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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 2021

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2021

- Revenue was approximately HK\$62.7 million (2020: approximately HK\$168.5 million).
- Gross loss was approximately HK\$6.9 million (2020: gross profit was approximately HK\$12.8 million).
- Loss for the year was approximately HK\$44.7 million (2020: approximately HK\$47.0 million).
- Basic loss per share was approximately HK8.6 cents (2020: approximately HK9.0 cents)
- The Board does not recommend the payment of a final dividend (2020: 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 2021, together with the comparative figures for the year ended 31 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue	4	62,666	168,509
Cost of sales		(69,586)	(155,725)
Gross (loss) profit		(6,920)	12,784
Other income		1,327	1,144
Other gains		47	15
Administrative expenses		(28,784)	(45,480)
Impairment loss on trade receivables, net		(7,343)	(7,050)
Impairment loss recognised in respect of property, plant and equipment and deposits		(1,329)	(4,022)
Impairment loss recognised in respect of right-of-use assets		–	(2,332)
Finance costs		(1,610)	(2,124)
Loss before taxation		(44,612)	(47,065)
Income tax (expense) credit	5	(125)	20
Loss for the year	6	<u>(44,737)</u>	<u>(47,045)</u>
Basic loss per share (<i>HK cents</i>)	8	<u>(8.6)</u>	<u>(9.0)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(44,737)	(47,045)
Other comprehensive income (expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of leasehold land and buildings	33,026	–
Deferred taxation relating to revaluation of leasehold land and buildings	(5,325)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operation	<u>2,374</u>	<u>(2,005)</u>
Other comprehensive income (expense) for the year	<u>30,075</u>	<u>(2,005)</u>
Total comprehensive expense for the year	<u>(14,662)</u>	<u>(49,050)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		As at 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		57,411	4,305
Right-of-use assets		738	945
Intangible asset		104	130
Deposits and prepayment		–	4,245
		<u>58,253</u>	<u>9,625</u>
Current assets			
Inventories		16,596	38,726
Trade receivables	9	4,226	20,809
Prepayment, deposits and other receivables		1,577	1,856
Amount due from a related company		4,473	1,802
Income tax recoverable		471	460
Pledged bank deposit		2,000	9,500
Bank balances and cash		8,452	48,669
		<u>37,795</u>	<u>121,822</u>
Current liabilities			
Trade payables	10	2,398	9,295
Other payables and accruals		4,845	5,864
Contract liabilities		2,333	4,002
Lease liabilities		227	2,520
Bank overdrafts and loans	11	35,313	49,235
		<u>45,116</u>	<u>70,916</u>
Net current (liabilities) assets		<u>(7,321)</u>	<u>50,906</u>
Total assets less current liabilities		<u>50,932</u>	<u>60,531</u>

		As at 31 March	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		528	755
Deferred tax liabilities		5,585	295
		<u>6,113</u>	<u>1,050</u>
Net assets		<u>44,819</u>	<u>59,481</u>
Capital and reserves			
Share capital	12	5,200	5,200
Reserves		39,619	54,281
		<u>44,819</u>	<u>54,281</u>
Total equity		<u>44,819</u>	<u>59,481</u>

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 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 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 Company and its subsidiaries (collectively, 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”)

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 annual periods beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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 HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ⁴

- ¹ Effective for annual periods beginning on or after 1 June 2020
- ² Effective for annual periods beginning on or after 1 January 2021
- ³ Effective for annual periods beginning on or after 1 April 2021
- ⁴ Effective for annual periods beginning on or after 1 January 2022
- ⁵ Effective for annual periods beginning on or after 1 January 2023
- ⁶ Effective for annual periods beginning on or after a date to be determined

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

2.3 Change in accounting policies – Revaluation of leasehold land and buildings

The Group re-assessed its accounting policies for property, plant and equipment with respect to measurement of leasehold land and buildings after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition, the asset was carried at cost less accumulated depreciation and accumulated impairment losses, if any.

With effect from 30 June 2020, the Company changed its accounting policies to recognise leasehold land and buildings from using cost model to revaluation model, in accordance with HKAS 16 “Property, Plant and Equipment”. The directors of the Company believed that such change in accounting policies will result in more faithfully representative and relevant information being provided in the financial statements as the historical costs of the leasehold land and buildings are considered as outdated. As a result, a revaluation surplus of HK\$21,490,000 (net of deferred taxation of HK\$4,246,000) arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in the revaluation reserve. The opening balance of accumulated losses is not adjusted and comparatives are not restated.

After adoption of revaluation model, leasehold land and buildings are subsequently measured at their revalued amounts, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRS 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 and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 March 2021, the Group has net current liabilities of HK\$7,321,000 and incurred a loss for the year of HK\$44,737,000 for the year then ended.

In order to improve the liquidity and financial position, the Group entered into a provisional sales and purchase agreement with an independent third party to dispose of properties in Hong Kong at a consideration of HK\$23,000,000. In addition, the Group has been implementing a number of measures, including (1) reducing central corporate expenses, such as expenses relating to marketing and promotion activities; (2) considering to disposal of the Group's existing properties; and (3) obtaining financial support from controlling shareholders.

By taking the above measures, the directors of the Company believe that the Group has sufficient working capital to meet the financial obligations when they fall due and the consolidated financial statements are prepared on going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the ultimate success of the disposal and the implementation of the above measures, should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of garment products recognised at a point in time		
Bridesmaid dresses	44,137	79,826
Bridal gowns	7,040	3,469
Special occasion dresses	8,717	84,059
Others (<i>Note</i>)	<u>2,772</u>	<u>1,155</u>
Total	<u>62,666</u>	<u>168,509</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Geographical market		
United States of America	49,286	147,597
Europe	6,343	12,605
Australia	1,773	2,075
Others	<u>5,264</u>	<u>6,232</u>
Total	<u>62,666</u>	<u>168,509</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	58,253	9,625
PRC	—	—
	<u>58,253</u>	<u>9,625</u>

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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	23,866	41,517
Customer B	6,286	75,479
Customer C	12,378	N/A*

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

5. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Under provisions in prior years		
– Hong Kong Profits Tax	–	9
– PRC Enterprise Income Tax	160	93
	160	102
Deferred tax credit	(35)	(122)
Income tax expense (credit)	125	(20)

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 both years as the subsidiaries of the Group operating in Hong Kong are either suffering from tax losses or did not incur 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 subsidiary is 25% for both years. No PRC Enterprise Income Tax has been provided in the consolidated financial statements for both years as the PRC subsidiaries are either suffering from tax losses or did not incur assessable profits.

6. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	1,075	1,144
Directors' emoluments	4,736	6,817
Other staff costs:		
– Salaries and other allowances	23,596	38,699
– Retirement benefits scheme contributions (<i>Note</i>)	1,006	2,566
Total staff costs	29,338	48,082
<i>Less:</i> Amount capitalised in inventories	(13,133)	(17,916)
	16,205	30,166
Depreciation of right-of-use assets	207	2,332
Depreciation of property, plant and equipment	1,477	1,114
<i>Less:</i> Amount capitalised in inventories	–	(2,562)
	1,684	884
Amortisation of intangible asset	26	26
Cost of inventories recognised as cost of sales (including write down of inventories of HK\$13,617,000 (2020: HK\$6,669,000))	69,586	155,725

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

7. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period.

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 of the Company.

8. LOSS PER SHARE

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

Loss

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the purposes of basic loss per share		
Loss for the year attributable to owners of the Company	<u>(44,737)</u>	<u>(47,045)</u>

Number of shares

	2021 <i>'000</i>	2020 <i>'000</i>
Number of ordinary shares for the purposes of basic loss per share	<u>520,000</u>	<u>520,000</u>

No diluted loss per share was presented as there were no potential ordinary shares in issue during both years.

9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	6,268	27,859
Less: Loss allowance	<u>(2,042)</u>	<u>(7,050)</u>
	<u>4,226</u>	<u>20,809</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,868	11,543
31 – 60 days	41	164
61 – 90 days	178	6,351
91 – 180 days	290	1,822
181 – 365 days	–	16
Over 365 days	<u>849</u>	<u>913</u>
	<u>4,226</u>	<u>20,809</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	1,785	7,780
31 – 60 days	358	858
61 – 90 days	240	401
91 – 180 days	2	233
181 – 365 days	2	–
Over 365 days	<u>11</u>	<u>23</u>
	<u>2,398</u>	<u>9,295</u>

11. BANK OVERDRAFTS AND LOANS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unsecured and guaranteed:		
Bank overdrafts	–	7,996
Bank loans	<u>5,000</u>	<u>16,239</u>
	<u>5,000</u>	<u>24,235</u>
Secured and guaranteed:		
Bank overdrafts	7,983	7,958
Bank loans	<u>22,330</u>	<u>17,042</u>
	<u>30,313</u>	<u>25,000</u>
Total	<u><u>35,313</u></u>	<u><u>49,235</u></u>
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	20,478	44,260
More than one year but not more than two years	8,584	1,217
More than two years but not more than five years	5,440	2,512
More than five years	<u>811</u>	<u>1,246</u>
Amounts shown under current liabilities	<u><u>35,313</u></u>	<u><u>49,235</u></u>

The variable-rate bank overdrafts and loans of HK\$35,313,000 (2020: HK\$49,235,000) bear interest ranged from Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate (2020: Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate) per annum.

12. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>520,000,000</u>	<u>5,200</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a one-stop solutions provider of bridesmaid dresses, bridal gowns and special occasion dresses. The Group principally sells its products to brand apparel companies based in the United States. Over the years, the Group has built reputation and gained customers' recognition from its dedication to provide its customers with one-stop solutions and consistently high quality products, which has increased its customers' reliance on it and in turn enabled it to maintain its market position as one of the leading bridesmaid dresses manufacturers in the PRC. The Group is the sole supplier of certain largest customers for bridesmaid dresses whom had maintained long years of relationship with the Group. In addition to manufacturing products for its customers, the Group strives to become an integral part of its customers' business operations by offering a wide range of value-added services ranging from fashion trend analysis, product design and development, raw material procurement, production, quality assurance to inventory management. The Group has also commenced developing its online business platform for the sale of fashion apparels since November 2020.

The Group recorded revenue of approximately HK\$62.7 million for the year ended 31 March 2021, representing a decrease of approximately 62.8% as compared to that of approximately HK\$168.5 million for the year ended 31 March 2020. Revenue from the United States accounted for approximately 87.6% and 78.6% of the total revenue of the Group for the years ended 31 March 2020 and 2021 respectively. The gross profit margin decreased from 7.6% for the year ended 31 March 2020 to gross loss margin of 11.0% for the year ended 31 March 2021. Loss for the year amounted to approximately HK\$47.0 million and approximately HK\$44.7 million for the years ended 31 March 2020 and 2021 respectively.

During the year ended 31 March 2021, the Group experienced 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 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 2021 compared to the year ended 31 March 2020.

In addition, due to the outbreak of the novel coronavirus disease (COVID-19) since beginning of 2020, it has brought significant disruption to the global economy and caused adverse impact to the business environment of the Group. The Group recognised write down of inventories of approximately HK\$13.6 million, made impairment losses net of reversal on trade receivables of approximately HK\$7.3 million which was mainly related to one of the major customers who has filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code and made impairment loss on property, plant and equipment and deposits of approximately HK\$1.3 million. All these factors contributed to the loss for the year ended 31 March 2021.

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 of 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 safeguarding the interest of the shareholders.

Revenue

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

Revenue decreased by approximately HK\$105.8 million or approximately 62.8% from approximately HK\$168.5 million for the year ended 31 March 2020 to approximately HK\$62.7 million for the year ended 31 March 2021. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of special occasion dresses of approximately HK\$75.4 million and sale of bridesmaid dresses of approximately HK\$35.7 million.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK\$84.1 million for the year ended 31 March 2020 to approximately HK\$8.7 million for the year ended 31 March 2021 was primarily a result of the decrease in sales quantity from 610.7 thousand units for the year ended 31 March 2020 to 42.8 thousand units for the year ended 31 March 2021.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK\$79.8 million for the year ended 31 March 2020 to approximately HK\$44.1 million for the year ended 31 March 2021 was primarily a result of the aggregate effect of the decrease in sales quantity from 274.0 thousand units for the year ended 31 March 2020 to 152.6 thousand units for the year ended 31 March 2021 and the decrease in average selling prices of bridesmaid dresses from HK\$291 for the year ended 31 March 2020 to HK\$289 for the year ended 31 March 2021.

The significant decrease in sales quantity of special occasion dresses was attributable to the suspension of sale to a major customer of special occasion dresses upon its filing for bankruptcy protection. The decrease in sales quantity of bridesmaid dresses was attributable to fewer orders from customers with the escalation of trade tensions between China and the United States and COVID-19.

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\$86.1 million or approximately 55.3% from approximately HK\$155.7 million for the year ended 31 March 2020 to approximately HK\$69.6 million for the year ended 31 March 2021.

Gross loss (profit) and gross (loss) profit margin

The Group recorded a gross loss of approximately HK\$6.9 million for the year ended 31 March 2021 and a gross profit of approximately HK\$12.8 million for the year ended 31 March 2020. Gross loss margin was 11.0% for the year ended 31 March 2021 and gross profit margin was 7.6% for the year ended 31 March 2020. The gross loss and gross loss margin was mainly attributable to the write down of inventories of approximately HK\$13.6 million recognised for the year ended 31 March 2021.

Other income

Other income increased by approximately HK\$0.2 million or approximately 18.2% from approximately HK\$1.1 million for the year ended 31 March 2020 to approximately HK\$1.3 million for the year ended 31 March 2021. The increase was mainly attributable to the government grants of approximately HK\$0.8 million in respect of COVID-19-related subsidies from Employment Support Scheme provided by the Hong Kong government and rental income of approximately HK\$0.5 million, net of decrease in bank interest income of approximately HK\$1.0 million.

Other gains

Other gains represented net exchange gains for both years. The increase was mainly attributable to exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2021.

Administrative expenses

Administrative expenses decreased by approximately HK\$16.7 million or approximately 36.7% from approximately HK\$45.5 million for the year ended 31 March 2020 to approximately HK\$28.8 million for the year ended 31 March 2021. The decrease was mainly attributable to (i) the decrease in total staff costs upon the implementation of cost control measures during the year ended 31 March 2021 and the decrease in bonus which was an one-off expense upon listing of shares in 2019 and (ii) the decrease in travelling expenses due to travel restrictions as a result of COVID-19.

Finance costs

Finance costs decreased by approximately HK\$0.5 million or 23.8% from approximately HK\$2.1 million for the year ended 31 March 2020 to approximately HK\$1.6 million for the year ended 31 March 2021. The decrease was mainly attributable to the decrease in the average bank borrowings during the year ended 31 March 2021.

Income tax (expense) credit

Income tax expense for the year ended 31 March 2021 mainly represented under-provision of taxation in prior year.

Loss for the year

The Group recorded a loss of approximately HK\$44.7 million for the year ended 31 March 2021 and a loss of approximately HK\$47.0 million for the year ended 31 March 2020. The decrease in loss was primarily attributable to (i) the decrease in administrative expenses such as total staff costs, entertainment and travelling expenses; (ii) the decrease in impairment loss recognised in respect of property, plant and equipment, deposits and right-of-use assets; and (iii) the decrease in finance costs, net of (i) the decrease in revenue and gross profit; (ii) the increase in cost of sales due to increase in write down of inventories; and (iii) the increase in impairment loss on trade receivables.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021.

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 2021, the Group had cash and cash equivalents of approximately HK\$0.5 million (31 March 2020: approximately HK\$32.7 million) and had net current liabilities of approximately HK\$7.3 million (31 March 2020: net current assets of approximately HK\$50.9 million).

The current ratio of the Group was approximately 0.8 times as at 31 March 2021, compared to that of approximately 1.7 times as at 31 March 2020. The current ratio decreased was mainly attributable to the decrease in cash and cash equivalents.

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 78.8% as at 31 March 2021 (31 March 2020: 82.8%). The gearing ratio decreased was mainly attributable to the decrease in bank borrowings as at 31 March 2021 compared to that of 31 March 2020 and loss for the year which led to decrease in total equity.

Pledge of assets

As at 31 March 2021, the Group pledged leasehold land and buildings with carrying value of approximately HK\$55.4 million (31 March 2020: approximately HK\$4.3 million) and bank deposit of HK\$2.0 million (31 March 2020: HK\$9.5 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 2021, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 31 March 2021, the Group had no significant investments held (31 March 2020: nil).

Events after the reporting period

Lease modification

On 1 April 2021, the Group modified leases entered into with Mr. Chong Sik (“Mr. S Chong”) and Mr. Chong Pun (“Mr. P Chong”) for the use of factory premises and staff dormitories to extend for one year ending 31 March 2022, with monthly lease payments of approximately HK\$218,000. On 30 April 2021, Mr. S Chong and Mr. P Chong granted rent concessions to the Group and agreed to waive such lease payments from 1 May 2021 to 31 March 2022.

Disposal of properties

On 21 June 2021, the Group entered into a provisional sales and purchase agreement with an independent third party for the disposal of properties in Hong Kong at a consideration of HK\$23,000,000. Deposits of HK\$500,000 was received and a further deposit of HK\$1,800,000 shall be received on or before 20 September 2021 and the remaining consideration of HK\$20,700,000 shall be received upon completion of the disposal of the properties. Details of the disposal of properties were disclosed in the announcement of the Company dated 21 June 2021. The directors of the Company consider that the disposal will be completed in October 2021 and proceeds from the disposal will be amounted to HK\$15,600,000 in aggregate after settlement of the secured bank borrowings pledged against the properties.

Financial support from controlling shareholders

Subsequent to the end of the reporting period, the Group obtained financial support from controlling shareholders and obtained a long-term loan of HK\$5,000,000 in order to improve the Group’s financial position.

Employees and remuneration policy

As at 31 March 2021, the Group had 295 employees (31 March 2020: 377 employees). The total staff costs, including directors’ emoluments, of the Group for the year ended 31 March 2021 were approximately HK\$29.3 million (2020: approximately HK\$48.1 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 2021, the Group had capital commitment in respect of property, plant and equipment contracted but not provided for amounted to approximately HK\$720,000 (31 March 2020: HK\$19,020,000).

Contingent liabilities

As at 31 March 2021, the Group did not have any material contingent liabilities (31 March 2020: 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 (the “Net Proceeds”).

As at 31 March 2021, the Group has utilised approximately HK\$53.3 million, representing approximately 93.7%, 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 4 June 2020 (the “Announcement I”), the Board resolved to change the use of part of the unutilised Net Proceeds in the amount of HK\$10.0 million and HK\$2.0 million allocated to increase production capacity by investing or setting up production facilities in Vietnam and set up a sales office in the U.S. respectively for working capital and general corporate purposes.

As further disclosed in the announcement of the Company dated 29 October 2020 (the “Announcement II”), the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK\$3.7 million allocated to set up a sales office in the U.S. for the development of online business platform.

As further disclosed in the announcement of the Company dated 22 December 2020 (the “Announcement III”), the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK\$11.1 million allocated to increase production capacity by investing or setting up production facilities in Vietnam for the repayment of bank borrowings.

Intended use of Net Proceeds	Actual	Revised	Further revised	Further revised	Actual	Amount of	Expected
	amount of	allocation of	allocation of	allocation of			
Net Proceeds	as at	Net Proceeds	Net Proceeds	Net Proceeds	amount	Unutilised Net	timeline for the
as at	31 March	as disclosed	as disclosed	as disclosed	utilised as at	Proceeds as at	intended use
2020	Announcement	in the	in the	in the	31 March 2021	31 March 2021	
2020	I	Announcement	Announcement	Announcement	HK\$ million	HK\$ million	
HK\$ million	Announcement	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	22.1	22.1	22.1	22.1	21.5	0.6	End of 2021
Increase production capacity by investing or setting up production facilities in Vietnam	21.1	11.1	11.1	–	–	–	N/A
Set up a sales office in the U.S.	5.7	3.7	–	–	–	–	N/A
Repayment of bank borrowings	5.7	5.7	5.7	16.8	16.8	–	N/A
Development of online business platform	–	–	3.7	3.7	0.7	3.0	End of 2021
Working capital and general corporate purposes	2.3	14.3	14.3	14.3	14.3	–	N/A
	<u>56.9</u>	<u>56.9</u>	<u>56.9</u>	<u>56.9</u>	<u>53.3</u>	<u>3.6</u>	

As at 31 March 2021, the unutilised Net Proceeds were placed in licensed banks in Hong Kong.

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, 20 August 2021. 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, 17 August 2021 to Friday, 20 August 2021, 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, 16 August 2021.

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 2021, 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 2021, 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 2021 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.

AUDIT OPINION

The Group's auditor has issued an unmodified opinion with a Material Uncertainty Related to Going Concern section in the independent auditor's report on the audit of the consolidated financial statements of the Group for the year ended 31 March 2021. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" as set out below:

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements which indicates that as at 31 March 2021, the Group has net current liabilities of HK\$7,321,000 and incurred a net loss of HK\$44,737,000 for the year then ended. In order to improve the liquidity and financial position of the Group, the directors of the Company entered into a provisional sales and purchase agreement with an independent third party for the disposal of properties in Hong Kong at a consideration of HK\$23,000,000 and have been implementing a number of measures. However, the ultimate success of the disposal could not be determined as of the date of the approval of these consolidated financial statements. This condition, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The information included in note 3.1 to the consolidated financial statements mentioned above are set out in note 3 above in this 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 2021 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, 29 June 2021

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.