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 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2019

- Revenue was approximately HK$225.6 million (2018: approximately HK$208.4 million).
- Gross profit was approximately HK$65.3 million (2018: approximately HK$58.0 million).
- Profit for the year was approximately HK$12.2 million (2018: approximately HK$23.8 million).
- Excluding the one-off listing expenses, profit for the year was approximately HK$32.8 million (2018: approximately HK$31.9 million).
- Basic earnings per share was approximately HK2.9 cents (2018: approximately HK5.7 cents)
- Proposed final dividend is HK3.8 cents per share (2018: 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 (the "Group") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**225,580**	208,403
Cost of sales		**(160,312)**	(150,408)
Gross profit		**65,268**	57,995
Other income		**173**	68
Other gains and losses		**(383)**	1,020
Administrative expenses		**(22,785)**	(18,685)
Listing expense		**(20,684)**	(8,080)
Finance costs		**(2,079)**	(1,806)
Profit before taxation		**19,510**	30,512
Income tax expense	*5*	**(7,346)**	(6,695)
Profit for the year	*6*	**12,164**	23,817
Earnings per share	*8*		
Basic *(HK cents)*		**2.9**	5.7
Diluted *(HK cents)*		**2.9**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**12,164**	23,817
Other comprehensive (expense) income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	**(2,100)**	2,930
Total comprehensive income for the year	**10,064**	26,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		As at 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**8,239**	8,029
Intangible asset		**156**	182
		8,395	8,211
Current assets			
Inventories		**43,850**	36,172
Trade receivables	*9*	**19,300**	20,762
Prepayment, deposits and other receivables		**1,259**	5,838
Amount due from a related company		**911**	1,328
Amounts due from directors		**–**	30,525
Bank balances and cash		**97,235**	21,622
		162,555	116,247
Current liabilities			
Trade payables	*10*	**2,852**	7,793
Other payables and accruals		**8,693**	7,972
Contract liabilities		**3,153**	6,957
Income tax payable		**1,872**	3,225
Bank borrowings	*11*	**25,672**	56,816
		42,242	82,763
Net current assets		**120,313**	33,484
Total assets less current liabilities		**128,708**	41,695

		As at 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Deferred tax liabilities		**417**	440
Net assets		**128,291**	41,255
Capital and reserves			
Share capital	*12*	**5,200**	–*
Reserves		**123,091**	41,255
Total equity		**128,291**	41,255

* *amount less than HK$1,000*

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 February 2019. 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 Group is manufacturing and trading garment.

Prior to the listing of the Group's shares on the Stock Exchange (the "Listing"), the Company was 60.5% owned by Strategic Elite Limited, a limited company incorporated in the British Virgin Islands (the "BVI") and wholly owned by Mr. Chong Sik ("Mr. S Chong"), and 39.5% owned by Total Clarity Investments Limited, a limited company incorporated in the BVI and wholly owned by Mr. Chong Pun ("Mr. P Chong"). Mr. P Chong and Mr. S Chong (collectively referred to as "Controlling Shareholders") are brothers and they are acting in concert, historically and throughout the year ended 31 March 2018 on their ownerships and exercise their control collectively over the companies now comprising the Group in respect of all the relevant business activities of these companies.

The 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 Group considered that selecting HK$ as its presentation currency is more beneficial for the users of the consolidated financial statements as the Company's shares are listed on the Stock Exchange.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparation of the Listing, the companies comprising the Group underwent the reorganisation (the "Reorganisation").

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 27 October 2017. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the year ended 31 March 2018 or since their respective dates of incorporation, where there is a shorter period.

Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2018 include the results, changes in equity and cash flows of the companies now comprising the Group, as if the current group structure had been in existence throughout the year ended 31 March 2018, or since their respective dates of the incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the accounting period beginning on 1 April 2018 for both current and prior years, except that the Group adopted HKFRS 9 "Financial Instruments" from 1 April 2018. The accounting policies for financial instruments under HKFRS 9 are set out below.

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets and other items; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 Apil 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

New and amendments to HKFRSs in issue but not effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and 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.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

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

	2019	2018
	HK$'000	*HK$'000*
Sales of garment products recognised at a point in time		
Bridesmaid dresses	**114,697**	129,827
Bridal gowns	**6,939**	4,842
Special occasion dresses	**99,778**	69,108
Others *(Note)*	**4,166**	4,626
Total	**225,580**	208,403

Note: Others include sales of fabrics and accessories.

	2019	2018
	HK$'000	*HK$'000*
Geographical market		
United States of America	**211,229**	193,426
Europe	**8,436**	10,521
Australia	**2,701**	2,503
Others	**3,214**	1,953
Total	**225,580**	208,403

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 overall results and financial position of the Group as a whole based on same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment information is presented.

Geographical information

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

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**5,716**	5,609
PRC	**2,679**	2,602
	8,395	8,211

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**68,712**	72,920
Customer B	**96,866**	61,314

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**5,026**	5,679
– PRC Enterprise Income Tax	**2,531**	1,016
Overprovisions in prior years		
– Hong Kong Profits Tax	**(188)**	–
	7,369	6,695
Deferred tax credit	**(23)**	–
Income tax expense	**7,346**	6,695

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, 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%.

For the year ended 31 March 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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 subsidiaries is 25% for both years.

The Company's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary for the year ended 31 March 2019 is HK$20,000 (2018: HK$30,000).

6. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**4,236**	3,732
Other staff costs:		
– Salaries and other allowances	**38,643**	35,221
– Retirement benefits scheme contributions *(Note)*	**3,047**	2,981
Total staff costs	**45,926**	41,934
Less: Amount capitalised in inventories	**(32,856)**	(30,606)
	13,070	11,328
Auditor's remuneration	**1,275**	282
Depreciation of property, plant and equipment	**1,160**	1,036
Less: Amount capitalised in inventories	**(355)**	(231)
	805	805
Amortisation of intangible asset	**26**	26
Cost of inventories recognised as cost of sales	**160,312**	150,408
Minimum lease payments under operating lease in respect of leasehold land and buildings	**1,945**	1,964

Note: Amount excludes the retirement benefits scheme contributions for the directors of the Company.

7. DIVIDENDS

During the year ended 31 March 2019, the Company declared dividends of HK$9,000 per share, in aggregate of HK$9,000,000 (2018: HK$24,000 per share, aggregate of HK$24,000,000) to the Controlling Shareholders. The dividends payable was settled through the amounts due from directors.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2019 of HK3.8 cents per ordinary share in aggregate amount of HK$19,760,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

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

Earnings

	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**12,164**	23,817

Number of shares

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**425,118**	416,000
Effect of dilutive potential ordinary shares:		
Over-allotment option	**861**	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**425,979**	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (as disclosed in note 12) had been effective on 1 April 2017.

No diluted earnings per share was presented for the year ended 31 March 2018 as there were no potential ordinary shares in issue during the year.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**19,300**	20,762

Credit terms of 0 - 90 days are granted by the Group to customers upon delivery of goods.

The following is an ageing analysis of trade receivables of the Group 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**10,439**	9,440
31 – 60 days	**2,387**	7,071
61 – 90 days	**4,314**	2,620
91 – 180 days	**613**	479
181 – 365 days	**1,547**	1,152
	19,300	20,762

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**2,365**	6,457
31 – 60 days	**455**	1,237
61 – 90 days	**–**	65
181 – 365 days	**4**	6
Over 365 days	**28**	28
	2,852	7,793

11. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Unsecured and guaranteed:		
Bank overdrafts	**–**	5,054
Bank loans	**25,672**	14,527
	25,672	19,581
Secured and guaranteed:		
Bank overdrafts	**–**	5,850
Bank loans	**–**	31,385
	–	37,235
Total	**25,672**	56,816
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	**20,330**	50,714
More than one year, but not more than two years	**780**	764
More than two years, but not more than five years	**2,454**	2,400
More five years	**2,108**	2,938
Amounts shown under current liabilities	**25,672**	56,816

The variable-rate bank borrowings of HK$25,672,000 (2018: HK$56,816,000) bear interest ranged from Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate per annum.

12. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017 and 31 March 2018	38,000,000	380
Increase on 31 January 2019 *(Note (ii))*	9,962,000,000	99,620
At 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2017	1	–*
Issue of shares on Reorganisation *(Note (i))*	999	–*
At 31 March 2018	1,000	–*
Capitalisation issue *(Note (iii))*	415,999,000	4,160
Issue of new shares upon the Listing *(Note (iv))*	104,000,000	1,040
At 31 March 2019	520,000,000	5,200

* *Amount less than HK$1,000*

Notes:

(i) On 24 August 2017, Total Clarity Investments Limited subscribed one share of the Company at par. On 27 October 2017, 999 shares of the Company were allotted and issued for acquisition of KNT Int'l and KNT, respectively.

(ii) Pursuant to written resolutions passed by the shareholders on 31 January 2019, the authorised share capital of the Company was increased to HK$100,000,000 by the creation of 9,962,000,000 new shares of HK$0.01 each.

(iii) Pursuant to written resolutions passed by the shareholder on 31 January 2019, conditional upon the share premium account of the Company was credited as a result of the allotment and issue of the Company's shares, the directors of the Company were authorised to capitalise the amount of approximately HK$4,160,000 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 415,999,000 shares of the Company for the allotment and issue. The capitalisation issue was completed on 28 February 2019.

(iv) The shares of the Company were listed on the Stock Exchange on 28 February 2019. 104,000,000 ordinary shares were issued at an offer price of HK$0.98 per share with gross proceeds of HK$101,920,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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 five 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, design and development, production, quality assurance to inventory management.

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 28 February 2019 (the "Listing Date") by way of global offering (the "Listing").

BUSINESS REVIEW

The Group recorded revenue of approximately HK$225.6 million for the year ended 31 March 2019, representing an increase of approximately 8.3% as compared to that of approximately HK$208.4 million for the year ended 31 March 2018. Revenue from the United States accounted for approximately 92.8% and 93.6% of the total revenue of the Group for the year ended 31 March 2018 and 2019 respectively. The gross profit margin increased slightly from 27.8% for the year ended 31 March 2018 to 28.9% for the year ended 31 March 2019. Profit for the year decreased by approximately HK$11.6 million or approximately 48.7% from approximately HK$23.8 million for the year ended 31 March 2018 to approximately HK$12.2 million for the year ended 31 March 2019. Excluding the non-recurring listing expenses, profit for the year ended 31 March 2018 and 2019 amounted to approximately HK$31.9 million and HK$32.8 million respectively, representing an increase of approximately HK$0.9 million or approximately 2.8%.

During the year ended 31 March 2019, it was the Group's strategy to allocate more of its limited production capacity and resources at its current production facility from bridesmaid dresses and bridal gowns with more complex designs to those with simpler designs and to special occasion dresses which generally have lower average selling prices and shorter production lead time. Given this strategy, the Group generated more revenue and gross profit for the year ended 31 March 2019.

PROSPECT

Going forward, the Group will continue to strive to achieve its objective of strengthening its leading position in the industry, with the aim to optimise the returns to the shareholders. In addition, the Group will continue to enhance its overall competitiveness and market share in the industry. With these objectives, the Group will continue its growth by solidifying long-term relationship established with existing customers and exploring new customers, increase geographic footprint to new markets, strengthen design and development capabilities and enhance services for one-stop solutions.

The Group expects the operating environment in near future will be increasingly challenging in view of prolonged trade disputes between the United States and China and political tensions, slowing economic growth around the world and currency fluctuations. 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 amid the increasingly challenging external business environment. The Group will keep close track of the economic environment and evaluate its business strategies from time to time to adapt the challenging market for the sustainable and stable development of the Group 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 and fabrics and accessories.

Revenue increased by approximately HK$17.2 million or approximately 8.3% from approximately HK$208.4 million for the year ended 31 March 2018 to approximately HK$225.6 million for the year ended 31 March 2019. The overall increase in revenue was primarily attributable to the increase in revenue generated from the sale of special occasion dresses of approximately HK$30.7 million partially offset by the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK$15.1 million.

The increase in revenue generated from the sale of special occasion dresses from approximately HK$69.1 million for the year ended 31 March 2018 to approximately HK$99.8 million for the year ended 31 March 2019 was primarily a result of the combined effect of increase in sales quantity from 362.0 thousand units for the year ended 31 March 2018 to 652.2 thousand units for the year ended 31 March 2019, partially offset by the decrease in average selling prices of special occasion dresses from HK$191 for the year ended 31 March 2018 to HK$153 for the year ended 31 March 2019.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK$129.8 million for the year ended 31 March 2018 to approximately HK$114.7 million for the year ended 31 March 2019 was primarily a result of the decrease in sales quantity from 424.8 thousand units for the year ended 31 March 2018 to 363.1 thousand units for the year ended 31 March 2019 partially offset by the increase in average selling prices of bridesmaid dresses from HK$306 for the year ended 31 March 2018 to HK$316 for the year ended 31 March 2019.

Cost of sales

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

Cost of sales increased by approximately HK$9.9 million or approximately 6.6% from approximately HK$150.4 million for the year ended 31 March 2018 to approximately HK$160.3 million for the year ended 31 March 2019. The increase was in line with the increase in revenue for the year ended 31 March 2019.

Gross profit and gross profit margin

Gross profit increased by approximately HK$7.3 million or approximately 12.6% from approximately HK$58.0 million for the year ended 31 March 2018 to approximately HK$65.3 million for the year ended 31 March 2019. The increase was attributable to the increase in gross profit generated from the sale of special occasion dresses.

Gross profit margin increased from 27.8% for the year ended 31 March 2018 to 28.9% for the year ended 31 March 2019 as a result of change in product mix which have a slightly higher gross profit margin.

Other income

Other income increased by approximately HK$0.1 million or approximately 100.0% from approximately HK$0.1 million for the year ended 31 March 2018 to approximately HK$0.2 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in sales of scrap.

Other gains and losses

Other gains and losses decreased by approximately HK$1.4 million or approximately 140.0% from gains of approximately HK$1.0 million for the year ended 31 March 2018 to losses of approximately HK$0.4 million for the year ended 31 March 2019. The decrease was mainly attributable to gains of aggregate amount of approximately HK$1.3 million arising from the fair value change on derivative financial instrument and disposal of property, plant and equipment recognised during the year ended 31 March 2018.

Administrative expenses

Administrative expenses increased by approximately HK$4.1 million or approximately 21.9% from approximately HK$18.7 million for the year ended 31 March 2018 to approximately HK$22.8 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in total staff costs to administrative and management personnel, audit fee and professional fees related to post listing.

Finance costs

Finance costs increased by approximately HK$0.3 million or approximately 16.7% from approximately HK$1.8 million for the year ended 31 March 2018 to approximately HK$2.1 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in the average bank borrowings during the year ended 31 March 2019.

Income tax expense

Income tax expense increased by approximately HK$0.6 million or approximately 9.0% from approximately HK$6.7 million for the year ended 31 March 2018 to approximately HK$7.3 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in profit before tax excluding listing expenses.

Profit for the year

Profit for the year decreased by approximately HK$11.6 million or approximately 48.7% from approximately HK$23.8 million for the year ended 31 March 2018 to approximately HK$12.2 million for the year ended 31 March 2019. The decrease was mainly attributable to the increase in listing expenses of approximately HK$12.6 million for the year ended 31 March 2019 compared to that for the year ended 31 March 2018.

Excluding the one-off listing expenses, profit for the year ended 31 March 2018 and 2019 amounted to approximately HK$31.9 million and HK$32.8 million respectively, representing an increase of approximately HK$0.9 million or approximately 2.8%.

Dividends

During the year ended 31 March 2019, the Company declared dividends of HK$9,000 per ordinary share, amounting to a total of HK$9 million to the controlling shareholders of the Company.

The Board has resolved to recommend the payment of a final dividend of HK3.8 cents per ordinary share for the year ended 31 March 2019, amounting to a total of approximately HK$19.8 million. Subject to the approval of the proposed final dividend by the shareholders at the annual general meeting ("AGM") to be held on 23 August 2019, the proposed final dividend is expected to be paid on 8 October 2019.

Capital structure

The Shares were listed on the Stock Exchange on 28 February 2019. There has been no change in the capital structure of the Company since then. 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$5.2 million and the number of issued ordinary shares was 520,000,000 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 31 March 2019, the Group had cash and cash equivalents of approximately HK$97.2 million (31 March 2018: approximately HK$10.7 million) and had net current assets of approximately HK$120.3 million (31 March 2018: approximately HK$33.5 million).

The current ratio of the Group was approximately 3.8 times as at 31 March 2019, compared to that of approximately 1.4 times as at 31 March 2018. The current ratio increased was mainly attributable to the increase in cash and cash equivalents with net proceeds from the Listing.

The gearing ratio of the Group, which is calculated based on total bank borrowings and total equity multiplied by 100%, was 20.0% as at 31 March 2019 (31 March 2018: 137.7%). The gearing ratio decreased was mainly attributable to the net proceeds from the Listing and the enlarged capital base.

Pledge of assets

As at 31 March 2019, the Group pledged leasehold land and buildings with carrying value of approximately HK$4.5 million (31 March 2018: approximately HK$4.6 million) to secure certain banking facilities granted to the Group.

Foreign exchange risk

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

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

Material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 March 2019, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 31 March 2019, the Group had no significant investments held (31 March 2018: nil).

Events after the reporting period

No significant events affecting the Group occurred since 1 April 2019 and up to the date of this announcement.

Employees and remuneration policy

As at 31 March 2019, the Group had 419 employees (31 March 2018: 422 employees). The total staff costs, including directors' emoluments, of the Group for the year ended 31 March 2019 were approximately HK$45.9 million (31 March 2018: approximately HK$41.9 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 2019, the Group did not have any material capital commitment (31 March 2018: nil).

Contingent liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities (31 March 2018: nil).

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.

As at 31 March 2019, the Group has utilised approximately HK$4.1 million, representing approximately 7.2%, of the net proceeds from the Listing.

Intended use of net proceeds	Approximate percentage of net proceeds	Actual amount of net proceeds	Actual amount utilised as at 31 March 2019	Unutilised amount as at 31 March 2019
	%	*HK$ million*	*HK$ million*	*HK$ million*
Increase production capacity by building second production facility	76	43.2	–	43.2
Set up a sales office in the U.S.	10	5.7	–	5.7
Repayment of bank borrowings	10	5.7	2.9	2.8
Working capital and general corporate purposes	4	2.3	1.2	1.1
	100	56.9	4.1	52.8

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 at 31 March 2019, the unutilised net proceeds were placed in licensed banks in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 23 August 2019. The notice of AGM will be sent to the shareholders at least 20 clear business days before the AGM.

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

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, 20 August 2019 to Friday, 23 August 2019, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration not later than 4:30 p.m. on Monday, 19 August 2019.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 12 September 2019 to Wednesday, 18 September 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration not later than 4:30 p.m. on Wednesday, 11 September 2019.

The proposed final dividend (the payment of which is subject to the shareholders' approval at the AGM) is payable on or about Tuesday, 8 October 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 18 September 2019.

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 period from the Listing Date to the date of this announcement, the Company has complied with the code provisions set out in the CG Code, except for code provision A.2.1.

Code provision A.2.1 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 period from the Listing Date to the date of this announcement.

No incident of non-compliance of the Code of Ethics by the employees was noted by the Company throughout the period from the Listing Date to the date of this announcement.

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 2019, 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 MESSRS. DELOITTE TOUCHE TOHMATSU

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu 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.hkex.com.hk). The annual report of the Company for the year ended 31 March 2019 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, 26 June 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chong Sik, Mr. Chong Pun and Mr. Lam Chi Yuen; one non-executive Director, Mr. Ting Chi Wai Roy; 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.