories of HK\$1,499,000 (2022: write down of inventories of HK\$8,008,000))	<u><u>62,860</u></u>	<u><u>75,996</u></u>

7. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(31,284)</u>	<u>(25,072)</u>

	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>842,433</u>	<u>646,612</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 March 2022 has been adjusted retrospectively to reflect the impact of the rights issue on 24 February 2022.

The effects of potential dilution of the private placement and rights issue for the year ended 31 March 2022 were not considered in calculating the diluted loss per share for year ended 31 March 2022 because they are antidilutive.

No diluted loss per share was presented for the year ended 31 March 2023 as there were no potential ordinary shares in issue during the year ended 31 March 2023.

9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from third parties	7,742	4,848
Trade receivables from a related company	<u>2,098</u>	<u>2,821</u>
	9,840	7,669
<i>Less: Loss allowance</i>	<u>(17)</u>	<u>(10)</u>
	<u>9,823</u>	<u>7,659</u>

Trade receivables from third parties

The following is an ageing analysis of trade receivables from third parties (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	5,039	3,684
31 – 60 days	2,548	255
61 – 90 days	67	434
91 – 180 days	10	464
181 – 365 days	49	1
Over 365 days	12	–
	<u>7,725</u>	<u>4,838</u>

Trade receivables from a related company

The following is an ageing analysis presented based on the invoice dates, which are approximate to the dates of delivery of goods on which revenue was recognised, at the end of the reporting period:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	427	295
31 – 60 days	8	159
61 – 90 days	223	1,825
91 – 180 days	1,440	123
181 – 365 days	–	419
Over 365 days	–	–
	<u>2,098</u>	<u>2,821</u>

10. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	2,558	2,189
31 – 60 days	1,033	363
61 – 90 days	214	146
91 – 180 days	159	4
Over 365 days	5	15
	<u>3,969</u>	<u>2,717</u>

11. BANK LOANS AND OVERDRAFTS

(a) Bank loans

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unsecured and guaranteed:		
Bank loans	5,025	5,811
Secured and guaranteed:		
Bank loans	<u>4,235</u>	<u>13,352</u>
Total	<u><u>9,260</u></u>	<u><u>19,163</u></u>
Carrying amounts of bank loans which are based on scheduled repayment dates set out in the loan agreements and classified as current due to repayment on demand clause:		
Within one year	2,560	10,793
More than one year but not more than two years	1,734	1,698
More than two years but not more than five years	4,543	5,284
More than five years	<u>423</u>	<u>1,388</u>
Amounts shown under current liabilities	<u><u>9,260</u></u>	<u><u>19,163</u></u>

The variable-rate bank loans bear interest at Hong Kong Prime Rate minus a spread, bank's standard bills rate and HIBOR plus a spread per annum. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank loans are 2.875% – 8.530% (2022: 1.63% – 5.00%).

(b) Bank overdrafts

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Secured and guaranteed:		
Bank overdrafts	<u><u>5,962</u></u>	<u><u>5,668</u></u>

The variable-rate bank overdrafts bear interest at Hong Kong Prime Rate per annum. The effective interest rate (which is also equal to contracted interest rate) on the Group's variable-rate bank overdrafts was 6.38% (2022: ranged from 5.25%).

12. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2021	520,000,000	5,200
Placing of shares (<i>note (a)</i>)	104,000,000	1,040
Issue of shares upon rights issue (<i>note (b)</i>)	<u>218,432,607</u>	<u>2,184</u>
At 31 March 2022 and 31 March 2023	<u>842,432,607</u>	<u>8,424</u>

Notes:

- (a) On 30 September 2021, agreements were made for private placement to independent private investors of 104,000,000 ordinary shares of HK\$0.25 each representing a discount of approximately 16.67% to the closing market price of the Company's ordinary shares on 30 September 2021. The private placement was completed on 20 October 2021.

The new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 20 August 2021. The private placement is not subject to shareholder's approval and not proportion to shareholding. Total net proceeds of approximately HK\$25,348,000 were raised after deducting the transaction costs attributable to issue of new shares which rank pari passu with other shares in issue in all respects.

- (b) On 24 February 2022, the Company issued 218,432,607 shares by way of rights issue on the basis of one right shares for every two existing ordinary shares held by the shareholders at a subscription price of HK\$0.275 per share representing a discount of approximately 15.4% to the closing market price of the Company's ordinary shares on 17 December 2021. The net proceeds from the rights issue were approximately HK\$57,382,000 after deducting the transaction costs attributable to issue of new shares.

There was no movement of the Company's share capital during the year ended 31 March 2023.

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 products 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. In addition, the Group commenced the business of selling accessories during the year ended 31 March 2022.

The Group recorded revenue of approximately HK\$71.7 million for the year ended 31 March 2023, representing a decrease of approximately 10.4% as compared to that of approximately HK\$80.0 million for the year ended 31 March 2022. Revenue from the United States accounted for approximately 46.2% and 39.7% of the total revenue of the Group for the year ended 31 March 2022 and 2023 respectively. The gross profit margin increased from 5.0% for the year ended 31 March 2022 to 12.3% for the year ended 31 March 2023. Loss for the year amounted to approximately HK\$25.1 million and approximately HK\$31.3 million for the years ended 31 March 2022 and 2023 respectively.

During the year ended 31 March 2023, 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.

In addition, due to the outbreak of the novel coronavirus disease (COVID-19) since beginning of 2020, it has brought significant disruption to the global economy and caused adverse impact to the business environment of the Group.

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 would 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 throughout the year 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, accessories, fashion apparels and fabrics and other garment accessories.

Revenue decreased by approximately HK\$8.3 million or approximately 10.4% from approximately HK\$80.0 million for the year ended 31 March 2022 to approximately HK\$71.7 million for the year ended 31 March 2023. The overall decrease in revenue was primarily attributable to the net effect of the decrease in revenue generated from the sale of accessories of approximately HK\$8.2 million, the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK\$4.8 million and the increase in revenue generated from 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\$39.8 million for the year ended 31 March 2022 to approximately HK\$35.0 million for the year ended 31 March 2023 was primarily a result of the aggregate effect of the decrease in sales quantity from 121.7 thousand units for the year ended 31 March 2022 to 113.7 thousand units for the year ended 31 March 2023 and the decrease in average selling prices of bridesmaid dresses from HK\$327 for the year ended 31 March 2022 to HK\$308 for the year ended 31 March 2023. 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.

The increase in revenue generated from the sale of special occasion dresses from approximately HK\$8.3 million for the year ended 31 March 2022 to approximately HK\$13.5 million for the year ended 31 March 2023 was primarily as a result of the increase in sales quantity from 13.3 thousand units for the year ended 31 March 2022 to 23.1 thousand units for the year ended 31 March 2023.

The significant increase in sales quantity of special occasion dresses was attributable to the increase in orders placed by our existing customer in the United Kingdom upon the ease of the impact of the epidemic gradually for the year ended 31 March 2023.

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\$13.1 million or approximately 17.2% from approximately HK\$76.0 million for the year ended 31 March 2022 to approximately HK\$62.9 million for the year ended 31 March 2023. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$8.8 million for the year ended 31 March 2023 and a gross profit of approximately HK\$4.0 million for the year ended 31 March 2022. Gross profit margin was 12.3% for the year ended 31 March 2023 and gross profit margin was 5.0% for the year ended 31 March 2022. The gross profit was mainly attributable to the decrease in write down of inventories for the year ended 31 March 2023 compared to that of last year.

Other income

Other income decreased by approximately HK\$3.1 million or approximately 73.8% from approximately HK\$4.2 million for the year ended 31 March 2022 to approximately HK\$1.1 million for the year ended 31 March 2023. The decrease was mainly attributable to the government grants of approximately HK\$1.6 million in respect of dedicated fund on branding, upgrading and domestic sales launched by the Hong Kong government, recovery of debts previously written off of approximately HK\$0.9 million and forfeiture of deposit of HK\$0.5 million upon the cancellation the purchase of properties by the purchaser during the year ended 31 March 2022.

Other gains and losses, net

Other losses represented change in fair value of investment properties and loss on disposal of an investment property net of net exchange gains for the year ended 31 March 2023 while other losses represented net exchange loss and change in fair value of investment properties for the year ended 31 March 2022. The decrease in losses was mainly attributable to the increase in exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2023.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$0.6 million or approximately 9.8% from approximately HK\$6.1 million for the year ended 31 March 2022 to approximately HK\$6.7 million for the year ended 31 March 2023. The increase was mainly attributable to the increase in advertising and promotion expenses and the increase in staff costs.

Administrative expenses

Administrative expenses increased by approximately HK\$2.2 million or approximately 8.8% from approximately HK\$24.9 million for the year ended 31 March 2022 to approximately HK\$27.1 million for the year ended 31 March 2023. The increase was mainly attributable to the increase in staff costs and rental expenses.

Finance costs

Finance costs decreased by approximately HK\$0.2 million or 18.2% from approximately HK\$1.1 million for the year ended 31 March 2022 to approximately HK\$0.9 million for the year ended 31 March 2023. The decrease was mainly attributable to the decrease in the average bank borrowings during the year ended 31 March 2023.

Income tax expense

Income tax expense for the year ended 31 March 2023 mainly represented the under-provision of taxation in prior years and the temporary differences arising from depreciation.

Loss for the year

The Group recorded a loss of approximately HK\$31.3 million for the year ended 31 March 2023 and a loss of approximately HK\$25.1 million for the year ended 31 March 2022. The increase in loss was primarily attributable to (i) the increase in administrative expenses of the Group; (ii) the increase in impairment loss recognised in respect of property, plant and equipment; and (iii) the increase in share of losses of associates.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023.

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\$8.4 million and the number of issued ordinary shares was 842,432,607 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 31 March 2023, the Group had bank balances and cash of approximately HK\$3.2 million net of bank overdrafts of approximately HK\$6.0 million (31 March 2022: approximately HK\$58.4 million net of bank overdrafts of approximately HK\$5.7 million) and had net current assets of approximately HK\$29.7 million (31 March 2022: HK\$49.7 million).

The current ratio of the Group was approximately 1.8 times as at 31 March 2023, compared to that of approximately 2.4 times as at 31 March 2022. The current ratio decreased was mainly attributable to the decrease in cash and cash equivalents and the decrease in bank loans.

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 21.0% as at 31 March 2023 (31 March 2022: 23.8%). The gearing ratio decreased was mainly attributable to the decrease in bank loans as at 31 March 2023 and the increase in loss which led to decrease in total equity compared to that of 31 March 2022.

Pledge of assets

As at 31 March 2023, the Group pledged leasehold land and buildings with carrying value of approximately HK\$31.1 million (31 March 2022: approximately HK\$32.3 million), investment properties with carrying value of nil (31 March 2022: HK\$22.4 million) and bank deposit of nil (31 March 2022: 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 Hong Kong 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 year ended 31 March 2023, the Company completed its capital injection in acquiring of 40% of equity interests in Vantage Zone Investments Limited (“Vantage Zone”) at a consideration of HK\$4,000,000. Vantage Zone was a company incorporated in the BVI with limited liability. Vantage Zone and its subsidiaries (the “Vantage Zone Group”) are mainly engaged in the operation of restaurants in Hong Kong. The directors of the Company consider that the capital injection to Vantage Zone enables the Group to expand its business in the operation of restaurants in Hong Kong.

During the year ended 31 March 2023, the Company established Green Path Enterprises Limited (“Green Path”) and owns 40% shareholder of Green Path. Green Path was a company incorporated in the BVI with limited liability. Green Path and its subsidiaries (the “Green Path Group”) are mainly engaged in the operation of pharmacy shops in Hong Kong. The directors of the Company consider that, the establishment of Green Path enables the Group to expand its business in the operation of pharmacy shops in Hong Kong.

Save for the above acquisitions and as disclosed elsewhere in this announcement, there were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2023.

Significant investments held

Save as disclosed elsewhere in this announcement, as at 31 March 2023, the Group had no significant investments held (31 March 2022: nil).

Events after the reporting period

Lease modification

On 1 April 2023, the Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year with total future gross undiscounted lease payments of approximately HK\$2,917,000.

Placing of new shares under general mandate

On 27 June 2023, the Company entered into the placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agents on a best effort basis, up to 168,000,000 ordinance shares (the “Placing Shares”) at placing price of HK\$0.38 per Placing Share to not less than six placees who and whose beneficial owners shall be independent third parties (the “Placing”). The Placing Shares will be allotted and issued pursuant to the general mandate.

It is expected that the maximum gross proceeds and maximum net proceeds from the Placing will be HK\$63.84 million and approximately HK\$62.00 million, respectively. The net proceeds from the Placing are intended to be utilized as general working capital of the Group.

Employees and remuneration policy

As at 31 March 2023, the Group had 246 employees (31 March 2022: 262 employees). The total staff costs, including directors’ emoluments, of the Group for the year ended 31 March 2023 were approximately HK\$34.0 million (2022: approximately HK\$32.2 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 31 March 2023, the Group did not have any material capital commitment (31 March 2022: nil).

Contingent liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities (31 March 2022: nil).

Use of net proceeds

(I) Use of net proceeds from the Listing

The net proceeds from 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 31 March 2023, the Group has utilised approximately HK\$56.9 million, representing approximately 100%, 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 7 July 2022, the Board resolved to change the use of the revised unutilised Net Proceeds in the amount of HK\$9.1 million to working capital and general corporate purposes.

Intended use of Net Proceeds	Actual amount of Net Proceeds as at 31 March 2022 <i>HK\$ million</i>	Reallocation as at 7 July 2022 <i>HK\$ million</i>	Actual amount utilised as at 31 March 2023 <i>HK\$ million</i>	Amount of Unutilised Net Proceeds as at 31 March 2023 <i>HK\$ million</i>	Expected timeline for the intended use
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	(9.1)	13.0	–	N/A
Repayment of bank borrowings	16.8	–	16.8	–	N/A
Development of online business platform	3.7	–	3.7	–	N/A
Working capital and general corporate purposes	14.3	9.1	23.4	–	N/A
	<u>56.9</u>	<u>–</u>	<u>56.9</u>	<u>–</u>	

(II) Use of net proceeds from the Rights Issue

On 24 February 2022, the Company completed a rights issue at a price of HK\$0.275 per rights share on the basis of one rights share for every two existing shares held by the qualifying shareholders on the record date (the “Rights Issue”). Details of the Rights Issue were set out in the Company’s announcements dated 20 December 2021, 12 January 2022, 14 January 2022, 11 February 2022 and 23 February 2022 and the Company’s prospectus dated 20 January 2022.

The net proceeds from the Rights Issue, after deducting all related costs, fees, expenses and commission, were approximately HK\$57.4 million which would be apply for general working capital of the Group and development of outlet business.

As at 31 March 2023, the Group has utilised approximately HK\$57.4 million, representing 100%, of the net proceeds from the Rights Issue.

Intended use	Actual amount of net proceeds from the Rights Issue <i>HK\$ million</i>	Actual amount of utilised net proceeds from the Rights Issue as at 31 March 2023 <i>HK\$ million</i>	Amount of unutilised net proceeds from the Rights Issue as at 31 March 2023 <i>HK\$ million</i>	Expected timeline for the intended use
General working capital of the Group	34.5	34.5	–	N/A
Development of outlet business	22.9	22.9	–	N/A
Total	<u>57.4</u>	<u>57.4</u>	<u>–</u>	

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 year.

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) of the Company will be held on Friday, 18 August 2023. The notice of AGM will be sent to the shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT AGM

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 August 2023.

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 (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the year ended 31 March 2023, the Company has complied with the code provisions set out in the CG Code, except for code provision C.2.1.

Code provision C.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 throughout the year.

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 audited consolidated financial results of the Group for the year ended 31 March 2023, including the accounting principles and practices adopted by the Group, and discussed matters relating to auditing, risk management and internal control and financial reporting.

SCOPE OF WORK OF YONGTUO FUSON CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Yongtuo Fuson CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Yongtuo Fuson CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Yongtuo Fuson CPA Limited on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for the year ended 31 March 2023 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 June 2023

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 Dr. Dong Bin; 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.