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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “Board”) of KNT Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2022, together with the comparative figures for the six months ended 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		Six months ended 30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	37,294	37,532
Cost of sales		(33,782)	(32,397)
Gross profit		3,512	5,135
Other income		628	1,065
Other gains and losses		(62)	189
Selling and distribution expenses		(3,310)	(3,191)
Administrative expenses		(14,432)	(10,209)
Impairment loss on trade receivables under expected credit losses model, net		(11)	9
Impairment loss recognised in respect of property, plant and equipment		(1,287)	–
Impairment loss recognised in respect of right-of- use assets		(1,435)	–
Finance costs	5	(480)	(573)
Share of results of associates		(1,250)	–

* *For identification purpose only*

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss before taxation		(18,127)	(7,575)
Income tax (expense) credit	6	<u>(19)</u>	<u>38</u>
Loss for the period	7	<u>(18,146)</u>	<u>(7,537)</u>
Basic loss per share (<i>HK cents</i>)	9	<u>(2.2)</u>	<u>(1.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(18,146)</u>	<u>(7,537)</u>
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Deferred taxation relating to revaluation of leasehold land and buildings	97	(52)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operation	<u>(537)</u>	<u>(141)</u>
Other comprehensive expense for the period	<u>(440)</u>	<u>(193)</u>
Total comprehensive expense for the period	<u><u>(18,586)</u></u>	<u><u>(7,730)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	33,989	34,309
Investment properties	10	13,400	22,400
Right-of-use assets		427	530
Intangible asset		65	78
Interests in associates		5,150	–
Amount due from an associate		2,100	–
Deposit for acquisition in an associate		–	3,000
		<u>55,131</u>	<u>60,317</u>
Current assets			
Inventories		8,748	9,403
Trade receivables	11	12,233	7,659
Deposits, prepayment and other receivables		35,688	2,860
Amount due from an associate		9,000	–
Loan receivable		–	4,841
Income tax recoverable		141	157
Pledged bank deposit		–	2,000
Bank balances and cash		4,405	58,426
		<u>70,215</u>	<u>85,346</u>
Current liabilities			
Trade payables	12	4,997	2,717
Other payables and accruals		4,814	5,121
Amount due to a controlling shareholder		1,000	–
Contract liabilities		3,046	2,697
Lease liabilities		1,622	237
Bank loans	13	12,604	19,163
Bank overdrafts	13	5,990	5,668
		<u>34,073</u>	<u>35,603</u>

		As at 30 September 2022 <i>Notes</i> HK\$'000 (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Net current assets		<u>36,142</u>	<u>49,743</u>
Total assets less current liabilities		<u>91,273</u>	<u>110,060</u>
Non-current liabilities			
Lease liabilities		168	291
Deferred tax liabilities		<u>5,568</u>	<u>5,646</u>
		<u>5,736</u>	<u>5,937</u>
Net assets		<u>85,537</u>	<u>104,123</u>
Capital and reserves			
Share capital	<i>14</i>	8,424	8,424
Reserves		<u>77,113</u>	<u>95,699</u>
Total equity		<u>85,537</u>	<u>104,123</u>

NOTES TO THE CONDENSED 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 Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office and principal place of business is 30th Floor, EW International Tower, No.120 Taxco 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 of garment products; and trading of accessories.

For the six months ended 30 September 2021, the condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), whereas the functional currency of the Company is United States Dollars (“US\$”). The management of the Company and its subsidiaries (collectively referred to as the “Group”) considered that selecting HK\$ as its presentation currency is more beneficial for the users of the condensed consolidated financial statements as the Company’s shares are listed on the Stock Exchange. During the year ended 31 March 2022, the Group commenced the business of selling accessories and entered into new leases to lease certain properties in Hong Kong. The directors of the Company reassessed the Company’s functional currency and have determined that “HK\$” better reflects the economic substance of the Company as an investment holding company after considering the primary and additional factors provided in paragraphs 10 and 11 of HKAS 21 “The Effects of Changes in Foreign Exchange Rates”. Accordingly, the functional currency of the Company was changed from US\$ to HK\$. For the six months ended 30 September 2022, the condensed consolidated financial statements are presented in HK\$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and certain financial instruments that are measured at revalued amounts or fair values at the end of the reporting period, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed 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:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of garment products recognised at a point in time		
Bridesmaid dresses	19,522	19,198
Bridal gowns	3,548	3,063
Special occasion dresses	5,729	2,268
Accessories	7,637	12,518
Others (<i>Note</i>)	858	485
	<hr/>	<hr/>
Total	37,294	37,532
	<hr/> <hr/>	<hr/> <hr/>

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Geographical markets		
United States of America	17,369	18,811
Hong Kong	9,335	12,891
Europe	5,801	2,962
United Kingdom	3,661	1,059
Australia	1,126	1,732
Others	2	77
	<hr/>	<hr/>
Total	37,294	37,532
	<hr/> <hr/>	<hr/> <hr/>

Sales of garment products

The Group has considered the contractual terms with all customers, besides those related to sale of accessories, and the laws that apply to the relevant contracts for sale of garment products with no alternative use. The terms of these sales contracts do not create an enforceable right to payment to the Group in respect of performance completed to date. Accordingly, revenue associated with sale of garment products with no alternative use is considered to be performance obligation satisfied at a point in time.

The accessories sold by the Group are considered as having alternative use and the revenue from sale of accessories is considered to be performance obligation satisfied at a point in time.

Revenue from the sale of garment products is recognised at a point in time when the control of goods has transferred, being when the goods have been shipped to the customers' specific location. Transportation and other related activities that occur before customers obtains control of the related products are considered as fulfilment activities. The credit terms normally granted by the Group to customers upon delivery of goods range from 0-90 days.

Segment information

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

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. All non-current assets as at 30 September 2022 and 31 March 2022 were located in Hong Kong and the non-current assets located in the PRC had been fully impaired.

The Group's revenue from external customers based on the location of customers are disclosed above in this note.

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue during the period are as follows:

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer A	7,908	11,000
Customer B	7,637	N/A*
Customer C	3,736	4,725
Customer D	N/A*	12,518
	<u> </u>	<u> </u>

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

5. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank overdrafts and loans	421	557
Interest on lease liabilities	59	16
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Deferred tax expense (credit)	<u>19</u>	<u>(38)</u>
Income tax expense (credit)	<u><u>19</u></u>	<u><u>(38)</u></u>

7. LOSS FOR THE PERIOD

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	1,538	104
Depreciation of property, plant and equipment	810	969
<i>Less:</i> Amount capitalised in inventories	<u>(1,309)</u>	<u>–</u>
	1,039	1,073
Amortisation of intangible asset	13	13
Cost of inventories recognised as cost of sales (including reversal of write down of inventories of HK\$1,000 (2021: HK\$71,000))	33,782	32,397
Bank interest income	(2)	(2)
Net exchange gain	(423)	(189)
Loss on disposal of an investment property	<u><u>484</u></u>	<u><u>–</u></u>

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: nil).

9. 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

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	<u><u>(18,146)</u></u>	<u><u>(7,537)</u></u>

Number of shares

	Six months ended 30 September	
	2022	2021
	'000	'000
	(unaudited)	(unaudited)
Number of ordinary shares for the purposes of basic loss per share	<u><u>842,433</u></u>	<u><u>520,000</u></u>

No diluted loss per share was presented as there were no potential ordinary shares in issue during the six months ended 30 September 2022 and 2021.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2022, the Group acquired certain property, plant and equipment with an aggregate carrying value of approximately HK\$1,778,000 (six months ended 30 September 2021: approximately HK\$14,000).

During the six months ended 30 September 2022, the Group disposed of an investment property with carrying value of HK\$9,000,000 (six months ended 30 September 2021: nil) for net cash proceeds of approximately HK\$8,516,000 (six months ended 30 September 2021: nil), resulting in a loss on disposal of approximately HK\$484,000 (six months ended 30 September 2021: nil).

11. TRADE RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Trade receivables from third parties	9,716	4,848
Trade receivables from a related company	2,538	2,821
<i>Less: Loss allowance</i>	<u>(21)</u>	<u>(10)</u>
	<u><u>12,233</u></u>	<u><u>7,659</u></u>

Trade receivables from third parties

The credit terms normally granted by the Group to customers upon delivery of goods range from 0 – 90 days.

The Group applies simplified approach to provide for ECL of trade receivables prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually.

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

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Within 30 days	6,442	3,684
31 – 60 days	1,802	255
61 – 90 days	535	434
91 – 180 days	900	464
181 – 365 days	15	1
Over 365 days	1	–
	9,695	4,838

As at 30 September 2022, out of the past due balances, HK\$16,000 (31 March 2022: HK\$1,000) has been past due over 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the management's historical experience on the settlement pattern or record from these debtors.

Trade receivables from a related company

The trade receivables from a related company represents the amount due from Veromia Limited, which is a private limited liability company incorporated in the United Kingdom and Mr. Chong Sik is the director and sole controlling shareholder.

The balance is trade in nature and no interest is charged on the amount due from Veromia Limited. Credit terms of 0-90 days are granted by the Group to Veromia Limited upon delivery of goods.

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

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Within 30 days	1,306	295
31 – 60 days	578	159
61 – 90 days	654	1,825
91 – 180 days	–	123
181 – 365 days	–	419
Over 365 days	–	–
	2,538	2,821

The Group assessed loss allowance on trade receivables from a related company on lifetime ECL basis.

As at 30 September 2022, out of the past due balances, no balance (31 March 2022: HK\$419,000) has been past due over 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the guarantee provided by Mr. Chong Sik.

12. 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:

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Within 30 days	3,377	2,189
31 – 60 days	624	363
61 – 90 days	716	146
91 – 180 days	245	4
181 – 365 days	2	–
Over 365 days	33	15
	4,997	2,717

13. BANK OVERDRAFTS AND LOANS

(a) Bank loans

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Unsecured and guaranteed:		
Bank loans	<u>5,447</u>	<u>5,811</u>
Secured and guaranteed:		
Bank loans	<u>7,157</u>	<u>13,352</u>
Total	<u>12,604</u>	<u>19,163</u>
	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Carrying amounts of bank loans which are based on scheduled repayment dates set out in the loan agreements and classified as current due to repayment on demand clause:		
Within one year	5,073	10,793
More than one year but not more than two years	1,717	1,698
More than two years but not more than five years	4,906	5,284
More than five years	<u>908</u>	<u>1,388</u>
Amounts shown under current liabilities	<u>12,604</u>	<u>19,163</u>

The variable-rate bank loans bear interest at Hong Kong Prime Rate minus a spread, bank's standard bills rate and HIBOR plus a spread per annum. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank loans are 2.375% - 7.250% (31 March 2022: 1.63% - 5.00%).

(b) Bank overdrafts

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Secured and guaranteed:		
Bank overdrafts	<u><u>5,990</u></u>	<u><u>5,668</u></u>

The variable-rate bank overdrafts bear interest at Hong Kong Prime Rate per annum. The effective interest rate (which is also equal to contracted interest rate) on the Group's variable-rate bank overdrafts was 5.25% (31 March 2022: 5.25%).

The Group entered into several banking facilities with banks in Hong Kong. The banking facilities are secured by assets held by the Group and/or guaranteed by Mr. Chong Sik and Mr. Chong Pun, details of which is set out as follows:

- (a) Corporate guarantee from the Company;
- (b) Leasehold land and buildings (31 March 2022: investment properties and leasehold land and buildings) of the Group; and
- (c) Pledged bank deposit as at 31 March 2022.

14. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2021 and 30 September 2021	520,000,000	5,200
Placing of shares (<i>Note (a)</i>)	104,000,000	1,040
Issue of shares upon rights issue (<i>Note (b)</i>)	<u>218,432,607</u>	<u>2,184</u>
At 31 March 2022 and 30 September 2022	<u>842,432,607</u>	<u>8,424</u>

Notes:

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

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

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

15. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Six months ended	
		30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Veromia Limited	Sales of garment products	4,221	1,060
	Purchases of samples/fabrics	388	28
Mr. Chong Sik and Mr. Chong Pun	Interest expense on lease liabilities (<i>Note</i>)	<u>48</u>	<u>–</u>

Note: Certain lease contracts were entered into with Mr. Chong Sik and Mr. Chong Pun for the use of factory premises and staff dormitories during both periods.

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 who had maintained long years of relationship with the Group. In addition to manufacturing apparels for its customers, the Group strives to become an integral part of its customers' business operations by offering a wide range of value-added services ranging from fashion trend analysis, product design and development, raw material procurement, production, quality assurance to inventory management. The Group has also commenced developing its online business platform for the sale of fashion apparels since November 2020. In addition, the Group commenced the business of selling accessories since June 2021.

The Group recorded revenue of approximately HK\$37.3 million for the six months ended 30 September 2022, representing a decrease of approximately 0.5% as compared to that of approximately HK\$37.5 million for the six months ended 30 September 2021. Revenue from the United States accounted for approximately 50.1% and 46.6% of the total revenue of the Group for the six months ended 30 September 2021 and 2022 respectively. The gross profit margin decreased from 13.7% for the six months ended 30 September 2021 to 9.4% for the six months ended 30 September 2022. Loss for the period amounted to approximately HK\$18.1 million for the six months ended 30 September 2022, representing an increase in loss of approximately 141.3% as compared to loss of approximately HK\$7.5 million for the six months ended 30 September 2021.

During the six months ended 30 September 2022, the Group continued to experience a challenging operating environment in view of prolonged trade disputes between the United States and China, tariff imposed, political tensions and continuing uncertainties in global economy. Since the Group's revenue was mostly derived from customers based in the United States, these factors in aggregate led to a certain extent of impact on the overall business performance of the Group.

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

PROSPECT

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year will remain highly challenging and uncertain. The Group will continue to review its existing business from time to time and take appropriate measures to tackle any possible impacts. In view of the unprecedented business environment, the management is actively exploring new business opportunities with a view to diversifying the income stream of the Group and mitigating risks.

Currently, the Company is negotiating with a reputable outlet operator (the “Outlet Partner”) in the PRC in developing possible procurement and distribution business for new retailing and the Outlet Partner in the PRC, which enables the Group to commence procurement and distribution business for branded fashion, garments, and accessories in the PRC; and have its products reach out to the consumers in the PRC through the platform of the Outlet Partner. This opportunity could, on one hand, complement the business of the Group and, on the other hand, enable the Group to be benefited from expanding its client base in the PRC. The Group’s revenue base will therefore be broadened in the future and is expected to increase investment returns to the shareholders.

The Group is also taking cost-control measures since 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, accessories, fashion apparels and fabrics and other garment accessories.

Revenue decreased by approximately HK\$0.2 million or approximately 0.5% from approximately HK\$37.5 million for the six months ended 30 September 2021 to approximately HK\$37.3 million for the six months ended 30 September 2022. The overall decrease in revenue was primarily attributable to the net effect of the decrease in revenue generated from the sale of accessories of approximately HK\$4.9 million and the increase in revenue generated from the sale of special occasion dresses of approximately HK\$3.4 million.

The increase in revenue generated from the sale of special occasion dresses from approximately HK\$2.3 million for the six months ended 30 September 2021 to approximately HK\$5.7 million for the six months ended 30 September 2022 was primarily as a result of the increase in sales quantity from 2.9 thousand units for the six months ended 30 September 2021 to 10.1 thousand units for the six months ended 30 September 2022.

The significant increase in sales quantity of special occasion dresses was attributable to the increase in orders placed by our existing customer in the United Kingdom upon the ease of the impact of the epidemic gradually for the six months ended 30 September 2022.

Cost of sales

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

Cost of sales increased by approximately HK\$1.4 million or approximately 4.3% from approximately HK\$32.4 million for the six months ended 30 September 2021 to approximately HK\$33.8 million for the six months ended 30 September 2022. The increase was mainly due to the increase in labour costs during the six months ended 30 September 2022.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$1.6 million or approximately 31.4% from approximately HK\$5.1 million for the six months ended 30 September 2021 to approximately HK\$3.5 million for the six months ended 30 September 2022. Gross profit margin decreased from 13.6% for the six months ended 30 September 2021 to 9.4% for the six months ended 30 September 2022. The decrease in gross profit and gross profit margin was mainly attributable to the increase in labour costs during the six months ended 30 September 2022 as compared to that of last period.

Other income

Other income decreased by approximately HK\$0.5 million or approximately 45.4% from approximately HK\$1.1 million for the six months ended 30 September 2021 to approximately HK\$0.6 million for the six months ended 30 September 2022. The decrease was mainly attributable to the deposit forfeited upon the cancellation of the purchase of properties by the purchaser during the six months ended 30 September 2021.

Other gains and losses

Other gains and losses represented loss on disposal of an investment property net of net exchange gains for the six months ended 30 September 2022 while other gain represented net exchange gains for the six months ended 30 September 2021.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$0.1 million or approximately 3.1% from approximately HK\$3.2 million for the six months ended 30 September 2021 to approximately HK\$3.3 million for the six months ended 30 September 2022. The net increase was mainly attributable to the increase in staff costs and advertising and promotion expenses net of decrease in transportation costs.

Administrative expenses

Administrative expenses increased by approximately HK\$4.2 million or approximately 41.2% from approximately HK\$10.2 million for the six months ended 30 September 2021 to approximately HK\$14.4 million for the six months ended 30 September 2022. The increase was mainly attributable to the increase in staff costs compared to the corresponding period in last year when there was implementation of cost control measures for the six months ended 30 September 2021.

Finance costs

Finance costs decreased by approximately HK\$0.1 million or approximately 16.7% from approximately HK\$0.6 million for the six months ended 30 September 2021 to approximately HK\$0.5 million for the six months ended 30 September 2022. The decrease was mainly attributable to the decrease in the average bank borrowings during the six months ended 30 September 2022.

Income tax expense (credit)

Income tax expense for the six months ended 30 September 2022 mainly represented the temporary differences arising from depreciation and income tax credit for the six months ended 30 September 2021 represented release of deferred tax liabilities on tax depreciation.

Loss for the period

Loss for the six months ended 30 September 2022 amounted to approximately HK\$18.1 million. The increase in loss was mainly attributable to (i) the increase in staff costs; (ii) the increase in impairment loss recognised in respect of property, plant and equipment and right-of-use assets; (iii) the increase in share of losses of associates; and (iv) the decrease in gross profit.

Interim dividend

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

Capital structure

The capital structure of the Company comprises of issued share capital and reserves. As at the date of this announcement, the issued share capital of the Company was HK\$8.4 million and the number of issued ordinary shares was 842,432,607 of HK\$0.01 each.

Liquidity and financial resources

The Group generally finances its operation by internal cash generated from operations and bank borrowings. As at 30 September 2022, the Group had bank balances and cash of approximately HK\$4.4 million net of bank overdrafts of approximately HK\$6.0 million (31 March 2022: bank balances and cash of approximately HK\$58.4 million net of bank overdrafts of approximately HK\$5.7 million) and had net current assets of approximately HK\$36.1 million (31 March 2022: approximately HK\$49.7 million).

The current ratio of the Group was approximately 2.1 times as at 30 September 2022, as compared to that of approximately 2.4 times as at 31 March 2022. The current ratio decreased was mainly attributable to the decrease in cash and cash equivalents.

The gearing ratio of the Group, which is calculated by dividing the total bank borrowings by the total equity and then multiplied by 100%, was 21.7% as at 30 September 2022 (31 March 2022: 23.8%). The gearing ratio decreased was mainly attributable to the decrease in bank loans and the increase in loss for the period which led to a decrease in total equity.

Pledge of assets

As at 30 September 2022, the Group pledged leasehold land and buildings with carrying value of approximately HK\$31.6 million (31 March 2022: approximately HK\$32.3 million), investment properties with carrying value of nil (31 March 2022: HK\$22.4 million) and bank deposit of nil (31 March 2022: HK\$2.0 million) to secure certain banking facilities granted to the Group.

Foreign exchange risk

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

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

Material acquisitions and disposals of subsidiaries and associated companies

During the six months ended 30 September 2022, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 30 September 2022, the Group had no significant investments held (31 March 2022: nil).

Future plans for material investments and capital assets

On 16 September 2022, Full Wealthy Corporation Limited, an indirect wholly-owned subsidiary of the Company (the “**Purchaser**”) and Outlets Group Holdings Limited (the “**Vendor**”) entered into the equity transfer agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% equity interest in Outlets Property Management (Guizhou) Co., Ltd. at a consideration of RMB20,000,000 (a refundable deposit of RMB2 million and remaining amount of RMB18 million) subject to the terms and conditions of the equity transfer agreement. Details of the transaction were set out in the Company’s announcements dated 16 September 2022 and 8 November 2022.

Save as disclosed in the prospectus of the Company dated 15 February 2019 (the “Prospectus”) and in this announcement, the Group currently did not have other plans for material investments and capital assets.

Events after the reporting period

No significant events affecting the Group occurred since 1 October 2022 and up to the date of this announcement.

Employees and remuneration policy

As at 30 September 2022, the Group had 257 employees (31 March 2022: 262 employees). The total staff costs, including directors’ emoluments, of the Group for the six months ended 30 September 2022 were approximately HK\$18.5 million (six months ended 30 September 2021: approximately HK\$14.2 million).

Remuneration is determined with reference to market norms and the performance, qualification and experience of individual employee. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. The remuneration package generally includes basic salaries, discretionary bonuses and contributions to retirement benefits scheme. The Group provides training for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Capital commitment

As at 30 September 2022, the Group did not have any material capital commitment (31 March 2022: nil).

Contingent liabilities

As at 30 September 2022, the Group did not have any material contingent liabilities (31 March 2022: nil).

Use of net proceeds

(I) Use of net proceeds from the Listing

The net proceeds from the Listing, after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK\$56.9 million (the “Net Proceeds”).

As at 30 September 2022, the Group has utilised approximately HK\$56.9 million, representing approximately 100%, of the Net Proceeds from the Listing.

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

As disclosed in the announcement of the Company dated 7 July 2022, the Board resolved to change the use of the revised unutilised Net Proceeds in the amount of HK\$9.1 million to working capital and general corporate purposes.

Intended use of Net Proceeds	Actual amount of Net Proceeds as at 31 March 2022 <i>HK\$ million</i>	Reallocation as at 7 July 2022 <i>HK\$ million</i>	Actual amount utilised as at 30 September 2022 <i>HK\$ million</i>	Amount of Unutilised Net Proceeds as at 30 September 2022 <i>HK\$ million</i>	Expected timeline for the intended use
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group's existing business and production as well as that in Vietnam	22.1	(9.1)	13.0	–	N/A
Repayment of bank borrowings	16.8	–	16.8	–	N/A
Development of online business platform	3.7	–	3.7	–	N/A
Working capital and general corporate purposes	<u>14.3</u>	<u>9.1</u>	<u>23.4</u>	<u>–</u>	N/A
	<u><u>56.9</u></u>	<u><u>–</u></u>	<u><u>56.9</u></u>	<u><u>–</u></u>	

(II) Use of net proceeds from the Rights Issue

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

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

As at 30 September 2022, the Group has utilised approximately HK\$55.5 million, representing approximately 96.7%, of the net proceeds from the Rights Issue.

Intended use	Actual amount of net proceeds from the Rights Issue as at 30 September 2022 <i>HK\$ million</i>	Actual amount of utilised net proceeds from the Rights Issue as at 30 September 2022 <i>HK\$ million</i>	Amount of unutilised net proceeds from the Rights Issue as at 30 September 2022 <i>HK\$ million</i>	Expected timeline for the intended use
General working capital of the Group	34.5	32.6	1.9	On or before 31 March 2023
Development of outlet business	22.9	22.9	–	N/A
Total	<u>57.4</u>	<u>55.5</u>	<u>1.9</u>	

As at 30 September 2022, the unutilised net proceeds from the Rights Issue were placed in a licensed bank 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 six months ended 30 September 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the six months ended 30 September 2022, the Company has complied with the code provisions as set out in the CG Code, except for code provision C.2.1 (the details of which are set forth below).

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Mr. Chong Sik who is one of the co-founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Chong Sik can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Chong Sik had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group’s business.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own Code of Ethics and Securities Transactions (the “Code of Ethics”) regarding dealings in the Company’s securities by directors and the relevant employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Ethics during the six months ended 30 September 2022.

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 unaudited condensed consolidated financial results of the Group and the announcement for the six months ended 30 September 2022, including the accounting principles and practices adopted by the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the best knowledge of the directors, during the six months ended 30 September 2022 and up to the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for the six months ended 30 September 2022 will also be published on the respective websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By Order of the Board
KNT Holdings Limited
Chong Sik
Chairman and Executive Director

Hong Kong, 30 November 2022

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Chong Sik, Mr. Chong Pun and Mr. Lam Chi Yuen; one non-executive director, namely, Mr. Hu Shilin; and four independent non-executive directors, namely, Mr. Leung Martin Oh Man, Mr. Lau Koong Yep, Mr. Yuen King Sum and Mr. Lau Kwok Fan.