

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1025



Interim Report
2023

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chong Sik (*Chairman and
Chief Executive Officer*)

Chong Pun

Lam Chi Yuen

Dong Bin (*Vice-Chairman*)

(appointed on 1 June 2023)

Wong Ho Yin

(appointed on 28 November 2023)

Non-executive Director

Hu Shilin

Independent Non-executive Directors

Leung Martin Oh Man

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

AUDIT COMMITTEE

Leung Martin Oh Man (*Chairman*)

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

REMUNERATION COMMITTEE

Lau Koong Yep (*Chairman*)

Leung Martin Oh Man

Yuen King Sum

Lau Kwok Fan

NOMINATION COMMITTEE

Chong Sik (*Chairman*)

Leung Martin Oh Man

Lau Koong Yep

Yuen King Sum

Lau Kwok Fan

COMPANY SECRETARY

Chan Nga Chun

AUTHORISED REPRESENTATIVES

Chong Sik

Chan Nga Chun

AUDITOR

Yongtuo Fuson CPA Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30th Floor

EW International Tower

No. 120 Texaco Road

Tsuen Wan

New Territories

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited

STOCK CODE

01025

COMPANY WEBSITE

www.kntholdings.com

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 engaged in online business for the sale of fashion apparels; and the business of selling accessories.

The Group recorded revenue of approximately HK\$22.5 million for the six months ended 30 September 2023, representing a decrease of approximately 39.7% as compared to that of approximately HK\$37.3 million for the six months ended 30 September 2022. Revenue from the United States accounted for approximately 46.6% and 42.2% of the total revenue of the Group for the six months ended 30 September 2022 and 2023 respectively. The gross profit margin increased from 9.4% for the six months ended 30 September 2022 to 9.8% for the six months ended 30 September 2023. Loss for the period amounted to approximately HK\$14.7 million for the six months ended 30 September 2023, representing a decrease in loss of approximately 18.8% as compared to loss of approximately HK\$18.1 million for the six months ended 30 September 2022.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the six months ended 30 September 2023, the Group continued to experience a challenging operating environment in view of prolonged trade disputes between the United States and China, tariff imposed, political tensions and continuing uncertainties in global economy. Since the Group's revenue was mostly derived from customers based in the United States, these factors in aggregate led to a certain extent of impact on the overall business performance of the Group.

In addition, the outbreak of the novel coronavirus disease (COVID-19) in past three years has brought significant disruption to the global economy and caused adverse impact to the business environment of the Group.

PROSPECT

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group is also taking cost-control measures throughout the period 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\$14.8 million or approximately 39.7% from approximately HK\$37.3 million for the six months ended 30 September 2022 to approximately HK\$22.5 million for the six months ended 30 September 2023. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK\$9.0 million and the decrease in revenue generated from the sale of special occasion dresses of approximately HK\$3.7 million.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK\$19.5 million for the six months ended 30 September 2022 to approximately HK\$10.5 million for the six months ended 30 September 2023 was primarily as a result of the decrease in sales quantity from 62.2 thousand units for the six months ended 30 September 2022 to 33.4 thousand units for the six months ended 30 September 2023.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK\$5.8 million for the six months ended 30 September 2022 to approximately HK\$2.0 million for the six months ended 30 September 2023 was primarily as a result of the decrease in sales quantity from 10.1 thousand units for the six months ended 30 September 2022 to 3.7 thousand units for the six months ended 30 September 2023.

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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\$13.5 million or approximately 39.9% from approximately HK\$33.8 million for the six months ended 30 September 2022 to approximately HK\$20.3 million for the six months ended 30 September 2023. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$1.3 million or approximately 37.1% from approximately HK\$3.5 million for the six months ended 30 September 2022 to approximately HK\$2.2 million for the six months ended 30 September 2023. Gross profit margin increased from 9.4% for the six months ended 30 September 2022 to 9.8% for the six months ended 30 September 2023. The decrease in gross profit and increase in gross profit margin was mainly attributable to the decrease in revenue and the decrease in labour costs, respectively during the six months ended 30 September 2023 as compared to that of last period.

Other income

Other income decreased by approximately HK\$0.4 million or approximately 66.7% from approximately HK\$0.6 million for the six months ended 30 September 2022 to approximately HK\$0.2 million for the six months ended 30 September 2023. The decrease was mainly attributable to the decrease in rental income and the decrease in government grants received during the six months ended 30 September 2023.

Other gains and losses

Other gains and losses mainly represented exchange gains for the six months ended 30 September 2023.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$0.6 million or approximately 18.2% from approximately HK\$3.3 million for the six months ended 30 September 2022 to approximately HK\$2.7 million for the six months ended 30 September 2023. The decrease was mainly attributable to the effect of the decrease in staff costs and transportation costs net of the increase in advertising and promotion expenses.

Administrative expenses

Administrative expenses decreased by approximately HK\$3.5 million or approximately 24.3% from approximately HK\$14.4 million for the six months ended 30 September 2022 to approximately HK\$10.9 million for the six months ended 30 September 2023. The decrease was mainly attributable to the decrease in staff costs compared to the corresponding period in last year due to cost control measures implemented during the six months ended 30 September 2023.

Finance costs

Finance costs decreased by approximately HK\$0.02 million or approximately 4.2% from approximately HK\$0.48 million for the six months ended 30 September 2022 to approximately HK\$0.46 million for the six months ended 30 September 2023. The decrease was mainly attributable to the decrease in the average bank borrowings during the six months ended 30 September 2023.

Income tax expense

Income tax expense for the six months ended 30 September 2023 mainly represented the temporary differences arising from depreciation.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Loss for the period

The Group recorded a loss of approximately HK\$14.7 million for the six months ended 30 September 2023 and a loss of approximately HK\$18.1 million for the six months ended 30 September 2022. The decrease in loss was mainly attributable to net effect of (i) the decrease in administrative expenses and selling and distribution expenses; (ii) the decrease in impairment loss recognised in respect of property, plant and equipment; (iii) the decrease in gross profit; and (iv) the increase in share of losses of associates.

Interim dividend

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

Capital structure

The capital structure of the Company comprises of issued share capital and reserves. As at the date of this report, 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 2023, the Group had bank balances and cash of approximately HK\$4.6 million (31 March 2023: HK\$3.2 million) net of bank overdrafts of approximately HK\$6.0 million (31 March 2023: HK\$6.0 million) and had net current assets of approximately HK\$18.0 million (31 March 2023: HK\$29.7 million).

The current ratio of the Group was approximately 1.4 times as at 30 September 2023, as compared to that of approximately 1.8 times as at 31 March 2023. The current ratio decreased was mainly attributable to the increase in other payables and accruals and amounts due to directors.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and financial resources (continued)

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 26.2% as at 30 September 2023 (31 March 2023: 21.0%). The gearing ratio increased was mainly attributable to the increase in loss for the period which led to a decrease in total equity compared to that of 31 March 2023.

Pledge of assets

As at 30 September 2023, the Group pledged leasehold land and buildings with carrying value of approximately HK\$30.4 million (31 March 2023: HK\$31.1 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 2023, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 30 September 2023, the Group had no significant investments held (31 March 2023: nil).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 15 February 2019 (the “Prospectus”) and in this interim report, 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 2023 and up to the date of this report.

Employees and remuneration policy

As at 30 September 2023, the Group had 233 employees (31 March 2023: 246 employees). The total staff costs, including directors’ emoluments, of the Group for the six months ended 30 September 2023 were approximately HK\$12.8 million (six months ended 30 September 2022: approximately HK\$18.5 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 2023, the Group did not have any material capital commitment (31 March 2023: nil).

Contingent liabilities

As at 30 September 2023, the Group did not have any material contingent liabilities (31 March 2023: nil).



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, the interests and short positions of the directors (the "Directors") and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Mr. Chong Sik	Interest in controlled corporation (Note 2)	235,950,000	28.008%
Mr. Chong Pun	Interest in controlled corporation (Note 3)	120,050,000	14.250%

Notes:

- The percentage is calculated based on the total number of 842,432,607 shares in issue as at 30 September 2023.
- These shares were held by Strategic Elite Limited ("Strategic Elite"), a company in which beneficially and wholly-owned by Mr. Chong Sik. Mr. Chong Sik was deemed to be interested in all the shares held by Strategic Elite by virtue of the SFO.
- These shares were held by Total Clarity Investments Limited ("Total Clarity"), a company in which beneficially and wholly-owned by Mr. Chong Pun. Mr. Chong Pun was deemed to be interested in all the shares held by Total Clarity by virtue of the SFO.

OTHER INFORMATION (continued)

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2023, so far as known to the Directors or the chief executive of the Company, the following corporations or individuals (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Strategic Elite	Beneficial owner	235,950,000	28.008%
Ms. Lok Pui Yee, Fanny	Interest of spouse (Note 2)	235,950,000	28.008%
Total Clarity	Beneficial owner	120,050,000	14.250%
Ms. Tsang Kit Fong	Interest of spouse (Note 3)	120,050,000	14.250%
Mr. Tsang Ming Sophronia	Beneficial owner	23,790,000	2.824%
	Interest in controlled corporation	30,920,000	3.670%

Notes:

- The percentage is calculated based on the total number of 842,432,607 shares in issue as at 30 September 2023.
- Ms. Lok Pui Yee, Fanny is the spouse of Mr. Chong Sik and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Sik through Strategic Elite pursuant to the SFO.
- Ms. Tsang Kit Fong is the spouse of Mr. Chong Pun and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Pun through Total Clarity pursuant to the SFO.

OTHER INFORMATION (continued)

Save as disclosed above, as at 30 September 2023, the Directors were not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to a written resolution of the shareholders passed on 31 January 2019. A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

(2) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

- (i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and
- (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or other participants who contributes to the development and growth of the Group or any invested entity.



OTHER INFORMATION (continued)**(3) Total number of shares available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this interim report**

- (i) The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time.
- (ii) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 52,000,000 shares (representing 6.17% of the issued shares as at the date of this interim report), being 10% of the total number of shares in issue on the Listing Date (the “Scheme Limit”) unless approved by the shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Limit.
- (iii) The Company may seek separate approval of the shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of shareholders, a circular containing the information as required under the Listing Rules shall be sent by the Company to the shareholders.



OTHER INFORMATION (continued)

- (iv) The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the shareholders, the Company shall send a circular to the shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.
- (v) The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. No options under any schemes may be granted if this will result in the 30% limit being exceeded.

(4) Maximum entitlement of each participant

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue.

(5) Period within which the shares must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be longer than 10 years from the relevant date of grant.



OTHER INFORMATION (continued)

(6) Minimum period for which an option must be held before it can be exercised

There is no minimum period in which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(7) Payment on acceptance of option offer

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 days inclusive of, and from the date upon which it is made.

(8) Basis of determining the subscription price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant.

(9) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 31 January 2019.

During the six months ended 30 September 2023, no options had been granted, exercised or cancelled or lapsed under the Share Option Scheme. There were no outstanding options under the Share Option Scheme as at 30 September 2023.



OTHER INFORMATION (continued)

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance for the Directors and officers of the Group in respect of legal actions against them arising from corporate activities of 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 2023 and up to the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

NON-COMPETITION UNDERTAKING

In accordance with the non-competition undertakings set out in the deed of non-competition dated 31 January 2019 (the “Deed of Non-competition”) executed by the controlling shareholders of the Company (the “Controlling Shareholders”) in favour of the Company (for itself and as trustee for its subsidiaries), save and except the exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group in Hong Kong, Macau and any other country or jurisdiction, the principal terms of which are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

The Company has received a declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the six months ended 30 September 2023. The Controlling Shareholders also confirmed in the said declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the six months ended 30 September 2023.



OTHER INFORMATION (continued)

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the six months ended 30 September 2023:

- (i) The Controlling Shareholders had procured the independent non-executive Directors to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition.
- (ii) The Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition.
- (iii) The Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition during the six months ended 30 September 2023.
- (iv) The independent non-executive Directors, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders during the six months ended 30 September 2023.



OTHER INFORMATION (continued)

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

KNT Limited ("KNT"), a wholly-owned subsidiary of the Company, as borrower, accepted certain facility letters issued by a bank, including:

- (i) A facility letter dated 27 May 2020, as first supplemented on 28 October 2020 and second supplemented on 26 May 2021 offering a non-revolving term loan facility of HK\$4,000,000 for a repayment term of 96 months;
- (ii) A facility letter dated 28 October 2020, as supplemented on 26 May 2021 offering a non-revolving term loan facility of HK\$1,000,000 for a repayment term of 96 month; and
- (iii) A facility letter dated 26 May 2021 offering a non-revolving term loan facility of HK\$1,000,000 for a repayment term of 96 months.

Pursuant to each of the facility letters, amongst other things, the Controlling Shareholders, shall provide irrevocable and unconditional personal guarantee of each of the facilities and that the Controlling Shareholders, shall at any time during the term of each facilities, directly or indirectly, maintain at least 50% of the issued share capital of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the management of the Group with reference to the qualifications, experience and performances of the employees. The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee and approved by the Board having regard to the Company's operating results, individual performance and comparable market statistics.



OTHER INFORMATION (continued)

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 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 2023, 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.



OTHER INFORMATION (continued)

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 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 2023.

No incident of non-compliance of the Code of Ethics by the employees was noted by the Company.

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 2023.

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 interim report for the six months ended 30 September 2023, including the accounting principles and practices adopted by the Group.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended 30 September	
	Notes	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	22,468	37,294
Cost of sales		(20,258)	(33,782)
		<hr/>	<hr/>
Gross profit		2,210	3,512
Other income		242	628
Other gains and losses		575	(62)
Selling and distribution expenses		(2,720)	(3,310)
Administrative expenses		(10,905)	(14,432)
Impairment loss on trade receivables under expected credit loss model, net		9	(11)
Impairment loss recognised in respect of property, plant and equipment		–	(1,287)
Impairment loss recognised in respect of right-of-use assets		(1,281)	(1,435)
Finance costs	5	(465)	(480)
Share of results of associates		(2,311)	(1,250)
		<hr/>	<hr/>
Loss before taxation		(14,646)	(18,127)
Income tax expense	6	(19)	(19)
		<hr/>	<hr/>
Loss for the period	7	(14,665)	(18,146)
		<hr/>	<hr/>
		HK cents	HK cents
Loss per share	9		
Basic		(1.7)	(2.2)
		<hr/>	<hr/>
Diluted		(1.7)	(2.2)
		<hr/>	<hr/>



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(14,665)	(18,146)
Other comprehensive (expense) income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Deferred taxation relating to revaluation of leasehold land and buildings	(20)	97
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operation	(141)	(537)
Other comprehensive expense for the period	(161)	(440)
Total comprehensive expense for the period	(14,826)	(18,586)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	32,705	33,445
Investment properties	10	12,300	12,300
Right-of-use assets		219	323
Intangible asset		39	52
Interests in associates		–	2,311
		45,263	48,431
Current assets			
Inventories		7,938	6,416
Trade receivables	11	5,871	9,823
Deposits, prepayments and other receivables		34,883	34,734
Amount due from an associate		11,572	11,547
Bank balances and cash		4,598	3,155
		64,862	65,675

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2023

	Note	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Current liabilities			
Trade payables	12	3,116	3,969
Other payables and accruals		8,520	6,844
Amounts due to directors		16,065	7,500
Contract liabilities		2,570	2,222
Lease liabilities		1,435	248
Bank loans	13(a)	9,148	9,260
Bank overdrafts	13(b)	6,000	5,962
		46,854	36,005
Net current assets		18,008	29,670
Total assets less current liabilities		63,271	78,101



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2023

	Note	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		–	43
Deferred tax liabilities		5,524	5,485
		5,524	5,528
Net assets		57,747	72,573
Capital and reserves			
Share capital	14	8,424	8,424
Reserves		49,323	64,149
Total equity		57,747	72,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Deemed distribution HK\$'000 (Note (c))	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022	8,424	141,617	19,520	3,400	27,345	(1,419)	2,538	(97,302)	104,123
Loss for the period	-	-	-	-	-	-	-	(18,146)	(18,146)
Other comprehensive (expense) income	-	-	-	(537)	97	-	-	-	(440)
Total comprehensive expense for the period	-	-	-	(537)	97	-	-	(18,146)	(18,586)
Transfer to accumulated losses	-	-	-	-	(493)	-	-	493	-
At 30 September 2022	8,424	141,617	19,520	2,863	26,949	(1,419)	2,538	(114,955)	85,537
At 1 April 2023	8,424	141,617	19,520	2,774	26,719	(1,419)	2,538	(127,600)	72,573
Loss for the period	-	-	-	-	-	-	-	(14,665)	(14,665)
Other comprehensive expense	-	-	-	(141)	(20)	-	-	-	(161)
Total comprehensive expense for the period	-	-	-	(141)	(20)	-	-	(14,665)	(14,826)
Transfer to accumulated losses	-	-	-	-	(495)	-	-	495	-
At 30 September 2023	8,424	141,617	19,520	2,633	26,204	(1,419)	2,538	(141,770)	57,747



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2023

Notes:

- (a) Other reserve represents (i) the transfer of HK\$16,500,000 as a result of the transfer of the entire shareholding in Dong Guan HYG Garment Limited Company (“HYG”), one of the operating subsidiaries established in the People’s Republic of China (the “PRC”), from Mr. Chong Sik (“Mr. S Chong”) and Mr. Chong Pun (“Mr. P Chong”), the directors of the Company, in the previous year to KNT International Holdings Limited (“KNT Int’l”), a company incorporated in Hong Kong and wholly-owned by Mr. S Chong and Mr. P Chong, at nil consideration. HYG is then wholly-owned by KNT Int’l since the completion of transfer; and (ii) the transfer of HK\$3,020,000 as a result of the transfer of the entire shareholding in KNT Int’l and KNT, one of the operating subsidiaries incorporated in Hong Kong, from Mr. S Chong and Mr. P Chong in the previous year.
- (b) As stipulated by the relevant PRC laws and regulations, the subsidiary established in the PRC shall set aside 10% of its net profit to the statutory reserve. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary and by the relevant authority, to offset previous year’s losses or convert into additional capital of the PRC subsidiary.
- (c) The deemed distribution represents the transaction cost attributable to shares offered for sale by the shareholders of the Company during global offering of the Company’s shares in 2019, which was borne by the Group and deemed as distribution to shareholders.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(5,246)	(40,910)
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	73	–
Bank interest received	2	2
Purchase of property, plant and equipment	(7)	(1,778)
Advances to an associate	–	(11,100)
Investments in associates	–	(3,400)
Net proceeds on disposal of an investment property	–	8,516
Withdrawal of pledged bank deposit	–	2,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES	68	(5,760)
FINANCING ACTIVITIES		
Advances from directors	8,743	5,000
New bank borrowings raised	3,576	7,226
Repayments of bank loans	(3,688)	(13,785)
Repayment of lease liabilities	(1,390)	(1,537)
Interest paid	(465)	(480)
Repayments to directors	(107)	(4,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	6,669	(7,576)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,491	(54,246)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(2,807)	52,758
Effect of foreign exchange rate changes	(86)	(97)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(1,402)	(1,585)
Represented by:		
Bank balances and cash	4,598	4,405
Bank overdrafts	(6,000)	(5,990)
	(1,402)	(1,585)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 are disclosed in this interim report.

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.

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 2023 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 2023 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2023.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 and the related Amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Sales of garment products recognised at a point in time		
Bridesmaid dresses	10,514	19,522
Bridal gowns	2,007	3,548
Special occasion dresses	2,018	5,729
Accessories	6,232	7,637
Others (Note)	1,697	858
Total	22,468	37,294

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (continued)

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Geographical markets		
United States of America	9,490	17,369
Hong Kong	9,372	9,335
Europe	1,015	5,801
United Kingdom	1,640	3,661
Australia	951	1,126
Others	–	2
	<hr/>	<hr/>
Total	22,468	37,294

Sales of garment products

The Group has considered the contractual terms with all customers, besides those related to the 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 the 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (continued)

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 presented.

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. All non-current assets as at 30 September 2023 and 31 March 2023 were located in Hong Kong and the non-current assets located in the PRC had been fully impaired.

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

Information about major customers

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A	3,272	7,908
Customer B	6,232	7,637
Customer C	2,839	N/A*
Customer D	N/A*	3,736

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

5. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on bank loans and overdrafts	416	421
Interest on lease liabilities	49	59
	465	480

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Deferred tax expense	19	19
Income tax expense	19	19



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	1,384	1,538
Depreciation of property, plant and equipment	747	810
Less: Amount capitalised in inventories	(1,128)	(1,309)
	1,003	1,039
Amortisation of intangible asset	13	13
Cost of inventories recognised as cost of sales (including reversal of write down of inventories of nil (2022: HK\$1,000))	20,258	33,782
Bank interest income	(2)	(2)
Net exchange gain	(502)	(423)
Loss on disposal of an investment property	–	484

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	(14,665)	(18,146)
	842,433	842,433

	Six months ended 30 September	
	2023 '000 (unaudited)	2022 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	842,433	842,433

No diluted loss per share was presented as there were no potential ordinary shares in issue during the six months ended 30 September 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

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

During the six months ended 30 September 2023, the Group acquired certain property, plant and equipment with an aggregate carrying value of HK\$7,000 (six months ended 30 September 2022: HK\$1,778,000).

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 2023: nil) for net cash proceeds of HK\$8,516,000 (six months ended 30 September 2023: nil), resulting in a loss on disposal of HK\$484,000 (six months ended 30 September 2023: nil).

11. TRADE RECEIVABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Trade receivables from third parties	3,700	7,742
Trade receivables from a related company	2,180	2,098
	5,880	9,840
Less: Loss allowance	(9)	(17)
	5,871	9,823

As at 1 April 2022, trade receivables from contracts with customers amounted to HK\$7,659,000.

Trade receivables from third parties

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

11. TRADE RECEIVABLES (continued)

Trade receivables from third parties (continued)

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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within 30 days	2,329	5,039
31 – 60 days	484	2,548
61 – 90 days	33	67
91 – 180 days	–	10
181 – 365 days	831	49
Over 365 days	14	12
	3,691	7,725

As at 30 September 2023, out of the past due balances, HK\$845,000 (31 March 2023: HK\$61,000) 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

11. TRADE RECEIVABLES (continued)

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. S Chong 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 term of 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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within 30 days	1,031	427
31 – 60 days	79	8
61 – 90 days	557	223
91 – 180 days	342	1,440
181 – 365 days	171	–
Over 365 days	–	–
	2,180	2,098

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

As at 30 September 2023, out of the past due balances, HK\$171,000 (31 March 2023: nil) 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. S. Chong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within 30 days	1,974	2,558
31 – 60 days	628	1,033
61 – 90 days	182	214
91 – 180 days	326	159
181 – 365 days	1	–
Over 365 days	5	5
	3,116	3,969



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

13. BANK LOANS AND OVERDRAFTS

(a) Bank loans

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Unsecured and guaranteed: Bank loans	4,601	5,025
Secured and guaranteed: Bank loans	4,547	4,235
Total	9,148	9,260
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	3,301	2,560
More than one year but not more than two years	1,759	1,734
More than two years but not more than five years	3,940	4,543
More than five years	148	423
Amounts shown under current liabilities	9,148	9,260

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 3.00% - 8.47% (31 March 2023: 2.875% - 8.530%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

13. BANK LOANS AND OVERDRAFTS (continued)

(b) Bank overdrafts

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Secured and guaranteed:		
Bank overdrafts	6,000	5,962

The variable-rate bank overdrafts bear interest at 3.25% per annum plus 1-month HIBOR. The effective interest rate (which is also equal to contracted interest rate) on the Group's variable-rate bank overdrafts was 6.38% (31 March 2023: 6.38%).

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2023

14. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2022, 30 September 2022, 31 March 2023 and 30 September 2023	10,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1 April 2022 and 30 September 2022, 31 March 2023 and 30 September 2023	842,432,607	8,424

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	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Veromia Limited	Sales of garment products	1,450	4,221
	Purchases of samples/fabrics	77	388
Vantage Zone Investments Limited	Interest income from loan advances to an associate	25	–
Mr. S Chong and Mr. P Chong	Interest expense on lease liabilities (Note)	43	48

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