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KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1025)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2024

- Revenue was approximately HK\$54.3 million (2023: approximately HK\$71.7 million).
- Gross profit was approximately HK\$7.5 million (2023: approximately HK\$8.8 million).
- Loss for the year was approximately HK\$24.4 million (2023: approximately HK\$31.3 million).
- Basic and diluted loss per share was approximately HK2.9 cents (2023: HK3.7 cents)
- The Board does not recommend the payment of a final dividend (2023: 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 2024, together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	54,312	71,667
Cost of sales		(46,862)	(62,860)
Gross profit		7,450	8,807
Other income		424	1,134
Other gains and losses, net		(649)	(461)
Selling and distribution expenses		(5,592)	(6,650)
Administrative expenses		(22,485)	(27,116)
Impairment loss reversed (recognised) in respect of trade receivables, net		6	(7)
Impairment loss recognised in respect of property, plant and equipment		(56)	(1,858)
Finance costs		(1,230)	(897)
Share of results of associates		(2,311)	(4,089)
Loss before taxation		(24,443)	(31,137)
Income tax expense	5	(1)	(147)
Loss for the year	6	(24,444)	(31,284)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic		(2.9)	(3.7)
Diluted		(2.9)	(3.7)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year	6	<u>(24,444)</u>	<u>(31,284)</u>
Other comprehensive (expense) income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
– Net (loss) gain on revaluation of properties		(2,094)	198
– Deferred taxation relating to revaluation of properties		541	162
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operation		<u>(45)</u>	<u>(626)</u>
Other comprehensive expense for the year, net of tax		<u>(1,598)</u>	<u>(266)</u>
Total comprehensive expense for the year		<u>(26,042)</u>	<u>(31,550)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		29,604	33,445
Investment properties		11,200	12,300
Right-of-use assets		115	323
Intangible asset		26	52
Interests in associates		–	2,311
		40,945	48,431
Current assets			
Inventories		9,340	6,416
Trade receivables	<i>9</i>	7,121	9,823
Deposits, prepayments and other receivables		36,699	34,734
Amount due from an associate		11,597	11,547
Bank balances and cash		4,432	3,155
		69,189	65,675
Current liabilities			
Trade payables	<i>10</i>	3,817	3,969
Other payables and accruals		10,534	6,844
Amounts due to directors		17,077	7,500
Contract liabilities		4,712	2,222
Lease liabilities		43	248
Borrowings	<i>11(a)</i>	16,599	9,260
Bank overdrafts	<i>11(b)</i>	5,876	5,962
		58,658	36,005
Net current assets		10,531	29,670
Total assets less current liabilities		51,476	78,101

		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		–	43
Deferred tax liabilities		<u>4,945</u>	<u>5,485</u>
		<u>4,945</u>	<u>5,528</u>
Net assets		<u>46,531</u>	<u>72,573</u>
Capital and reserves			
Share capital	<i>12</i>	8,424	8,424
Reserves		<u>38,107</u>	<u>64,149</u>
Total equity		<u>46,531</u>	<u>72,573</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.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

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

New and 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 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, 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.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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 on 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.

An analysis of revenue from operations is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of garment products recognised at a point in time		
Bridesmaid dresses	25,233	35,045
Bridal gowns	4,285	6,320
Special occasion dresses	9,749	13,471
Accessories	11,002	14,498
Others (<i>note</i>)	4,043	2,333
	<hr/>	<hr/>
Total	54,312	71,667
	<hr/> <hr/>	<hr/> <hr/>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Geographical markets		
United States of America	22,548	29,482
Hong Kong	19,689	19,106
Europe	5,078	12,673
United Kingdom	5,489	8,278
Australia	1,508	1,991
Others	–	137
	<hr/>	<hr/>
Total	54,312	71,667
	<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 2024 and 2023 were located in Hong Kong and the non-current assets 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	11,002	14,498
Customer B	N/A*	11,107
Customer C	N/A*	7,693
Customer D	<u>6,772</u>	<u>N/A*</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 follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Under provisions in prior years		
– PRC Enterprise Income Tax	–	146
Deferred tax charge	<u>1</u>	<u>1</u>
Income tax expense	<u>1</u>	<u>147</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	3,309	5,600
Other staff costs:		
– Salaries and other allowances	20,746	26,175
– Retirement benefits scheme contributions	<u>2,263</u>	<u>2,198</u>
Total staff costs	26,318	33,973
Less: Amount capitalised in inventories	<u>(12,146)</u>	<u>(13,926)</u>
	<u><u>14,172</u></u>	<u><u>20,047</u></u>
Depreciation of right-of-use assets	2,753	1,146
Depreciation of property, plant and equipment	<u>1,425</u>	<u>1,593</u>
	4,178	2,739
Less: Amount capitalised in inventories	<u>(2,261)</u>	<u>(871)</u>
	<u><u>1,917</u></u>	<u><u>1,868</u></u>
Auditor's remuneration	1,000	840
Amortisation of intangible asset	26	26
Cost of inventories recognised as cost of sales (including write down of inventories of HK\$1,319,000 (2023: reversal of write down of inventories of HK\$1,499,000))	<u><u>46,862</u></u>	<u><u>62,860</u></u>

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2024 and 2023, 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 the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <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>(24,444)</u>	<u>(31,284)</u>
	2024 <i>'000</i>	2023 <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>842,433</u>

No diluted loss per share was presented for the years ended 31 March 2024 and 2023 as there were no potential ordinary shares in issue during both years.

9. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables from third parties	4,618	7,742
Trade receivables from a related company	<u>2,514</u>	<u>2,098</u>
	7,132	9,840
<i>Less: Loss allowance</i>	<u>(11)</u>	<u>(17)</u>
	<u>7,121</u>	<u>9,823</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	3,028	5,039
31 – 60 days	607	2,548
61 – 90 days	972	67
91 – 180 days	–	10
181 – 365 days	–	49
Over 365 days	–	12
	<u>4,607</u>	<u>7,725</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	384	427
31 – 60 days	17	8
61 – 90 days	1,734	223
91 – 180 days	379	1,440
	<u>2,514</u>	<u>2,098</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	2,395	2,558
31 – 60 days	769	1,033
61 – 90 days	484	214
91 – 180 days	161	159
181 – 365 days	3	–
Over 365 days	5	5
	<u>3,817</u>	<u>3,969</u>

11. BORROWINGS AND BANK OVERDRAFTS

(a) Borrowings

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Unsecured and guaranteed:		
Bank loans	4,170	5,025
Secured and guaranteed:		
Bank loans	6,929	4,235
Other loan	5,500	–
Total	<u>16,599</u>	<u>9,260</u>
 Carrying amounts of borrowings 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	11,625	2,560
More than one year but not more than two years	1,788	1,734
More than two years but not more than five years	3,146	4,543
More than five years	40	423
Amounts shown under current liabilities	<u>16,599</u>	<u>9,260</u>

The bank loans carry variable interest rates ranging from 3.000% - 8.300% (2023: 2.875% - 8.530%). As at 31 March 2024, the Group's other loan from a third party carries interest at 12.25% per annum.

(b) **Bank overdrafts**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Secured and guaranteed:		
Bank overdrafts	<u>5,876</u>	<u>5,962</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 8.08% (2023: 6.38%).

As at 31 March 2024 and 2023, 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 Mr. S Chong and Mr. P Chong, details of which are set out as follows:

- (i) Corporate guarantee from the Company; and
- (ii) Leasehold land and buildings of the Group.

12. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2022, 31 March 2023 and 31 March 2024	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2022, 31 March 2023 and 31 March 2024	<u>842,432,607</u>	<u>8,424</u>

There was no movement of the Company's share capital during the years ended 31 March 2024 and 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 engaged in online business for the sale of fashion apparels; and the business of selling accessories.

The Group recorded revenue of approximately HK\$54.3 million for the year ended 31 March 2024, representing a decrease of approximately 24.3% as compared to that of approximately HK\$71.7 million for the year ended 31 March 2023. Revenue from the United States accounted for approximately 41.1% and 41.4% of the total revenue of the Group for the year ended 31 March 2023 and 2024 respectively. The gross profit margin increased from 12.3% for the year ended 31 March 2023 to 13.8% for the year ended 31 March 2024. Loss for the year amounted to approximately HK\$31.3 million and approximately HK\$24.4 million for the years ended 31 March 2023 and 2024 respectively.

During the year ended 31 March 2024, 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, the outbreak of the novel coronavirus disease (COVID-19) in past three years 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\$17.4 million or approximately 24.3% from approximately HK\$71.7 million for the year ended 31 March 2023 to approximately HK\$54.3 million for the year ended 31 March 2024. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK\$9.8 million, the decrease in revenue generated from the sale of special occasion dresses of approximately HK\$3.8 million, and the decrease in revenue generated from the sale of accessories of approximately HK\$3.5 million.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK\$35.0 million for the year ended 31 March 2023 to approximately HK\$25.2 million for the year ended 31 March 2024 was primarily a result of the aggregate effect of the decrease in sales quantity from 113.7 thousand units for the year ended 31 March 2023 to 97.9 thousand units for the year ended 31 March 2024 and the decrease in average selling prices of bridesmaid dresses from HK\$308 for the year ended 31 March 2023 to HK\$258 for the year ended 31 March 2024.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK\$13.5 million for the year ended 31 March 2023 to approximately HK\$9.7 million for the year ended 31 March 2024 was primarily as a result of the decrease in sales quantity from 23.1 thousand units for the year ended 31 March 2023 to 15.3 thousand units for the year ended 31 March 2024.

The decrease in sales quantity of bridesmaid dresses and special occasion dresses was attributable to fewer orders from customers which facing keen competition.

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\$16.0 million or approximately 25.4% from approximately HK\$62.9 million for the year ended 31 March 2023 to approximately HK\$46.9 million for the year ended 31 March 2024. 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\$7.5 million for the year ended 31 March 2024 and a gross profit of approximately HK\$8.8 million for the year ended 31 March 2023. Gross profit margin was 13.8% for the year ended 31 March 2024 and gross profit margin was 12.3% for the year ended 31 March 2023. The decrease in gross profit was mainly attributable to the decrease in revenue for the year ended 31 March 2024 compared to that of last year.

Other income

Other income decreased by approximately HK\$0.7 million or approximately 63.6% from approximately HK\$1.1 million for the year ended 31 March 2023 to approximately HK\$0.4 million for the year ended 31 March 2024. The decrease was mainly attributable to the decrease in government grants, rental income and interest income from loan receivable during the year ended 31 March 2024.

Other gains and losses, net

Other losses represented change in fair value of investment properties and loss on disposal of property, plant and equipment net of net exchange gains for the year ended 31 March 2024 while other losses represented change in fair value of investment properties and loss on disposal of an investment property net of exchange gains for the year ended 31 March 2023. The increase in losses was mainly attributable to the decrease in exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2024.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$1.1 million or approximately 16.4% from approximately HK\$6.7 million for the year ended 31 March 2023 to approximately HK\$5.6 million for the year ended 31 March 2024. The decrease was mainly attributable to the decrease in staff costs and transportation costs net of the increase in advertising and promotion expenses.

Administrative expenses

Administrative expenses decreased by approximately HK\$4.6 million or approximately 17.0% from approximately HK\$27.1 million for the year ended 31 March 2023 to approximately HK\$22.5 million for the year ended 31 March 2024. The decrease was mainly attributable to the decrease in staff costs.

Finance costs

Finance costs increased by approximately HK\$0.3 million or 33.3% from approximately HK\$0.9 million for the year ended 31 March 2023 to approximately HK\$1.2 million for the year ended 31 March 2024. The increase was mainly attributable to the increase in the borrowings during the year ended 31 March 2024.

Income tax expense

Income tax expense for the year ended 31 March 2024 represented the temporary differences arising from depreciation.

Loss for the year

The Group recorded a loss of approximately HK\$24.4 million for the year ended 31 March 2024 and a loss of approximately HK\$31.3 million for the year ended 31 March 2023. The decrease in loss was primarily attributable to (i) the decrease in administrative expenses and selling and distribution expenses of the Group; (ii) the decrease in impairment loss recognised in respect of property, plant and equipment; and (iii) the decrease in share of losses of associates.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024.

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 2024, the Group had bank balances and cash of approximately HK\$4.4 million and bank overdrafts of approximately HK\$5.9 million (31 March 2023: approximately HK\$3.2 million and bank overdrafts of approximately HK\$6.0 million) and had net current assets of approximately HK\$10.5 million (31 March 2023: HK\$29.7 million).

The current ratio of the Group was approximately 1.2 times as at 31 March 2024, compared to that of approximately 1.8 times as at 31 March 2023. The current ratio decreased was mainly attributable to the increase in other payables and accruals, amounts due to directors and borrowings.

The gearing ratio of the Group, which is calculated by dividing the total borrowings by the total equity and then multiplied by 100%, was 48.3% as at 31 March 2024 (31 March 2023: 21.0%). The gearing ratio increased was mainly attributable to the increase in borrowings as at 31 March 2024 and the increase in loss which led to decrease in total equity compared to that of 31 March 2023.

Pledge of assets

As at 31 March 2024, the Group pledged leasehold land and buildings with carrying value of approximately HK\$27.8 million (31 March 2023: approximately HK\$31.1 million) and investment properties with carrying value of HK\$11.2 million (31 March 2023: nil) to secure certain banking facilities and other loan granted to the Group respectively.

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 2024, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

Save as disclosed elsewhere in this announcement, as at 31 March 2024, the Group had no significant investments held (31 March 2023: nil).

Events after the reporting period

Lease modification

On 1 April 2024, 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 gross undiscounted lease payment of approximately HK\$2,734,000.

Subscription of new shares under general mandate

Subsequent to 31 March 2024, on 23 May 2024, the Company entered into the subscription agreement with a subscriber (the “Subscriber”), pursuant to which, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 168,480,000 subscription shares (the “Subscription Share”) at the subscription price of HK\$0.1 per Subscription Share. On 21 June 2024 and 26 June 2024, the Company and the Subscriber agreed in writing to extend the completion date of subscription to 26 June 2024 and no later than 12 July 2024, respectively. Details of which are disclosed in the announcements of the Company dated 23 May 2024, 21 June 2024 and 26 June 2024 respectively.

Employees and remuneration policy

As at 31 March 2024, the Group had 227 employees (31 March 2023: 246 employees). The total staff costs, including directors’ emoluments, of the Group for the year ended 31 March 2024 were approximately HK\$26.3 million (2023: approximately HK\$34.0 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 2024, the Group did not have any material capital commitment (31 March 2023: nil).

Contingent liabilities

As at 31 March 2024, the Group did not have any material contingent liabilities (31 March 2023: nil).

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 (the “AGM”) of the Company will be held on Monday, 26 August 2024. 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 Wednesday, 21 August 2024 to Monday, 26 August 2024, 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 Tuesday, 20 August 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 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 2024, 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 C3 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 C1 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 2024, 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 CL PARTNERS 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 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, CL Partners CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CL Partners 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 CL Partners 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 2024 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, 28 June 2024

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.