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 2020

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2020

- Revenue was approximately HK$168.5 million (2019: approximately HK$225.6 million).
- Gross profit was approximately HK$12.8 million (2019: approximately HK$65.3 million).
- Loss for the year was approximately HK$47.0 million (2019: profit for the year was approximately HK$12.2 million).
- Basic loss per share was approximately HK9.0 cents (2019: basic earnings per share was approximately HK2.9 cents)
- The Board does not recommend the payment of a final dividend (2019: HK3.8 cents per share).

* *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 2020, together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*3*	**168,509**	225,580
Cost of sales		**(155,725)**	(160,312)
Gross profit		**12,784**	65,268
Other income		**1,144**	173
Other gains and losses		**15**	(383)
Administrative expenses		**(45,480)**	(22,785)
Impairment loss on trade receivables		**(7,050)**	–
Impairment loss recognised in respect of property, plant and equipment		**(4,022)**	–
Impairment loss recognised in respect of right-of-use assets		**(2,332)**	–
Listing expense		**–**	(20,684)
Finance costs		**(2,124)**	(2,079)
(Loss) profit before taxation		**(47,065)**	19,510
Income tax credit (expense)	*4*	**20**	(7,346)
(Loss) profit for the year	*5*	**(47,045)**	12,164
(Loss) earnings per share	*7*		
Basic *(HK cents)*		**(9.0)**	2.9
Diluted *(HK cents)*		**N/A**	2.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
(Loss) profit for the year	**(47,045)**	12,164
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	**(2,005)**	(2,100)
Total comprehensive (expense) income for the year	**(49,050)**	10,064

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		As at 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**4,305**	8,239
Right-of-use assets		**945**	–
Intangible asset		**130**	156
Deposits and prepayment		**4,245**	–
		9,625	8,395
Current assets			
Inventories		**38,726**	43,850
Trade receivables	*8*	**20,809**	19,300
Prepayment, deposits and other receivables		**1,856**	1,259
Amount due from a related company		**1,802**	911
Income tax recoverable		**460**	–
Pledged bank deposit		**9,500**	–
Bank balances and cash		**48,669**	97,235
		121,822	162,555
Current liabilities			
Trade payables	*9*	**9,295**	2,852
Other payables and accruals		**5,864**	8,693
Contract liabilities		**4,002**	3,153
Income tax payable		**–**	1,872
Lease liabilities		**2,520**	–
Bank borrowings	*10*	**49,235**	25,672
		70,916	42,242
Net current assets		**50,906**	120,313
Total assets less current liabilities		**60,531**	128,708

		As at 31 March	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Lease liabilities		**755**	–
Deferred tax liabilities		**295**	417
		1,050	417
Net assets		**59,481**	128,291
Capital and reserves			
Share capital	*11*	**5,200**	5,200
Reserves		**54,281**	123,091
Total equity		**59,481**	128,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

KNT Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares 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.

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. 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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied is 4%.

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	971
Lease liabilities discounted at relevant incremental borrowing rate	960
Add: Termination option not reasonably certain not to be exercised	3,683
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	4,643
Analysis as:	
Current	2,180
Non-current	2,463
	4,643

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,643
By class:	
Leased properties	4,643

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	4,643	4,643
Current liabilities			
Lease liabilities	–	2,180	2,180
Non-current liabilities			
Lease liabilities	–	2,463	2,463

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concession[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] 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

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 April 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.

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 judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably been expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 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.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. 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:

	2020	2019
	HK$'000	*HK$'000*
Sales of garment products recognised at a point in time		
Bridesmaid dresses	**79,826**	114,697
Bridal gowns	**3,469**	6,939
Special occasion dresses	**84,059**	99,778
Others *(Note)*	**1,155**	4,166
Total	**168,509**	225,580

Note: Others include sales of fabrics and accessories.

	2020	2019
	HK$'000	*HK$'000*
Geographical market		
United States of America	**147,597**	211,229
Europe	**12,605**	8,436
Australia	**2,075**	2,701
Others	**6,232**	3,214
Total	**168,509**	225,580

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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**9,625**	5,716
PRC	**–**	2,679
	9,625	8,395

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**41,517**	68,712
Customer B	**75,479**	96,866

4. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	5,026
– PRC Enterprise Income Tax	**–**	2,531
Under (over) provisions in prior years		
– Hong Kong Profits Tax	**9**	(188)
– PRC Enterprise Income Tax	**93**	–
	102	7,369
Deferred tax credit	**(122)**	(23)
Income tax (credit) expense	**(20)**	7,346

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 for the year ended 31 March 2020 as the subsidiaries of the Group operating in Hong Kong are either suffering from tax losses or did not incur assessable profits. Hong Kong Profits Tax was calculated in accordance with the two-tiered profits tax regime for the year ended 31 March 2019.

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.

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 for the year ended 31 March 2020 as the PRC subsidiary is suffering from tax losses.

5. (LOSS) PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,817**	4,236
Other staff costs:		
– Salaries and other allowances	**38,699**	38,643
– Retirement benefits scheme contributions *(Note)*	**2,566**	3,047
Total staff costs	**48,082**	45,926
Less: Amount capitalised in inventories	**(17,916)**	(32,856)
	30,166	13,070
Auditor's remuneration	**1,144**	1,275
Depreciation of right-of-use assets	**2,332**	N/A
Depreciation of property, plant and equipment	**1,114**	1,160
Less: Amount capitalised in inventories	**(332)**	(355)
	782	805
Amortisation of intangible asset	**26**	26
Cost of inventories recognised as cost of sales (including write down of inventories of HK$6,669,000 (2019: nil))	**155,725**	160,312
Minimum lease payments under operating lease in respect of leasehold land and buildings	**N/A**	1,945

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

6. DIVIDENDS

During the year ended 31 March 2020, the Company declared and paid dividends of HK3.8 cents per share, in aggregate of HK$19,760,000 to ordinary shareholders of the Company. Pursuant to the approval by the ordinary shareholders of the Company at the annual general meeting held on 23 August 2019, the dividends were paid out of the share premium account of the Company.

During the year ended 31 March 2019, the Company declared dividends of HK$9,000 per share, in aggregate of HK$9,000,000 to Mr. Chong Sik and Mr. Chong Pun before the listing of shares of the Company. The dividends declared during the year ended 31 March 2019 was settled through the amounts due from directors.

7. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(47,045)**	12,164

Number of shares

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**520,000**	425,118
Effect of dilutive potential ordinary shares:		
Over-allotment option	**N/A**	861
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**N/A**	425,979

No diluted loss per share was presented for the year ended 31 March 2020 as there were no potential ordinary shares in issue during the year.

8. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**27,859**	19,300
Less: Loss allowance	**(7,050)**	–
	20,809	19,300

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**11,543**	10,439
31 – 60 days	**164**	2,387
61 – 90 days	**6,351**	4,314
91 – 180 days	**1,822**	613
181 – 365 days	**16**	1,547
Over 365 days	**913**	–
	20,809	19,300

9. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**7,780**	2,365
31 – 60 days	**858**	455
61 – 90 days	**401**	–
91 – 180 days	**233**	–
181 – 365 days	**–**	4
Over 365 days	**23**	28
	9,295	2,852

10. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Unsecured and guaranteed:		
Bank overdrafts	**7,996**	–
Bank loans	**16,239**	13,901
	24,235	13,901
Secured and guaranteed:		
Bank overdrafts	**7,958**	–
Bank loans	**17,042**	11,771
	25,000	11,771
Total	**49,235**	25,672
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	**44,260**	20,330
More than one year, but not more than two years	**1,217**	780
More than two years, but not more than five years	**2,512**	2,454
More five years	**1,246**	2,108
Amounts shown under current liabilities	**49,235**	25,672

The variable-rate bank borrowings of HK$49,235,000 (2019: HK$25,672,000) bear interest ranged from Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate (2019: Hong Kong Prime Rate minus 3% to standard bills rate quoted by bank minus 0.25%) per annum.

11. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018	38,000,000	380
Increase on 31 January 2019 *(Note (i))*	9,962,000,000	99,620
At 31 March 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018	1,000	–*
Capitalisation issue *(Note (ii))*	415,999,000	4,160
Issue of new shares upon the listing *(Note (iii))*	104,000,000	1,040
At 31 March 2019 and 31 March 2020	520,000,000	5,200

* *Amount less than HK$1,000*

Notes:

(i) 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.

(ii) 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.

(iii) 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

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 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 Group recorded revenue of approximately HK$168.5 million for the year ended 31 March 2020, representing a decrease of approximately 25.3% as compared to that of approximately HK$225.6 million for the year ended 31 March 2019. Revenue from the United States accounted for approximately 93.6% and 87.6% of the total revenue of the Group for the year ended 31 March 2019 and 2020 respectively. The gross profit margin decreased from 28.9% for the year ended 31 March 2019 to 7.6% for the year ended 31 March 2020. Profit for the year amounted to approximately HK$12.2 million for the year ended 31 March 2019 and loss for the year amounted to approximately HK$47.0 million for the year ended 31 March 2020.

During the year ended 31 March 2020, the Group experienced 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 overall business performance of the Group. As a result, the revenue and gross profit margin of the Group decreased for the year ended 31 March 2020 compared to the year ended 31 March 2019.

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 more adverse impact to the business environment of the Group. The Group also made impairment losses of an aggregate amount of approximately HK$13.4 million in respect of trade receivables, property, plant and equipment and right-of-use assets which contributed to the increase in loss for the year ended 31 March 2020.

PROSPECT

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year 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. The Group is also taking cost-control measures since April 2020 so as to cope with the lingering business downturn. With the Group's proven track record, experienced management team and reputation in the market, the Group is well-positioned and well-equipped to sustain its development and grasp the opportunities to enhance the long-term potential growth in future for safeguard the interest of the shareholders.

Revenue

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

Revenue decreased by approximately HK$57.1 million or approximately 25.3% from approximately HK$225.6 million for the year ended 31 March 2019 to approximately HK$168.5 million for the year ended 31 March 2020. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK$34.9 million and sale of special occasion dresses of approximately HK$15.7 million.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK$114.7 million for the year ended 31 March 2019 to approximately HK$79.8 million for the year ended 31 March 2020 was primarily a result of the aggregate effect of the decrease in sales quantity from 363.1 thousand units for the year ended 31 March 2019 to 274.0 thousand units for the year ended 31 March 2020 and the decrease in average selling prices of bridesmaid dresses from HK$316 for the year ended 31 March 2019 to HK$291 for the year ended 31 March 2020.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK$99.8 million for the year ended 31 March 2019 to approximately HK$84.1 million for the year ended 31 March 2020 was primarily a result of the aggregate effect of the decrease in sales quantity from 625.2 thousand units for the year ended 31 March 2019 to 610.7 thousand units for the year ended 31 March 2020 and the decrease in average selling prices of special occasion dresses from HK$153 for the year ended 31 March 2019 to HK$138 for the year ended 31 March 2020.

The decrease in sales quantity of special occasion dresses and bridesmaid dresses were attributable to fewer orders from customers with the escalation of trade tensions between China and the United States. The decrease in average selling price of special occasion dresses and bridesmaid dresses were attributable to the adoption of a competitive pricing strategy against the major customers by the Group so as to maintain its market share in the industry in such challenging operating environment.

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$4.6 million or approximately 2.9% from approximately HK$160.3 million for the year ended 31 March 2019 to approximately HK$155.7 million for the year ended 31 March 2020.

Gross profit and gross profit margin

Gross profit decreased by approximately HK$52.5 million or approximately 80.4% from approximately HK$65.3 million for the year ended 31 March 2019 to approximately HK$12.8 million for the year ended 31 March 2020. Gross profit margin decreased from 28.9% for the year ended 31 March 2019 to 7.6% for the year ended 31 March 2020. The decrease was mainly attributable to (i) the decrease in revenue as a result of decrease in both sales quantity and average selling prices; and (ii) the higher sales proportion to customers with lower gross profit margin.

Other income

Other income increased by approximately HK$0.9 million from approximately HK$0.2 million for the year ended 31 March 2019 to approximately HK$1.1 million for the year ended 31 March 2020. The increase was mainly attributable to the increase in bank interest income from fixed deposits.

Other gains and losses

Other gains and losses increased by approximately HK$398,000 or approximately 103.9% from losses of approximately HK$383,000 for the year ended 31 March 2019 to gains of approximately HK$15,000 for the year ended 31 March 2020. The increase was mainly attributable to exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2020.

Administrative expenses

Administrative expenses increased by approximately HK$22.7 million or approximately 99.6% from approximately HK$22.8 million for the year ended 31 March 2019 to approximately HK$45.5 million for the year ended 31 March 2020. The increase was mainly attributable to (i) the increase in staff costs due to annual salary increment, increase in bonus upon listing of shares in 2019 and internal reallocation of staff for performing research and business development work; (ii) the increase in professional fees related to post listing; and (iii) the increase in travelling expenses due to increase in overseas business trips for business opportunities.

Finance costs

Finance costs remained stable at approximately HK$2.1 million for the year ended 31 March 2020 as compared to that for the year ended 31 March 2019.

Income tax credit (expense)

Income tax expense decreased significantly for the year ended 31 March 2020, which was mainly attributable to the loss for the year ended 31 March 2020.

(Loss) profit for the year

The Group recorded a loss of approximately HK$47.0 million for the year ended 31 March 2020 and a profit of approximately HK$12.2 million for the year ended 31 March 2019. Such change from profit to loss was primarily attributable to (i) the decrease in revenue and gross profit; (ii) increase in total staff costs; (iii) impairment loss on trade receivables; (iv) impairment loss recognised in respect of property, plant and equipment; and (v) impairment loss recognised in respect of right-of-use assets.

Dividends

During the year ended 31 March 2020, the Company declared and paid dividends of HK3.8 cents per share, in aggregate of HK$19,760,000 to ordinary shareholders of the Company. Pursuant to the approval by the ordinary shareholders of the Company at the annual general meeting held on 23 August 2019, the dividends were paid out of the share premium account of the Company.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

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$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 2020, the Group had cash and cash equivalents of approximately HK$32.7 million (31 March 2019: approximately HK$97.2 million) and had net current assets of approximately HK$50.9 million (31 March 2019: approximately HK$120.3 million).

The current ratio of the Group was approximately 1.7 times as at 31 March 2020, compared to that of approximately 3.8 times as at 31 March 2019. The current ratio decreased was mainly attributable to the decrease in cash and cash equivalents and increase in bank borrowings.

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 82.8% as at 31 March 2020 (31 March 2019: 20.0%). The gearing ratio increased was mainly attributable to the increase in bank borrowings as at 31 March 2020 compared to that of 31 March 2019 and loss for the year which led to decrease in total equity.

Pledge of assets

As at 31 March 2020, the Group pledged leasehold land and buildings with carrying value of approximately HK$4.3 million (31 March 2019: approximately HK$4.5 million) and bank deposit of HK$9.5 million (31 March 2019: nil) 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 2020, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 31 March 2020, the Group had no significant investments held (31 March 2019: nil).

Events after the reporting period

Completion of acquisition of properties

On 15 April 2020, the Group completed the acquisition of properties and paid the remaining consideration of HK$18,000,000. Accordingly, HK$3,500,000 of deposits and prepayment for acquisition of the properties were transferred to property, plant and equipment.

Bankruptcy protection filing of a major customer

On 4 May 2020, one of the Group's major customers announced that its parent company filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Virginia in the United States of America. As at 31 March 2020, the net carrying amount of trade receivables due from this customer were approximately HK$15,426,000.

The directors of the Company is in the process of seeking legal advice for recovering the amount due from this customer and will closely monitor the development. Further expected credit loss allowances, if any, may be provided in the Group's future consolidated financial statements.

Employees and remuneration policy

As at 31 March 2020, the Group had 377 employees (31 March 2019: 419 employees). The total staff costs, including directors' emoluments, of the Group for the year ended 31 March 2020 were approximately HK$48.1 million (2019: approximately HK$45.9 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 2020, the Group had capital commitment in respect of property, plant and equipment contracted but not provided for amounted to approximately HK$19,020,000 (31 March 2019: nil).

Contingent liabilities

As at 31 March 2020, the Group did not have any material contingent liabilities (31 March 2019: 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 2020, the Group has utilised approximately HK$11.5 million, representing approximately 20.2%, of the net proceeds from the Listing.

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

As disclosed in the announcement of the Company dated 13 February 2020, the Board resolved to change the use of the unutilised net proceeds. Set out below is the revised allocation of the unutilised net proceeds.

Intended use of net proceeds	**Approximate percentage of net proceeds**	**Actual amount of net proceeds**	**Actual amount utilised as at 31 March 2020**	**Unutilised amount as at 31 March 2020**
	%	*HK$ million*	*HK$ million*	*HK$ million*
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	38.9	22.1	3.5	18.6
Increase production capacity by investing or setting up production facilities in Vietnam	37.1	21.1	–	21.1
Set up a sales office in the U.S.	10.0	5.7	–	5.7
Repayment of bank borrowings	10.0	5.7	5.7	–
Working capital and general corporate purposes	4.0	2.3	2.3	–
	100.0	56.9	11.5	45.4

As at 31 March 2020, the unutilised net proceeds were placed in licensed banks in Hong Kong.

As disclosed in the announcement of the Company dated 4 June 2020 (the "Announcement"), the Board resolved to further change the use of the unutilised net proceeds. Set out below is the revised allocation of the unutilised net proceeds.

Intended use of Net Proceeds	Approximate percentage of net proceeds as stated in the announcement dated 13 February 2020	Revised approximate percentage of net proceeds	Unutilised amount of net proceeds up to the date of the Announcement before re-allocation	Revised allocation of unutilised net proceeds after re-allocation
	%	*%*	*HK$ million*	*HK$ million*
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	38.9	38.9	0.6	0.6
Increase production capacity by investing or setting up production facilities in Vietnam	37.1	19.5	21.1	11.1
Set up a sales office in the U.S.	10.0	6.5	5.7	3.7
Repayment of bank borrowings	10.0	10.0	–	–
Working capital and general corporate purposes	4.0	25.1	–	12.0
	100.0	100.0	27.4	27.4

For details, please refer to the Announcement.

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, 21 August 2020. 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

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, 18 August 2020 to Friday, 21 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 August 2020.

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 2020, 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 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 2020, 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 2020 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.hkexnews.com.hk). The annual report of the Company for the year ended 31 March 2020 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 2020

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; 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.