

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1025

Annual Report

2024



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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
and resigned on 19 April 2024)

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

CL Partners 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KNT Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2024.

2024 was a volatile and challenging year to the Group. The global economy has been adversely affected by the protracted trade war between the United States of America ("US" or "United States") and China. The downturn in the global market was continued to be aggravated by the outbreak of novel coronavirus disease ("COVID-19") in past three years which brought unprecedented challenges and uncertainties throughout the year ended 31 March 2024. The business of the Group was inevitable being affected.

The Group recorded revenue of approximately HK\$54.3 million for the year ended 31 March 2024, representing a decrease of approximately 24.3% as compared to that of approximately HK\$71.7 million for the year ended 31 March 2023. For the year ended 31 March 2024, the Group sold approximately 117.9 thousand units of products, comprising approximately 97.9 thousand units of bridesmaid dresses, 4.7 thousand units of bridal gowns and 15.3 thousand units of special occasion dresses. Revenue from the United States accounted for approximately 41.1% and 41.4% of the total revenue of the Group for the years ended 31 March 2023 and 2024 respectively. The gross profit margin increased from 12.3% for the year ended 31 March 2023 to 13.8% for the year ended 31 March 2024. Loss for the year amounted to approximately HK\$31.3 million and approximately HK\$24.4 million for the years ended 31 March 2023 and 2024 respectively.

During the year ended 31 March 2024, 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 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.

CHAIRMAN'S STATEMENT *(CONTINUED)*

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

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 throughout the year 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.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my deep gratitude to all our business partners, customers, suppliers and the shareholders of the Company for their continuous support. The Group shall continue to seize opportunities and strive our best to develop and grow to maximize values for our shareholders.

KNT Holdings Limited

Chong Sik

Chairman and Executive Director

Hong Kong, 28 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group recorded revenue of approximately HK\$54.3 million for the year ended 31 March 2024, representing a decrease of approximately 24.3% as compared to that of approximately HK\$71.7 million for the year ended 31 March 2023. Revenue from the United States accounted for approximately 41.1% and 41.4% of the total revenue of the Group for the years ended 31 March 2023 and 2024 respectively. The gross profit margin increased from 12.3% for the year ended 31 March 2023 to 13.8% for the year ended 31 March 2024. Loss for the year amounted to approximately HK\$31.3 million and approximately HK\$24.4 million for the years ended 31 March 2023 and 2024 respectively.

During the year ended 31 March 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

PROSPECT

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

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 throughout the year 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\$17.4 million or approximately 24.3% from approximately HK\$71.7 million for the year ended 31 March 2023 to approximately HK\$54.3 million for the year ended 31 March 2024. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of bridesmaid dresses of approximately HK\$9.8 million, the decrease in revenue generated from the sale of special occasion dresses of approximately HK\$3.8 million, and the decrease in revenue generated from the sale of accessories of approximately HK\$3.5 million.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK\$35.0 million for the year ended 31 March 2023 to approximately HK\$25.2 million for the year ended 31 March 2024 was primarily a result of the aggregate effect of the decrease in sales quantity from 113.7 thousand units for the year ended 31 March 2023 to 97.9 thousand units for the year ended 31 March 2024 and the decrease in average selling prices of bridesmaid dresses from HK\$308 for the year ended 31 March 2023 to HK\$258 for the year ended 31 March 2024.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK\$13.5 million for the year ended 31 March 2023 to approximately HK\$9.7 million for the year ended 31 March 2024 was primarily as a result of the decrease in sales quantity from 23.1 thousand units for the year ended 31 March 2023 to 15.3 thousand units for the year ended 31 March 2024.

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\$16.0 million or approximately 25.4% from approximately HK\$62.9 million for the year ended 31 March 2023 to approximately HK\$46.9 million for the year ended 31 March 2024. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$7.5 million for the year ended 31 March 2024 and a gross profit of approximately HK\$8.8 million for the year ended 31 March 2023. Gross profit margin was 13.8% for the year ended 31 March 2024 and gross profit margin was 12.3% for the year ended 31 March 2023. The decrease in gross profit was mainly attributable to the decrease in revenue for the year ended 31 March 2024 compared to that of last year.

Other income

Other income decreased by approximately HK\$0.7 million or approximately 63.6% from approximately HK\$1.1 million for the year ended 31 March 2023 to approximately HK\$0.4 million for the year ended 31 March 2024. The decrease was mainly attributable to the decrease in government grants, rental income and interest income from loan receivable during the year ended 31 March 2024.

Other gains and losses, net

Other losses represented change in fair value of investment properties and loss on disposal of property, plant and equipment net of net exchange gains for the year ended 31 March 2024 while other losses represented change in fair value of investment properties and loss on disposal of an investment property net of exchange gains for the year ended 31 March 2023. The increase in losses was mainly attributable to the decrease in exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2024.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$1.1 million or approximately 16.4% from approximately HK\$6.7 million for the year ended 31 March 2023 to approximately HK\$5.6 million for the year ended 31 March 2024. The decrease was mainly attributable to 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\$4.6 million or approximately 17.0% from approximately HK\$27.1 million for the year ended 31 March 2023 to approximately HK\$22.5 million for the year ended 31 March 2024. The decrease was mainly attributable to the decrease in staff costs.

Finance costs

Finance costs increased by approximately HK\$0.3 million or 33.3% from approximately HK\$0.9 million for the year ended 31 March 2023 to approximately HK\$1.2 million for the year ended 31 March 2024. The increase was mainly attributable to the increase in the borrowings during the year ended 31 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Income tax expense

Income tax expense for the year ended 31 March 2024 represented the temporary differences arising from depreciation.

Loss for the year

The Group recorded a loss of approximately HK\$24.4 million for the year ended 31 March 2024 and a loss of approximately HK\$31.3 million for the year ended 31 March 2023. The decrease in loss was primarily attributable to (i) the decrease in administrative expenses and selling and distribution expenses of the Group; (ii) the decrease in impairment loss recognised in respect of property, plant and equipment; and (iii) the decrease in share of losses of associates.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024.

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 31 March 2024, the Group had bank balances and cash of approximately HK\$4.4 million and bank overdrafts of approximately HK\$5.9 million (31 March 2023: approximately HK\$3.2 million and bank overdrafts of approximately HK\$6.0 million) and had net current assets of approximately HK\$10.5 million (31 March 2023: HK\$29.7 million).

The current ratio of the Group was approximately 1.2 times as at 31 March 2024, 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, amounts due to directors and borrowings.

The gearing ratio of the Group, which is calculated by dividing the total borrowings by the total equity and then multiplied by 100%, was 48.3% as at 31 March 2024 (31 March 2023: 21.0%). The gearing ratio increased was mainly attributable to the increase in borrowings as at 31 March 2024 and the increase in loss which led to decrease in total equity compared to that of 31 March 2023.

Pledge of assets

As at 31 March 2024, the Group pledged leasehold land and buildings with carrying value of approximately HK\$27.8 million (31 March 2023: approximately HK\$31.1 million) and investment properties with carrying value of HK\$11.2 million (31 March 2023: nil) to secure certain banking facilities and other loan granted to the Group respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

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 year ended 31 March 2024, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

Save as disclosed elsewhere in this report, as at 31 March 2024, the Group had no significant investments held (31 March 2023: nil).

Events after the reporting period

Lease modification

On 1 April 2024, the Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year, with gross undiscounted lease payment of approximately HK\$2,734,000.

Subscription of new shares under general mandate

Subsequent to 31 March 2024, on 23 May 2024, the Company entered into the subscription agreement with a subscriber (the "Subscriber"), pursuant to which, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 168,480,000 subscription shares (the "Subscription Share") at the subscription price of HK\$0.1 per Subscription Share. On 21 June 2024 and 26 June 2024, the Company and the Subscriber agreed in writing to extend the completion date of subscription to 26 June 2024 and no later than 12 July 2024, respectively. Details of which are disclosed in the announcements of the Company dated 23 May 2024, 21 June 2024 and 26 June 2024 respectively.

Employees and remuneration policy

As at 31 March 2024, the Group had 227 employees (31 March 2023: 246 employees). The total staff costs, including directors' emoluments, of the Group for the year ended 31 March 2024 were approximately HK\$26.3 million (2023: approximately HK\$34.0 million).

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

Capital commitment

As at 31 March 2024, the Group did not have any material capital commitment (31 March 2023: nil).

Contingent liabilities

As at 31 March 2024, the Group did not have any material contingent liabilities (31 March 2023: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chong Sik (莊碩先生) ("Mr. S Chong"), aged 56, is one of the co-founders of the Group and incorporated KNT Limited ("KNT") in February 1993. Mr. S Chong is currently the chairman, chief executive officer and executive Director. He is also a director of KNT Group Limited ("KNTGL"), KNT International Holdings Limited ("KNT Int'l"), MyStyle Limited ("MyStyle") (formerly known as KNT MyStyle Limited), KNT Global Trading Limited ("KNT Global") and the legal representative of Dongguan KNT E-commerce & Technology Company Limited* (東莞嘉藝電商貿易有限公司). He was appointed as a Director on 5 July 2016 and re-designated as an executive Director on 23 April 2018. He is the younger brother of Mr. Chong Pun ("Mr. P Chong"). He is primarily responsible for the Group's overall strategic planning, corporate management and business development.

Mr. S Chong was awarded the Professional Diploma in Diagnostic Radiography from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1991. He commenced his start-up business in 1993 by incorporating KNT together with Mr. P Chong and since then has accumulated over 30 years of experience in bridal wear and special occasion dresses business.

In January 2003, Mr. S Chong further established Dong Guan HYG Garment Limited Company* (東莞泓藝製衣有限公司) ("HYG") together with Mr. P Chong to meet the business expansion needs and develop a design and manufacturing capacity with a view to provide one-stop solutions to our customers.

Mr. S Chong is currently a member of Chinese People's Political Consultative Conference ("CPPCC") Yunfu Committee, a member of standing committee of CPPCC Yunfu Committee, a president of The Association of All Levels Current and Previous CPPCC Hong Kong Members of Yunfu City Limited (formerly known as "The Friendship Liaison Association of the CPPCC Hong Kong Members of Yunfu City Limited") and a council member of Yunfu Public Diplomacy Association.

Mr. Chong Pun (莊斌先生), aged 59, is an executive Director and one of the co-founders of the Group. He was appointed as a Director on 9 August 2016 and re-designated as an executive Director on 23 April 2018. Mr. P Chong is the elder brother of Mr. S Chong. He is also a director of KNTGL, KNT Int'l, MyStyle, KNT Global and the legal representative of HYG. He is responsible for the overall management of the Group's operations, general administration and compliance matters in China.

Mr. P Chong received secondary school education in China and graduated in 1978. During the period from 1983 to 1992, he worked as a factory manager in Florist Trading Company (H.K.) Limited, of which the principal business is manufacturing of festival decorative products. He set up KNT together with Mr. S Chong in February 1993 and has been a director of KNT since April 1993. In January 2003, Mr. P Chong, together with Mr. S Chong, established HYG to meet the business expansion needs and since then has been the legal representative of HYG. He possesses over 30 years of experience in the bridal wear and special occasion dresses business.

Mr. Lam Chi Yuen (林志遠先生), aged 50, is an executive Director and the chief operating officer of the Group. He was appointed as an executive Director on 23 April 2018. He is responsible for overseeing the daily operation of the Group, including but not limited to procurement, production, shipping and marketing.

Mr. Lam was awarded a Bachelor of Arts degree with second class honours in Clothing Studies from the Hong Kong Polytechnic University in November 1996. He joined the Group in July 1996 as junior merchandiser. He was promoted as senior merchandiser in April 2003 and was further promoted as merchandising manager in July 2007. He was subsequently promoted as the chief operating officer in April 2017. Mr. Lam possesses over 25 years of experience in the bridal wear and special occasion dresses business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Dr. Dong Bin (董斌博士), aged 47, has been appointed as an executive Director and vice-chairman of the Group with effect from 1 June 2023. Dr. Dong graduated from the Department of Economics of the Tianjin Institute of Finance in 1997. From 2002 to 2003 when serving at Beijing Urban Construction Group Co., Ltd, he was sent to Keele University in the United Kingdom to take the master of business administration course under the Department of Management of the Faculty of Social Sciences. He obtained a doctorate in management science and engineering from the China University of Mining and Technology (Beijing) in 2018.

Dr. Dong possesses over 20 years of experience in business management. In 2005, Dr. Dong was appointed as the International Marketing Director of Beijing Urban Construction Group Co., Ltd. Dr. Dong was subsequently appointed as the managing director of 北京城建德博建築技術有限公司. From 2013 to 2017, Dr. Dong was the General Manager of the International Cooperation Department of Beijing Capital Group and served at the Capital Account Management Department of the State Administration of Foreign Exchange on secondment. Since 2019, Dr. Dong has been the chairman of 北京郡王府文化藝術有限公司. Dr. Dong is currently the honorary president of the Chaoyang (Beijing) Foreign Economic Cooperation Association, the Chief Representative of the Beijing Centre of the Sino-International Entrepreneurs Federation, an executive member of the Chaoyang District Federation of Industry and Commerce of Beijing Municipality, the Director of the Center for the Study of Group 20, and the chairman of the organising committees of the Sino-European Entrepreneurs Summit, the China-Africa Investment Summit and the Sino-Australasian Entrepreneurs Summit. During the period between 2010 and 2013, Dr. Dong was the Special Assistant to Mr. Long Yongtu, the former Secretary-General of the Boao Forum for Asia, and the founder and vice chairman of the organising committee of the International Capital Conference of the Boao Forum for Asia.

NON-EXECUTIVE DIRECTOR

Mr. Hu Shilin (胡仕林先生), aged 68, has been appointed as the non-executive Director with effect from 29 October 2021. Mr. Hu graduated from Air Force Number One Aviation School* (空軍第一航空學校) in 1985. He further obtained a Postgraduate Degree in Economics from Party School of the Central Committee of the Chinese Communist Party* (中共中央黨校) in 2005 and a Master's Degree in Business Management from Tsinghua University* (清華大學) in 2012.

He has over thirty years of experience in business management. In 2010, he was appointed as the director of Beijing Capital Development Holding (Group) Co., Ltd.* (北京首都開發控股(集團)有限公司) ("Beijing Capital Development") and was subsequently appointed as the vice-chairman of Beijing Capital Development in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Martin Oh Man (梁傲文先生), aged 43, was appointed as an independent non-executive Director on 31 January 2019. Mr. Leung graduated from the University of Toronto with a Bachelor of Commerce degree in November 2002. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in July 2006 and a member of the Hong Kong Institute of Surveyors in January 2014. He is currently registered as a certified public accountant (practising) of HKICPA.

Mr. Leung has over 20 years of experience in the field of financing, financial management, accounting, auditing and valuation. He worked with Deloitte Touche Tohmatsu from March 2003 to March 2011, where he was principally responsible for audit related matters and was also engaged with accounting and taxation related matters. He is currently serving as the general manager of TL Property Consultants International Limited responsible for making and execution of the company's strategy and management of human resources and daily operation.

Mr. Leung has been serving as an independent non-executive director of Global Strategic Group Limited (a company listed on the GEM of the Stock Exchange, stock code: 8007) since October 2014. He also is serving various social responsibilities, including member of the CPPCC of Shanghai, Deputy President of the professionals committee of Shanghai Chinese Overseas Friendship Association, founding member of the Hong Kong Professionals and Senior Executives Association and executive director of the International Nature Loving Association Limited.

Mr. Lau Koong Yep (劉冠業先生), aged 47, was appointed as an independent non-executive Director on 31 January 2019. Mr. Lau was awarded a Bachelor of Business Administration degree in Quantitative Analysis for Business Student (minoring Finance) from the City University of Hong Kong in July 1999. He was in the direct selling and social commerce industry for over 16 years. Mr. Lau is currently the Regional Managing Director of Mainland China, Taiwan and Japan of Envisionary Life LLC. Mr. Lau worked with Viiva, LLC and served as the Global Director, Global Chief Operating Officer and International Chief Executive Officer from July 2021 to September 2023. He worked with Lotus Wellness Limited* (荷康人體博物館管理服務(馬鞍山)有限公司) from June 2020 to June 2021 with his last position as the chief executive officer. He worked with Jason Pharmaceuticals Inc., a wholly owned subsidiary of Medifast, Inc. (a company listed in the New York Stock Exchange with stock code: MED) from October 2018 to June 2020 with his last position as the market vice president of business development for Asia Pacific. He worked with WeMedia Shopping Network Technology Co., Limited ("WeMedia") from February 2017 to October 2017 with his last position as the chief operating officer. Before Mr. Lau joined WeMedia, he worked with NU SKIN Enterprises Hong Kong, LLC from June 2012 to December 2016 with his last position as a vice president, executive partners Greater China. He also worked with USANA Hong Kong Limited from 2011 to 2012, Market Hong Kong Limited from 2007 to 2010 and Herbalife International of Hong Kong Limited from 2001 to 2004.

Mr. Lau is also dedicated to various social responsibilities. He is currently a member of the National Committee of the CPPCC of Guilin and a director of the Hong Kong Shanxi Chamber of Commerce.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Mr. Yuen King Sum (袁景森先生), aged 60, was appointed as an independent non-executive Director on 31 January 2019. Mr. Yuen graduated from Hang Seng School of Commerce (now known as The Hang Seng University of Hong Kong) with a Diploma in Business Studies in July 1984. He was admitted as a Fellow of Life Management Institute in 1987.

Mr. Yuen has over 30 years of experience in the operation, marketing and management of insurance companies. He worked with Hong Kong Family Insurance Company Limited as an administrative assistant from August 1984 to July 1987, and subsequently worked with American International Underwriters, Limited (now known as AIG Insurance Hong Kong Limited) from November 1987 to March 2010 as an insurance agent. Since July 2010, Mr. Yuen has been working with Finexis Advisory (HK) Limited and is presently holding the position as chief agency officer.

Mr. Lau Kwok Fan (劉國勳先生), aged 43, was appointed as an independent non-executive Director on 31 January 2019. Mr. Lau was awarded a Bachelor of Arts degree in Public Administration and Management from De Montfort University in June 2006 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in December 2010.

Mr. Lau is currently a member of the Legislative Council of Hong Kong. Mr. Lau serves as a member of the university council of The Chinese University of Hong Kong. Meanwhile, he is a board member of Hong Kong Cyberport Management Company Limited. Mr. Lau is also a member of the Beijing Committee of the CPPCC and a member of the Jiangmen Committee of the CPPCC.

SENIOR MANAGEMENT

Ms. Chan Nga Chun (陳雅珍女士), aged 45, is the chief financial officer and company secretary. Ms. Chan joined the Group in June 2017 as the chief financial officer and was further appointed as the Company's company secretary on 23 April 2018, and is responsible for the overall accounting, financial management and reporting, and company secretarial matters of the Group.

Ms. Chan obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 2001. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 20 years of experience in accounting and auditing. Ms. Chan worked at various accounting firms in the audit department during August 2001 to December 2004. From January 2005 to August 2008, Ms. Chan worked at Deloitte Touche Tohmatsu and her last position was a senior in the audit department. From January 2009 to May 2013 and January 2014 to December 2016, Ms. Chan worked at SHINEWING (HK) CPA Limited and her last position was a senior audit manager.

The English translation of terms or names in Chinese which are marked with “” is for identification purposes only. In the events of any inconsistency, the Chinese terms or names shall prevail.*

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Directors”) of the Company (the “Board”) is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 March 2024 (the “Reporting Period”).

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 (the details of which are set forth below).

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 (the “Model Code”) as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Ethics throughout the Reporting Period.

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

During the Reporting Period and up to date of this annual report, the Board of the Company comprises the following Directors:

Executive Directors

Mr. Chong Sik (*Chairman, Chief Executive Officer*)

Mr. Chong Pun

Mr. Lam Chi Yuen

Dr. Dong Bin (*Vice-Chairman*) (appointed on 1 June 2023)

Dr. Wong Ho Yin (appointed on 28 November 2023 and resigned on 19 April 2024)

Non-executive Director

Mr. Hu Shilin

Independent Non-executive Directors

Mr. Leung Martin Oh Man

Mr. Lau Koong Yep

Mr. Yuen King Sum

Mr. Lau Kwok Fan

The biographical information (including age, positions held with the Company, experience, length of service, etc.) of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 13 of the Annual Report for the Reporting Period.

The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographical Details of Directors and Senior Management" on pages 10 to 13.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was address to the Directors together with the notice.

Board minutes are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

The attendance records of each Director at the Board meetings and the general meeting of the Company held during the Reporting Period is set out below:

Name of Directors	Attendance/ Number of Meetings	
	Board Meetings	Annual General Meeting
Executive Directors		
Mr. Chong Sik (<i>Chairman, Chief Executive Officer</i>)	10/10	1/1
Mr. Chong Pun	10/10	1/1
Mr. Lam Chi Yuen	10/10	1/1
Dr. Dong Bin ¹ (<i>Vice-Chairman</i>)	5/8	1/1
Dr. Wong Ho Yin ²	1/1	–
Non-executive Director		
Mr. Hu Shilin	6/10	0/1
Independent Non-executive Directors		
Mr. Leung Martin Oh Man	10/10	1/1
Mr. Lau Koong Yep	10/10	1/1
Mr. Yuen King Sum	10/10	1/1
Mr. Lau Kwok Fan	8/10	1/1

¹ appointed on 1 June 2023

² appointed on 28 November 2023 and resigned on 19 April 2024

Chairman and Chief Executive Officer

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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Board Independence Evaluation

The Company has established a board independence evaluation mechanism during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. During the Reporting Period, the Board has reviewed the implementation and effectiveness of the board independence evaluation mechanism and the results were satisfactory.

Appointment and Re-election of Directors

All of the non-executive Director and the Independent Non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The training records of the Directors for the Reporting Period are summarized as follows:

Name of Directors	Attending Internally-facilitated Briefings or Training, Attending seminars, Reading materials
Executive Directors	
Mr. Chong Sik (<i>Chairman, Chief Executive Officer</i>)	✓
Mr. Chong Pun	✓
Mr. Lam Chi Yuen	✓
Dr. Dong Bin ¹ (<i>Vice Chairman</i>)	✓
Dr. Wong Ho Yin ²	✓
Non-executive Director	
Mr. Hu Shilin	✓
Independent Non-executive Directors	
Mr. Leung Martin Oh Man	✓
Mr. Lau Koong Yep	✓
Mr. Yuen King Sum	✓
Mr. Lau Kwok Fan	✓

¹ appointed on 1 June 2023

² appointed on 28 November 2023 and resigned on 19 April 2024

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of four Independent Non-executive Directors, namely Mr. Leung Martin Oh Man, Mr. Lau Koong Yep, Mr. Yuen King Sum and Mr. Lau Kwok Fan. Mr. Leung Martin Oh Man is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system and internal control procedures; and in reviewing the design and operational adequacy and effectiveness of the Company's risk management and internal control systems and the monitoring results. The Audit Committee shall have the following responsibilities and powers:

1. Relationship with the Company's auditors;
2. Review of the Company's financial information; and
3. Oversight of the Company's financial reporting system, risk management and internal control systems.

During the Reporting Period, the Audit Committee held four meetings to review, the annual results and annual report for the year ended 31 March 2023 and the interim financial results and reports for the six months ended 30 September 2023, major audit findings and significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and change of auditors of the Company.

The attendance record of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance/ Number of Meetings
Mr. Leung Martin Oh Man (<i>Chairman</i>)	4/4
Mr. Lau Koong Yep	4/4
Mr. Yuen King Sum	4/4
Mr. Lau Kwok Fan	4/4

Remuneration Committee

The Remuneration Committee consists of four Independent Non-executive Directors, namely Mr. Lau Koong Yep, Mr. Yuen King Sum, Mr. Leung Martin Oh Man and Mr. Lau Kwok Fan. Mr. Lau Koong Yep is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The duties and power of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to make recommendations to the Board on the remuneration packages of all individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of Non-executive Directors of the Company. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group and desirability of performance-based remuneration;

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

3. to review and approve the management's performance-based remuneration proposals with reference to the Board's corporate goals and objectives from time to time;
4. to review and approve compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
6. to ensure that no Director of the Company or any of his/her associates is involved in deciding his/her own remuneration;
7. to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules; and
8. to accommodate a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve Executive Directors' and senior management's remuneration.

During the Reporting Period, the Remuneration Committee held three meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

The attendance record of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Lau Koong Yep (<i>Chairman</i>)	3/3
Mr. Yuen King Sum	3/3
Mr. Leung Martin Oh Man	3/3
Mr. Lau Kwok Fan	3/3

The remuneration of the Directors and the senior management by band for the Reporting Period is set out below:

Annual Income	Number of Persons
Nil to HK\$1,000,000	10
HK\$1,000,001 to HK\$1,500,000	1

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors and non-executive Director are also determined with reference to his qualifications, experience, responsibility, workload and time devoted to the Group, individual performance and the performance of the Group and are subject to revision in future by the decision of the Board and the Remuneration Committee. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to his duties and responsibilities as well as the prevailing market conditions.

Nomination Committee

The Nomination Committee consists of one Executive Director, namely Mr. Chong Sik and four Independent Non-executive Directors, namely Mr. Lau Koong Yep, Mr. Lau Kwok Fan, Mr. Leung Martin Oh Man and Mr. Yuen King Sum. Mr. Chong Sik, the chairman of the Board, is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The duties and power of the Nomination Committee include:

1. to review the structure, size and diversity (including without limitation, gender, age, culture and educational background, skills, knowledge and professional experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships in identifying suitable candidates, the Nomination Committee shall consider candidates on merits and objective criteria, with due regard to the Diversity Policy (as defined below);
3. to assess the independence of Independent Non-executive Directors;
4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors of the Company, in particular the chairman of the Board and the Chief Executive Officer of the Company; and
5. to develop and review the policy of the Board on diversity (the "Board Diversity Policy") and to make disclosure on the Board Diversity Policy in Company's annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held three meetings to assess the independence of the Independent Non-executive Directors, to consider and recommend to the Board on the re-election of directors, to review the structure, size and composition of the Board and Board diversity policy and to consider and recommend to the Board on the proposed appointment of Executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Name of Members of the Nomination Committee	Attendance/ Number of Meetings
Mr. Chong Sik (<i>Chairman</i>)	3/3
Mr. Lau Koong Yep	3/3
Mr. Lau Kwok Fan	3/3
Mr. Leung Martin Oh Man	3/3
Mr. Yuen King Sum	3/3

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance corporate governance and the Board effectiveness.

Pursuant to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will report annually on the Board's composition under diversified perspectives, any measurable objects that it has set for implementing the Board Diversity Policy and progress on achieving those objectives, and monitor the implementation of the Board Diversity Policy. To ensure the effectiveness of the Board Diversity Policy, the Nomination Committee will review the Board Diversity Policy and the measurable objectives from time to time and at least annually to ensure its continued effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Pursuant to Rule 13.92 of the Listing Rules and Corporate Governance Guide for Board and Directors issued on December 2021, the Stock Exchange will not consider diversity to be achieved for a single gender board. During the Reporting Period, the Company has a single gender board of directors. However, the Board is fully alerted the issue and shall appoint at least a director of a different gender on the Board no later than 31 December 2024 in order to comply with the requirements of the Listing Rules. The Board shall also take steps to promote gender diversity at all levels within the Company. The gender ratio in the workforce is set out in the Environmental, Social and Governance Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "Director Nomination Policy") which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code. During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Ethics, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

In addition, the Group has engaged an independent professional firm to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the financial, operational and compliance controls for the Reporting Period. The Board considers the Group's risk management and internal control systems are effective. The annual review also covered the financial reporting and internal audit function.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements and overseeing the financial reporting process of the Company for the Reporting Period.

The Directors have prepared the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 72 to 76.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company in respect of audit services for the Reporting Period is set out below:

Service Category	Fees Paid/ Payable HK\$'000
Audit services	1,000
Non-audit services	–
	1,000

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 72 to 76.

COMPANY SECRETARY

The Company Secretary is Ms. Chan Nga Chun, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Chan Nga Chun are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Reporting Period, Ms. Chan Nga Chun has taken not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Articles 58 of the Company's Articles of Association, any one or more member(s) (including a recognised clearing house (or its nominees)) holding at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and add resolutions to the agenda of the meeting so convened; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Putting Forward Proposals at General Meetings

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Members who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 30th Floor, EW International Tower, No. 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong
(For the attention of the Company Secretary)

Email: info@knt.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 3655-9688 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the Reporting Period, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy including steps taken at the last annual general meeting and the handling of queries received and the Board considered the shareholders' communication policy to be effective and adequate.

During the Reporting Period, the Company has proposed amendments to the Company's memorandum and articles of associations to (i) hold virtual general meeting or a hybrid meeting; (ii) bring the existing amended and restated memorandum and articles of association of the Company in line with amendments made to Listing Rules and applicable laws of the Cayman Islands; and (iii) make certain minor housekeeping amendments to the existing amended and restated memorandum and articles of association. Details of the amendments are set out in the circular of the Company dated 21 July 2023.

The second amended and restated memorandum and articles of associations is available on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Policies relating to Shareholders and Dividend Policy

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(1) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

(2) Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means). Shareholders are encouraged to provide their email addresses to the Company in order to facilitate timely and effective communications. Corporate communication refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, the Directors' report and annual accounts together with a copy of the auditor's report, the interim report, a notice of meeting, a circular and a proxy form.

(3) Corporate Website

A dedicated Investor Relations section is available on the Company's website. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc. All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website as soon as practicable after their release. All press releases, newsletters and market consultations etc., issued by the Company or its subsidiaries will be made available on the Company's website. Speeches and presentations delivered by the Company's Chairman, Chief Executive Officer and senior executives will be made available on the Company's website.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

(4) Shareholder's Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the annual general meetings shall place to encourage Shareholders' participation. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, either the Chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions. Shareholders are encouraged to attend shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services etc will be communicated.

(5) Investment Market Communications

Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community. Directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the disclosure obligations and requirements under the Company's Continuous Disclosure and Communications Policy as set out in the Employee Manual.

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the sixth Environmental, Social and Governance (“ESG”) report (the “Report”) published by KNT Holdings Limited (HKEx stock code: 1025, together with its subsidiaries as “KNT”, the “Group” or “We”). This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“HKEx ESG Reporting Guide”) contained in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This Report aims to communicate with all stakeholders of the Group on our sustainable development visions and missions, policies and performance, as well as commitments and goals in relation to the Group’s environmental and social aspects. The Group strives to continuously improve our reporting methodology, the accuracy of data disclosure and the transparency of our ESG performances in the future published reports.

Unless otherwise specified, this Report covers the Group’s sales and manufacturing of high quality bridesmaid dresses, bridal gowns and special occasion dresses to brand apparel companies based mainly in the U.S. from April 1, 2023 to March 31, 2024 (the “Reporting Period”).

Reporting boundary

This Report covers the performance and management policies of major operations of the Group under the operational control approach, including the Group’s offices and manufacturing sites in Hong Kong and Dongguan, China.

Reporting principles

The content of this Report has been determined, organised and presented under the principles of “Materiality”, “Quantitative”, “Balance” and “Consistency”.

Principle	Description
Materiality	Through materiality assessment with the stakeholder engagement, material environmental and social issues were identified and highlighted in this Report.
Quantitative	Quantitative environmental and social key performance indicators (KPIs) are reported, with explanation, purpose and impact. For all standards and methods adopted for calculating the KPI (if applicable), please refer to the relevant sections in the Report.
Balance	This Report provides an unbiased landscape of the Group’s performance following the principle of balance.
Consistency	The Group adopts consistent reporting principles and methodologies to allow for meaningful comparisons of ESG data over time by stakeholders. Any changes that may affect such comparisons are explained.

We welcome and value any feedback on this Report as we see them as driver to improvement. Please contact us at ir@knt.com.hk for comments or suggestions.

For further information on the Group’s financial performances and corporate governance, please refer to the Group’s Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

BOARD STATEMENT

As the top-level governing body of the Group, the Board of Directors ("the Board") leads and supervises the ESG-related management approach of the Group.

The responsibilities of the Board include but not limited:

- Overseeing ESG affairs and reviewing ESG information disclosure
- Reviewing the Group's ESG strategy, goals, progress and completion
- Communicating closely with the ESG committee, overseeing ESG risk management as well as reviewing and approving ESG Report annually
- Providing direction and support to the Group for the commitment of fulfilling ESG responsibilities
- Endorsing ESG-related initiatives to improve ESG performance

The Board recognizes the importance of ESG (Environmental, Social, and Governance) factors, such as health and safety measures, product responsibility (including product quality and customer service), and compliance, as these issues are material to our operations. We are dedicated to continuously monitoring and evaluating our initiatives and performance concerning these material issues, in order to demonstrate our commitment to the well-being of our employees and customers, as well as to sustainable operations.

The Board is dedicated to protecting the environment, fostering social responsibility while maintaining sound corporate governance. Through ESG governance structure, the Group strives to achieve sustainable development.

The Group has engaged in thorough communication with stakeholders and conducted a materiality assessment to identify key ESG issues. Moving forward, the Group remains committed to proactively addressing these material issues, which include product quality, customer service, among others. The strategies and management approaches taken to address these concerns are emphasized in this Report.

As awareness of sustainable development increases, a growing number of consumers are placing importance on sustainable materials and design. Hence, the Group will actively follow market trends, and aim to increase the proportion of degradable material usage and conduct careful treatment of materials to prevent wastage of materials and production of waste, striving to achieve sustainability.

In the future, the Board will continue to oversee the Group's ESG management and drive its improvement, making efforts to adapt to market changes, seize market opportunities in an actively manner to achieve sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

OUR ESG COMMITMENT

The Group not only commits to maintaining compliance with all relevant laws and regulations, but has also been continuously advocating the integration of sustainability into business practices and engaging our stakeholders to operate responsibly in regard to the environmental, social and economic perspectives.

In addition, cooperation and support from all of our employees are essential to fulfil our ESG commitment. They play a key role in ensuring the Group's sustainability initiatives being thoroughly implemented through the daily operations among all business practices. Therefore, the Group will continue to enhance our employees' awareness on environmental and social issues, from production activities to daily office operations.

We aim to enhance the positive impacts we are making on the environment and the communities, provide responsible products and excellent services to our customers, and fulfil our environmental and social responsibilities through creating a strong and sustainable community.

ESG GOVERNANCE

The Group has an ESG committee, which included the participation of the Board, senior management, managers and employees. Their dedicated roles and responsibilities are listed as below:

ESG Committee structure

Roles and responsibilities

Chairman, Executive Directors and Chief Operating Officer

- Evaluate and determine ESG-related risks and opportunities
- Oversee and ensure that appropriate and effective ESG risk identification, management and internal control systems are in place
- Actively engage in formulating and implementing the Group's ESG management approach, strategy, priorities and objectives
- Oversee the material ESG issues and make informed decisions on business development by considering ESG and climate
- Review the Group's performance on ESG matters regularly to understand environmental and social impacts towards the Group
- Approve disclosures in the Group's ESG report
- Promote a practice to ensure all decisions are considered with ESG factors

Chief Financial Officer

- Responsible for developing and reviewing sustainable development strategies across the Group's operations, as well as reporting progress to the Board
- Promote approved ESG measures in accordance with the strategic direction set by the Board
- Oversee the implementation of ESG policies at the operational level
- Organize department discussions and analysis on issues relating to ESG
- Organize green activities for employees as sustainable and CSR education
- Ensure effective collaboration across departments, transparent end-to-end management to execution ESG-related policies
- ESG report review and approval
- Track and report on the progress towards well-established ESG goals and targets

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

ESG Committee structure

Roles and responsibilities

Managers, the Administrative Department

- Implement sustainable measures throughout daily operations
- Monitor energy and resources consumption
- Monitor occupational health and safety management
- Community outreach work
- Department-based ESG data collection
- Communicate ESG data with other departments' ESG working groups
- Study and execute the established ESG plans
- Acknowledge and address on the ESG-related risks faced during daily operations

The ESG Committee conducts an official meeting once every six months to ensure the ESG measures are implemented properly and within a dedicated timeline. If necessary, the ESG Committee will engage external sustainability experts to provide professional opinions to further enhance the Group's ESG performance.

STAKEHOLDER ENGAGEMENT

The Group prioritises the interests and needs of our stakeholders to create tailored strategies that strike a balance between the Group's benefits and stakeholder expectations. In order to foster efficient and consistent communication with our stakeholders, especially those directly involved in our daily operations, the Group has implemented several channels for information sharing, understanding stakeholder priorities, and receiving prompt feedback.

In the future, the Group will continue to actively engage our stakeholders through maintaining and improving effective methods of communication.

Stakeholder

Methods of communication

Shareholders and Investors

- Annual and interim reports
- Annual meetings
- Press releases and announcements

Employees

- Company events
- Meetings and conferences
- Performance appraisals

Suppliers

- Personal contacts
- Quality reviews

Contractors

- Personal contacts
- Quality reviews
- Safety training

Community

- Charity events
- Sponsorships
- Volunteer activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Stakeholder	Methods of communication
Customers	<ul style="list-style-type: none"> • Compliance check • Personal contacts • Website and social media
Media	<ul style="list-style-type: none"> • Annual meetings • Interviews • Press releases
Government	<ul style="list-style-type: none"> • Public consultations

Stakeholder engagement is an enduring process, we will continue to involve our stakeholders in the future. Meanwhile, it is believed that this Report serves as a valuable channel for us to address our stakeholders' concerns regarding our ESG and sustainability related practices. Based on the understanding from the communications, we have identified the following material ESG issues of the Group to be covered in this Report, together with the aspects on the ESG Guide to which they relate, are summarised in the table below, ESG aspects as set out in ESG Guide Material ESG issues for the Group.

A. Environmental

A1. Emissions	<ul style="list-style-type: none"> • Air emissions • Water discharges • Hazardous wastes
A2. Use of Resources	<ul style="list-style-type: none"> • Gas • Energy Consumption • Water Consumption
A3. The Environment and Natural Resources	<ul style="list-style-type: none"> • Environmental Impact
A4. Climate Change	<ul style="list-style-type: none"> • Sustainability

B. Social

B1. Employment	<ul style="list-style-type: none"> • Employment Practices and Relations
B2. Health and Safety	<ul style="list-style-type: none"> • Workplace Health and Safety
B3. Development and Training	<ul style="list-style-type: none"> • Implementation and Monitoring
B4. Labour Standards	<ul style="list-style-type: none"> • Prevention of Child and Forced Labour • Fair Working Hours and Conditions
B5. Supply Chain Management	<ul style="list-style-type: none"> • Supplier Identification, Evaluation and Selection • Supplier Monitoring and Improvement • Supplier Relationship Management
B6. Product Responsibility	<ul style="list-style-type: none"> • Services Quality
B7. Anti-corruption	<ul style="list-style-type: none"> • Anti-Bribery and Corruption and Anti-Money Laundering
B8. Community Investment	<ul style="list-style-type: none"> • Corporate Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

MATERIALITY ASSESSMENT

To assist the Board comprehend and pinpoint the internal and external sustainability concerns the Group may encounter during the Reporting Period, we have carried out a materiality assessment. This evaluation examines the Group's sustainability risks, challenges, and opportunities from various stakeholder viewpoints. Our aim is to strike a balance between diverse opinions on ESG issues that may have considerable consequences for our business and stakeholders.

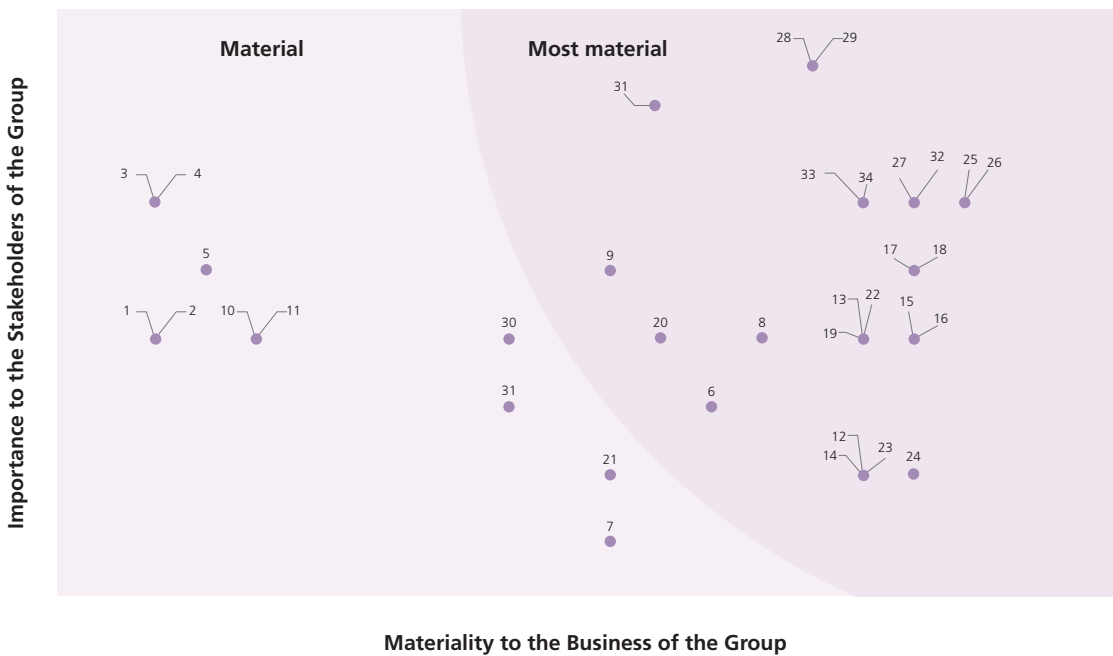
During this Reporting Period, we have engaged internal as well as external stakeholders through questionnaires to assess the importance of various sustainability topics in order for the Board and senior management to establish the most suitable sustainability strategies.

The materiality assessment criteria was set up based on analysing the Group's current operations, referencing to the current reporting standards, and benchmarking within the industry. It was also important to include aspects including environmental, social, operational, and community investment.

The results and feedbacks of the materiality assessment were communicated in depth throughout all levels of our ESG governance framework.

The results are presented with a materiality matrix.

Materiality Matrix of the KNT Holdings Limited



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Most Material Issues

- (6) Energy consumption and efficiency (e.g., electricity and fuel consumption)
- (8) Packaging material usage
- (9) Environmental performance and targets
- (12) Staff recruitment and dismissal
- (13) Employee remuneration, welfare and benefits
- (14) Diversity and equal opportunities (i.e., anti-discrimination)
- (15) Communication with employees
- (16) Occupational health and safety
- (17) Employee training and career development
- (18) Child and forced labour prevention
- (19) Supply chain management
- (20) Environmental and social risk management of supply chain
- (22) Product Responsibility (i.e., health and safety of products)
- (23) Advertising and labelling
- (24) Intellectual property rights
- (25) Customer service quality
- (26) Quality assurance and recall
- (27) Data protection and privacy
- (28) Anti-corruption
- (29) Anti-corruption training
- (32) Compliance to laws and regulations
- (33) Board's oversight of the ESG issues
- (34) ESG management approach and strategy

Material Issues

- (1) Air emissions (e.g., air pollutants from vehicles)
- (2) Wastewater discharge
- (3) Greenhouse gas emissions
- (4) Hazardous waste
- (5) Non-hazardous waste
- (7) Water consumption and efficiency
- (10) Tree management and conservation in construction site
- (11) Climate risks and mitigation
- (21) Green procurement/Responsible sourcing
- (30) Support for local community development
- (31) Involvement in local community activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

EMPLOYMENT

Without the dedication and support from our management and staff, the Group would not be able to continue our growth and development. We are committed to providing a healthy and safe working environment for the wellbeing of our employees, and help uplift our productivity.

To actualize the potential of our employees, we commit to cultivating a welcoming, secure, inspiring, and respectful workplace environment, fostering their ongoing growth and development. We are convinced that nurturing and optimizing our employees' abilities is vital for maintaining sustained business growth and, concurrently, elevating their job satisfaction. We pledge to persistently invest in and offer opportunities for our employees to learn and grow through an array of training programs, emphasizing the expansion of their knowledge, skills, and organizational competencies.

In addition to career growth, the Group has developed strict policies to make sure all employees are treated fairly. Through continuous education, we aim to educate all of our employees to embrace diversity among themselves, and to create an inclusive and supportive working environment for all.

During the Reporting Period, the Group has complied with all relevant labour laws and regulations as set out by local labour departments, including but not limited to the Employment Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance of Hong Kong, as well as the Labour Law, the Labour Contract Law, the Trade Union Law, the Social Insurance Law, and the Law of the People's Republic of China ("PRC") on the Protection of Rights and Interests of Women, no cases of violation were identified.

Recruitment and dismissal

The Group has developed a set of internal Human Resources policy to govern the recruitment, dismissal, promotion, discipline, working hours, leaves and other benefits of our employees, in accordance with the relevant laws and regulations.

We hold a deep respect for cultural and individual diversity. We firmly believe that everyone deserves equal treatment, irrespective of personal attributes such as gender, pregnancy, marital status, disability, family status, or race.

The Group has committed to providing equal employment and career development opportunities to all qualified employees, and we have a zero-tolerance policy towards discrimination in the workplace. During the recruitment process, we take great care to ensure that every qualified candidate is evaluated objectively, fairly, and transparently, with the ultimate goal of selecting the most suitable individual for the position.

Additionally, we encourage our employees to report any instances of discrimination they may encounter. We provide private channels for reporting such incidents to management, so that any unfair or unfavorable treatment can be addressed promptly and effectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

As of 31 March 2024, the total headcount of the Group is 227, consisting of 225 full-time employees and 2 part-time employees. The details of our workforce as at the end of the Reporting Period are as below:

Indicator	31 March 2024	31 March 2023
By gender		
Male	111	114
Female	116	132
By employment level		
Management	14	12
Administrative	82	94
Production	131	140
By age group		
25 or below	2	6
26-29	5	10
30-39	40	53
40-49	90	105
50 and above	90	72
By location		
Hong Kong	18	19
Mainland China	209	227
Total	227	246

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

The Group signs formal labour contracts with all employees to protect rights and interests of both parties. The Group shall not dismiss employees at will unless with confirmed serious misconducts or cases that damage reputation of the Group. Any dismissal of employees shall be in strict compliance with local laws and regulations. Regarding voluntary resignation, the Group has established formal procedures to ensure smooth handover and arrangement. The details of our employee turnover rate¹ by different categories during the Reporting Period are as below:

Indicator	31 March 2024	31 March 2023
Overall turnover rate		
Turnover rate	10.1%	10.2%
By gender		
Male	4.5%	3.5%
Female	15.5%	15.9%
By age group		
25 or below	50.0%	16.7%
26-29	20.0%	20.0%
30-39	20.0%	11.3%
40-49	4.4%	4.8%
50 and above	10.0%	15.3%
By location		
Hong Kong	16.7%	26.3%
Mainland China	9.6%	8.8%

Remuneration, welfare and benefits

The Group is committed to valuing the rights of our employees and enhancing job satisfaction across all levels of employment. We have developed an employee handbook that outlines essential human resources policies, encompassing areas such as compensation, welfare, dismissal procedures, working hours, and rest periods. In an effort to elevate our employees' quality of life, we provide various fundamental benefits, including a mandatory provident fund, medical insurance, long service awards, and special allowances.

Recognizing that our business success is closely tied to the contributions of our employees, we maintain open lines of communication, regularly engaging with them in a manner that fosters respect and instills confidence that their voices will be heard and acknowledged within the workplace.

To retain our valued talents, the Group offers a competitive remuneration package that meets or exceeds local minimum wage requirements. Salaries are adjusted based on market trends and individual performance to attract and retain top talent. All employees are entitled to medical insurance, various allowances, and compensations. We also strive to enhance employee welfare by conducting annual performance reviews, which help us determine appropriate compensation packages and benefits in line with market standards.

¹ Employee turnover rate (percentage) = Employees in the specified category leaving employment during the Reporting Period / Total employees in the specified category at year-end x 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Our comprehensive range of benefits includes social insurance, medical insurance, a housing provident fund for employees in Mainland China, and a Mandatory Provident Fund for employees in Hong Kong. Additionally, we prioritize training and development opportunities, as well as social activities, to foster a healthy work-life balance for all our employees.

LABOUR STANDARDS

Respecting human rights is considered one of the most important foundation of a successful business. The Group values human rights protection and believes that no one should be forced to work by any means, such as physical abuse, detention, trafficking and any other unethical means. Hence, the Group strictly adheres to local labour policies and ensures that no child labour or forced labour is identified within our operations.

Upon accepting a job offer, all employees must provide valid identification documents. Our management ensures that each individual signs their employment contract of their own volition. As part of the recruitment process, our Human Resources Department conducts background checks on every candidate to prevent the hiring of child or forced labor. Furthermore, we regularly review our workforce for any signs of child or forced labor. If such a case is suspected, it must be promptly reported to management for immediate action.

During the Reporting Period, the Group has complied with all relevant labour laws and regulations as set out by local labour departments, including but not limited to the Employment Ordinance and Protection of Children and Juveniles Ordinance of Hong Kong, the Labour Law, the Law on the Protection of Minors, the Law on the Protection of Disabled Persons, the provisions of special labour protection of female employees and underage labourers under the Labour Law, and the Provisions on the Prohibition of Using Child Labour of the PRC. No cases of child or forced labour were identified within the Group. The Group will continue to work with internal departments and government authorities to strengthen the existing policies and measures to prevent all potential violations.

OCCUPATIONAL HEALTH AND SAFETY

The Group places occupational health and safety ("OHS") as a high priority and an important part of our business. Hence, we are committed to monitoring all OHS related risks and providing a healthy and safe working environment for our employees, as well as all other persons likely to be affected by our operations and activities. We believe that our employees are our key to a successful business and that a safe working environment would help improve work performance as well as benefits to our employees.

The Group strictly complies with all relevant occupational health and safety laws and regulations, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, the Production Safety Law, the Regulation on Work-Related Injury Insurances, the Social Insurance Law, and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. In addition, the Group has also established a series of measures to maintain a safe workplace for all of our employees and to minimize any adverse impact on occupational health and safety from our business operations.

During the Reporting Period, the Group has complied with all health and safety related laws and regulations, and no cases of violation were identified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Safety measures

The Group requires that all personnel within the production and warehouse facilities take full precaution with appropriate safety requirement and standards that were previously communicated to all employees. Our goal is to control, eliminate OHS hazards, prevent occupational diseases, and to protect our employees.

For instance, production line workers are required to wear disposable face masks every shift when performing their work duties to protect them from inhaling air particles such as dust when handling fabrics. For production workers that handle laser technology, the Group has arranged to assess the potential effect of laser on their eyes and skin during the Reporting Period to ensure their health is not affected by their job duties.

During the Reporting Period, the Group enlisted the expertise of a qualified external service provider to assess potential hazardous elements in our Mainland China production facility that might cause occupational diseases. The evaluation aimed to ensure the well-being of our employees by examining factors such as airborne particles, noise, and radiation produced by machinery in the production line. The results confirmed that all tested elements met acceptable standards and complied with local government regulations.

The Group has implemented a systematic reporting mechanism for employees to voice concerns about safety-related issues. All staff members are urged to report any perceived workplace hazards to their supervisors or management, allowing prompt and appropriate action to be taken. In cases of significant occupational diseases or work-related injuries, the Group addresses the issue in a timely manner, supports the affected employee in obtaining proper medical care, conducts a thorough investigation, and implements suitable measures such as supplying appropriate protective equipment and reminding staff to prevent similar incidents. Our management is also accountable for reporting to local authorities as needed. Moreover, all OHS accidents are subject to investigation. Throughout the year, there have been zero work-related lost days, and notably, no fatalities have occurred in the workplace over the past three years.

The Group will continue to regularly maintain our protection equipment and facilities to improve the health and safety of the working environment especially for our production line workers to identify and prevent any potential occupational health and safety hazards. For instance, the Group will continue to maintain effective ventilation, to educate employees the correct way to use personal protective equipment, and to regularly update safety precaution signage for hazardous chemicals and issue reminder to wear appropriate personal protective equipment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Safety training

One of our key strategies for enhancing OHS awareness within the organization involves providing comprehensive educational opportunities for our employees. To achieve this, we are committed to expanding the overall number of OHS training sessions and instructional hours for our production staff by implementing an annual training roadmap. The training curriculum encompasses various essential topics, such as compliance with pertinent health and safety regulations, first aid proficiency, chemical handling procedures, and the effective use of fire safety equipment within both factory and dormitory premises.

During the Reporting Period, a factory wide fire drill was arranged and conducted for workers to learn how to operate fire safety equipment as well as to enhance their awareness on fire safety. This fire drill was not announced in advance to assess the ability of workers on handling emergency situations. The Group will continue to enhance safety education and raise awareness among workers.

In addition, specific safety training sessions that target new workers and special equipment operators were also conducted. For instance, new workers were required to attend a session on fire safety prevention, compliance and risk control prior to their first day of work, with a departmental safety training once they started, and followed by a more detailed training tailored to their everyday tasks. As for special equipment operators, the Group would arrange an external training necessary for them to renew their licenses.

TRAINING AND DEVELOPMENT

In addition to emphasizing health and safety training, our Group highly values career development, ethics, and integrity education for our employees. We take responsibility for ensuring all employees are informed about the Group's internal strategies and policies.

We offer a comprehensive training program that comprises in-house training, regular sharing sessions, and on-the-job coaching. These resources are provided consistently to ensure our employees possess the necessary skills to perform their duties effectively and efficiently. During the Reporting Period, we conducted a series of training sessions focused on our production process to improve quality control and boost operational efficiency within our production line.

For machinery requiring specialized skillsets, we send the responsible employees to attend professional external training sessions. This not only ensures proper operation of our equipment but also minimizes the risk of work-related injuries. For office staff, we offer various training opportunities, including procurement-related skills and IT proficiency enhancement. For management personnel, we provide training sessions aimed at improving management capabilities and deepening their understanding of relevant laws and regulations.

We believe that adequate trainings could enhance our employees' competency in performing their jobs. The Group will continue to encourage and support all of our employees in personal and professional training to not only benefit the business operations of the Group, but also their personal and career growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

During the Reporting Period, 99.1% of our employees participated in our training programme, and the percentage breakdown for trained employees in various categories were based on the total number of employees trained is demonstrated below:

Indicator	31 March 2024	31 March 2023
By gender		
Male	48.9%	46.3%
Female	51.1%	53.7%
By employment level		
Management	6.2%	4.9%
Administrative	35.6%	37.7%
Production	58.2%	57.4%
By location		
Hong Kong	7.6%	7.4%
Mainland China	92.4%	92.6%
By age group		
25 or below	0.9%	2.5%
26-29	2.2%	4.1%
30-39	16.9%	20.9%
40-49	40.0%	43.0%
50 and above	40.0%	29.5%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

With a total number of employees of 225 and the total number of training hours of 2,634 hours, the average training hours per employee accounted for is 11.6 hours. The table below shows the average training hours for employees in relevant categories² based on the number of employees in that specified category:

Indicator	31 March 2024	31 March 2023
By gender		
Male	13.6 hours	14.5 hours
Female	9.7 hours	9.4 hours
By employment level		
Management	3.5 hours	3.1 hours
Administrative	8.4 hours	8.0 hours
Production	14.5 hours	15.0 hours
By location		
Hong Kong	2.2 hours	1.9 hours
Mainland China	12.4 hours	12.6 hours
By age group		
25 or below	2.0 hours	24.0 hours
26-29	29.1 hours	7.2 hours
30-39	10.2 hours	12.8 hours
40-49	10.9 hours	10.8 hours
50 and above	12.1 hours	12.0 hours

² Average training hours per employees = Total number of training hours for employees in the specified category during the Reporting Period / Number of employees in the specified category at the year-end

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

SUPPLY CHAIN MANAGEMENT

Dedicated to adhering to industry standards, we strive to maintain an open and fair sourcing practice that includes environmental, social and economic aspects into considerations in order to maintain a sustainable supply chain. Through our supply chain management policy, the Group also requires the procurement team to take cost competitiveness in mind, in parallel with the sustainable and ethical practices of our supplier candidates to make sure that their operations are consistent with our principles and values.

We identify our material suppliers based on the volume and amount of product and service provided to the Group. The table below shows the number of material suppliers by geographical regions:

Geographical Region	Number of suppliers 31 March 2024	Number of suppliers 31 March 2023
China	75	76
– Guangdong	42	41
– Zhejiang	18	20
– Jiangsu	5	7
– Shanghai	6	3
– Fujian	4	4
– Hunan	0	1
Other regions: Hong Kong and Taiwan	18	23
Overseas	16	20
– U.S.A.	8	9
– Korea	6	6
– Spain	0	1
– India	1	1
– Turkey	0	1
– Thailand	0	1
– U.K.	1	1
Total	109	119

The above suppliers mainly provide the products of fabrics, beads and accessories.

To guarantee the quality of our sourced materials, the Group has implemented a comprehensive pre-engagement evaluation process that assesses multiple aspects of our suppliers. This includes the quality of raw materials, logistics efficiency, legal and regulatory compliance, worker health and safety, and labor standards. As such, our supplier management team is tasked with relaying our values and requirements for sustainable and ethical operations to our suppliers.

We closely monitor suppliers to ensure that our Group operates in a fair, equitable, transparent, and competitive manner. Suppliers must deliver products and services at competitive prices, with consistent quality and on-time delivery. In the event of non-compliance, offending suppliers are promptly removed from our list.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Looking ahead, we plan to explore the inclusion of international verifications as part of our supplier assessment criteria. This will help maintain consistency in supplier standards and contribute to the well-being of their workers.

The Group has established the Code of Conduct for Suppliers, which specifies multiple environmental and social risk indicators and requires suppliers to comply with all applicable laws and regulations related to issues of environmental, social and working conditions, health and safety, and labour standards. Periodic review on the risk indicators would be performed and update would be made if needed. The Group aims to guide suppliers to fulfil their environmental and social responsibilities through evaluation and incentive mechanism.

We attach great importance to our suppliers that can obtain ESG related certificates and prioritize choosing suppliers that have sound certifications and robust management system. Moreover, we prioritized the suppliers that provide more recyclable, durable, energy-efficient products, use clean technologies, reduce toxins, and minimize waste. For instance, if any of them can provide the Business Social Compliance Initiative ("BSCI") or AS8000, we will identify the supplier as the critical supplier. We will inform them after our regular audit with them.

We will provide a report to suppliers after an audit, which includes suggestions on how to improve their social compliance. We encourage suppliers improving in difference areas, such as right of freedom, occupational health and safety, no child labour and protection of environment. In addition, we share our experience with them for further enhancement.

Suppliers will get rating results after the audit. Suppliers that get Grade A and B are considered as critical suppliers, and they will be prioritized in future purchasing orders.

In addition, the Group devotes to maintaining excellent relationships with our suppliers through constant communications, transparent transactions and compliance. To satisfy our business needs and contribute to our competitive advantage through our green procurement processes, we seek to continuously improve our product quality with responsible purchasing and the using of environmentally preferable materials and products that possess less adverse impact on our environment. In Hong Kong, we make use of the green specifications for commonly used items as a reference, as developed by the Government and Hong Kong Productivity Council, to define environmentally preferable products. We continue to search for updated technique and require our suppliers to meet the standards. We also aim to purchase more degradable materials in the supply chain. In response to that, we deal with the suppliers and request with the sample of packaging materials. Then, we will send to the buyers to persuade the benefits of using recycled packaging material to the society in terms of environment and their reputation.

PRODUCT RESPONSIBILITY

Over the years, the Group has established an outstanding reputation and earned customer recognition through our unwavering dedication to offering one-stop solutions and consistently high-quality products. Our steadfast commitment to excellent customer service has solidified our position as one of the leading manufacturers in Mainland China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

We greatly appreciate and value the opinions and feedback from our customers, as they fuel our ongoing product development and service quality improvements, while also helping to maintain strong, trusting relationships. Although customer satisfaction is the Group's primary focus, we also strictly adhere to numerous international standards and local government regulations in all aspects of our operations, production, and quality management activities.

Regarding patent, the Group has not yet had any patent, but the Group would use the trademark of related party through licence agreements.

Advertising and labelling

The Group has established strict policies relating to advertising and labelling. We ensure that our sales and marketing materials provide accurate and precise descriptions and information to customers. We prohibit any misrepresentation or exaggeration advertisements. All the marketing materials are reviewed carefully before being distributed externally.

Our Group is dedicated to conducting its operations in strict accordance with all relevant local laws and regulations. This includes adhering to the GB5296.4 Standard (Instruction for Use of Products of Consumer Interest – Part 4: Textiles and Apparel), the Advertisement Law of the People's Republic of China, and the Trade Descriptions Ordinance of Hong Kong. We regularly review and update our practices to keep track with these regulations, and we are committed to maintaining a good standard of transparency and ethical conduct in all aspects of our business.

Quality assurance

Product and service quality are of utmost importance to the Group. The Group emphasizes the importance of the quality control of our sourcing practices, production line, post-sales services, and defines our high standard on product quality and customer satisfaction.

The Group conducts quality and safety inspections of raw materials delivered by our suppliers to ensure that they meet our standards. To ensure that the quality of finished products conforms to the standards, we also have stringent criteria in monitoring the production process and carry out quality inspection of our finished products to identify any defects and to ensure all products comply with local government regulations as well as our customers' expectations.

The Group has developed policies and procedures relating to product recalls. For any defective products, the Group has established feedback and treatment methods to ensure that quality abnormalities are followed up and handled properly. If any defective product with health concerns or quality problems is found, our sales team will immediately take actions by contacting the consumers to either provide discounts or recall the products for return or replacement.

The Group has also complied with product quality and service-related laws and international standards, including but not limited to the Product Quality Law, Tort Law, and the Law of the PRC on the Protection of Consumer Rights and Interests, as well as the General Principles of the Civil Law of the PRC. Fraud, misleading, cheating, or any acts that destroy customer confidence or infringe customer rights are strictly prohibited.

During the Reporting Period, there has not been any recall on any of our products, and no non-compliance cases of product quality and intellectual property right related laws and regulations were noted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Customer service improvement

The Group attaches great importance to improve customer service quality and maintain customer relationship with a standard complaint handling policy.

The Group assigns specific staff to different customers in order to handle customers' enquiries in a timely manner, including enquiries on order quality, quantity requirement, delivery schedule and timely response to customer feedback.

In terms of after-sales quality management, the Group offers all-rounded services for products sold. The Group records every feedback, suggestion, and complaint raised by customers. We have developed a standard complaint handling policy, and are committed to resolving the issues raised by customers timely. For handling customer complaints, the Group analyzes the cause and timely solves the problems that exist.

Listening to consumers' opinions may enable our products to better meet their expectations. We periodically conduct satisfaction surveys to our major customers. We categorize their feedbacks, analyze issues and then seek for feasible solutions for continuous improvement.

The Group will continue to provide professional and top-notch services to our customers and to strive to be the best within the industry. We will also continue to invest in innovation to meet our customers' ever-changing expectations, in order to maintain a strong and long-lasting relationship with our customers.

During the Reporting Period, the Group has not received any significant product and service-related complaints.

Customer data protection

The Group understands the importance of maintaining confidentiality of personal data, and we are committed to protecting our stakeholders' information with care. To ensure that customer privacy is well protected, the Group only collects personal data that we believe to be relevant and are required to conduct our business operations. Such collected personal data would only be used for the same purpose for which data are collected or for a directly related purpose only if consent is obtained.

All employees are trained to comply with the internal guidelines on the collection, processing, retention and disposal of personal data, and are obliged to follow our code of conduct to protect confidential information. No one is allowed to transfer or disclose any personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified. Except dedicated personnel, other employees do not have access to information that is irrelevant to their job responsibilities.

During the Reporting Period, the Group has complied with laws and regulations related to data privacy and other product responsibility related matters including the Personal Data (Privacy) Ordinance in Hong Kong and was not aware of any non-compliance cases related to the breaches of personal privacy.

ANTI-CORRUPTION

Integrity, honesty and fairness have always been part of the main components of our business management and the Group takes all measures necessary to avoid the breach of any code of conduct, as well as local laws and regulations. The Group enforces strict ethics and integrity policies not only on our employees, but also on all of our communications and transactions with our business partners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

The Group has a zero tolerance policy against all bribery, extortion, fraud, and money laundering. We have established a Staff Code of Conduct and we require our employees to strictly follow the guidelines.

In addition, we have implemented a “Whistle-Blowing Policy” along with a confidential “whistle-blowing channel” (e.g., hotline) to enable our employees to report suspected fraudulent activities directly to the Group’s management. This policy includes a clear definition of misconduct and malpractice for reference purposes.

To protect our employees, we ensure that they can raise concerns about suspected misconduct or malpractice without fear of retaliation. Regular reviews of the effectiveness of our internal control systems are conducted to help prevent corruption activities.

In cases where a reported or identified suspicion warrants investigation, the Chairman of the Audit Committee will be consulted if the matter involves highly sensitive issues. The investigation report will be reviewed by the Board or the CEO, as well as the Audit Committee. Should the investigation reveal improper or unethical behavior, appropriate corrective measures and legal actions will be taken.

In order to enhance legal knowledge in anti-corruption, we frequently issue emails regarding anti-corruption related messages to all directors and employees to increase their awareness of anti-corruption. In addition, we inform our directors to attend trainings about anti-corruption or read anti-corruption related materials to further strengthen knowledge about anti-corruption. We emphasize integrity and professional ethics and aim to maintain objectivity and fairness.

The Group has complied with all relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law, the Criminal Procedure Law, the Interim Provisions on Banning Commercial Bribery, and the Anti-Money Laundering Law of the PRC.

During the Reporting Period, there were no case of non-compliance noted by the Group on integrity-related laws and regulations. We will continue to reduce the risk of having corruption cases.

ENVIRONMENT

As a clothing manufacturing company, the Group understands that our operations could bring adverse environmental impacts to our surrounding communities. Hence, we are always seeking ways to balance business growth and reduce environmental impacts. We understand that environmental issues could also lead to significant risks to our business, hence, we strive to minimize adverse impacts on the environment and maximize resources efficiency in our operations. We encourage our employees to participate in environmental protection and energy conservation through promoting concepts of green office throughout operations and establishing initiatives.

Given our business nature of manufacturing and sales, air emission control, waste management as well as energy management are the core parts of our environmental strategies. We strive to comply with all relevant environmental laws and regulations including but are not limited to the Environmental Protection Law, the Atmospheric Pollution Prevention and Control Law, the Water Pollution Prevention and Control Law, the Integrated Emission Standard of Air Pollutants, the Directory of National Hazardous Wastes, the Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions, and the Environmental Impact Assessment Law of the PRC. During the Reporting Period, there were no case of non-compliance noted by the Group on environment-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

The Group will continue to refine our environmental policies and establish appropriate prevention as well as mitigation strategies to help mitigate the changing climate.

Emissions

As our business nature as a manufacturer, the Group has produced the following direct air emissions³ by our factory-owned vehicles during the Reporting Period. Due to release of travel restrictions, management staff, have started to drive cars more frequently for daily operations, such as commuting to factories. This has led to an increase in nitrogen oxides (NO_x) and particulate matter (PM) emissions.

	Year ended 31 March 2024	Year ended 31 March 2023
Nitrogen oxides (NO _x) in kg	52.6	44.7
Sulphur oxides (SO _x) in kg	0.1	0.1
Particulate Matter (PM) in kg	10.8	9.8

Moreover, our major greenhouse gas emissions sources are from the use of energy, namely, electricity at our production plant and offices. During the Reporting Period, the Group has produced the below greenhouse gas ("GHG") emissions⁴ in tonnes of carbon dioxide equivalent ("tCO₂e") and emission intensity.

During the Reporting Period, both the total carbon emissions and intensity show a reduction, as shown in the table below. The Group is committed to enhancing employees' awareness of using company-owned vehicles and electricity. We strive to make efforts in maintaining the decreasing trend of carbon emission intensity. By comparing the carbon emissions values of year ended 31 March 2023 and year ended 31 March 2024, it has shown 3.4% reduction.

	Year ended 31 March 2024	Year ended 31 March 2023
Scope 1 emission in tCO ₂ e	51.3	52.1
Scope 2 emission in tCO ₂ e	404.4	419.7
Total emission (scope 1 and 2) in tCO ₂ e	455.7	471.8
Intensity (tCO ₂ e per million HKD revenue)	8.39 ⁵	6.58

During the Reporting Period, the Group has engaged an external professional institution to conduct an assessment based on the environmental impacts our operations might have imposed, such as noise, dust, laser and other potential chemical hazard in order to secure a safe and harmless working environment for our production line workers. All of our emission levels were within a safe range to the environment as well as human health based on the results of the assessment, however, as a responsible employer and producer, the Group will continue to closely monitor our emission levels from our factory operations to ensure the least possible adverse impacts onto the surrounding environment and our workers, and will continue to reduce our carbon footprints.

³ Calculation of air emissions including NO_x, SO_x and PM is based on the Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange and the US Nonroad Diesel Engines Exhaust Emission Standards.

⁴ Calculation and emission factors of total GHG emission are based on the Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange, CLP Sustainability Report 2023, 關於做好2023 — 2025年部分重點行業企業溫室氣體排放報告與核查工作的通知 - 生態環境部辦公廳, and 工業其他行業企業溫室氣體排放核算方法與報告指南(試行) by the National Development and Reform Commission of the PRC.

⁵ The increase is attributable to the decrease in revenue in the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

The Group has a directional emission target regarding steadily reduce emissions and make progress through emissions reduction initiatives. By 2030, we aim to have gradual reduction in emission intensity and will continue to make planning. We aim to inspect generators regularly to ensure efficiency and monitor the use of company-owned vehicles to ensure no abuse would occur.

Hazardous and non-hazardous waste

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes generated. All waste handling practices shall comply with the relevant laws and shall have no harmful effect on the environment and human health.

Due to the nature of business, the Group did not generate any significant amount of hazardous waste during the Reporting Period. For non-hazardous wastes, the Group monitors and reviews our waste production on a regular basis, such as collecting different types of waste materials for recycling, including papers and ink cartridges. We also focus on the awareness of our employees by promoting electronic communication channels for both internal and external uses in order to replace paper needed for printing, as well as encouraging the use of duplex printing for internal documents.

During the Reporting Period, the Group has generated the following non-hazardous wastes including office wastes, production waste, paper waste, discarded fabrics and cardbox. The amount of waste production was similar to the amount of waste generated last year.

	Year ended 31 March 2024	Year ended 31 March 2023
Total non-hazardous wastes in tonnes	1.4	1.3
Intensity (tonnes per million HKD revenue)	0.025	0.018

During the Reporting Period, the Group has continued to refine its waste data collection process and identified more types of wastes for recycling including toner, paper and plastic bottles, amounting 0.34 tonnes in total.

The Group will continue to strengthen our waste management policy. We strive to gradually reduce the generation of wastes from our operations, ensure with correct handling of waste and increase the proportion of waste to be recycled by 2030. If any hazardous waste is identified, the Group will engage licensed third party contractors to responsibly handle and process any hazardous waste generated.

Energy and water consumption

It is one of the goals for the Group to conserve natural resources for environmental and operating efficiency purposes. We have established a set of energy conservation manuals and have also implemented a number of mitigating actions to control the use of resources in our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

The majority of resources consumed by the Group was electricity and water during the manufacturing process. To further reduce the use of resources, the Group has increased the use of LED lights, as well as energy efficient air-conditioning systems. Employees are also encouraged to always turn off lights and other electrical appliances when not in use while supervisors and managers are responsible to ensure all electronic appliances have been turned off at the end of each workday. The Group also actively promotes awareness on water usage and conservation through internal communication regularly and purchases energy-efficient equipment with labels of good environmental performance in the offices.

The Group has established a group-wide energy consumption target to continue to enhance energy efficiency and reduce the use of resources within our operations, promoting positive impacts on the environment. By 2030, we target to effectively reduce the environmental impact from electricity consumption as we have implemented solar panel system to source more clean energy.

During the Reporting Period, the Group purchased and consumed the following resources:

	Year ended 31 March 2024	Year ended 31 March 2023
Electricity in MWh	729.6	845.5
Intensity per million HKD revenue	13.4	11.7
Diesel in Litres	16,624.0	16,528.4
Intensity per million HKD revenue	306.1	230.6
Petrol in Litres	2,700.0	3,100.0
Intensity per million HKD revenue	49.7	43.3
Water in cubic meters	21,791.0	20,260.0
Intensity per million HKD revenue	401.2	282.7

During the Reporting Period, water assessments were conducted by external consultants on both drinking water and discharged domestic waste water from our factory in Dongguan. Meanwhile, we have not encountered any difficulties in obtaining suitable water resources.

For drinking water in dormitories and factory area in Dongguan, the Group has conducted an assessment on drinking water through an external organization based on government standards to ensure our factory workers have access to clean drinking water at any time. On the other hand, within our manufacturing processes, no dying process is necessary in our production line, hence no major water pollution was noted. Both the assessment results were noted to be all within acceptable range of the local government standard. The Group will continue to strive for a more satisfactory result not only to fulfil the requirement of local government, but also the wellbeing of our surrounding community.

We target to reduce water consumption intensity of 5% by 2030 using year ended 31 March 2022 as base year. By comparing the water values of year ended 31 March 2023 and year ended 31 March 2024, it has shown 7.6% reduction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Packaging material

Our production process includes the packaging of finished products before transporting to our customers. Hence, various types of material, namely, card boxes and plastic bags were used in the process. The table below shows the total amount of card boxes and plastic bags used for packaging during the Reporting Period.

	Year ended 31 March 2024	Year ended 31 March 2023
Card boxes in tonnes	22.80	21.82
Plastic bags in tonnes	1.03	0.95

Nonetheless, the Group has continued to seek ways to reduce the amount of packaging used without affecting the quality of product protection during transportation. For packaging bags used for online business, we have used biodegradable plastic bags to help mitigate environmental impacts. In addition, the Group will continue to source biodegradable plastic bags as packaging to help mitigate environmental impacts at the end of supply chain.

The environment and natural resources

The Group is committed to managing and mitigating identified environmental risks associated with our operations, proactively implementing preventive measures for effective risk control. We always consider potential negative effects on the environment and natural resources when making investment decisions and developing future plans. We collaborate closely with our business partners and employees to enhance our environmental performance and foster better communication with stakeholders.

However, as a clothing manufacturer based in China, we recognize that our machinery generates noise that may affect the surrounding community. To address this, a third-party contractor assessed the noise levels of our operations during the Reporting Period. These assessments were conducted at various production line positions on all four sides of our factory compound during both daytime and nighttime. Since our factory does not operate overnight, recorded noise levels were significantly lower at night compared to daytime. The assessment results were satisfactory, and the Group remains dedicated to maintaining high environmental standards and continuing efforts to minimize our impact on the environment and reduce any inconvenience to our neighbors.

In addition, our Group has always been seeking ways to contribute to reducing and mitigating environmental impacts. Thus, during the Reporting Period, our Group has collaborated with a company to participate in the Renewable Energy Feed-in Tariff scheme by CLP to install a solar power renewable energy system on our rooftop in our Hong Kong office, this will generate electricity to be sold back to CLP and contribute to the renewable electricity generation in Hong Kong. We believe the rebate we obtain from the program will be an incentive and motivation for our other offices, as well as other stakeholders to participate and implement more energy saving initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

Management of climate-related issues

Climate-related events have substantially affected the way people live. The Group attaches great importance to the management on climate-related events, and strives to identify and evaluate both the physical risks and transition risks (policy and legal risks) imposed by climate-related issues.

Management has discussed and analyzed the significant climate-related issues towards the Group's existing operations, and concluded that it is not aware of climate-related issues or impacts to our Group. The Group will continue to closely monitor whether there are any significant climate-related issues which may impact the Group.

The Group is committed to making efforts to reduce products' environmental impact and reduce carbon emissions for the purpose of mitigating climate change. For instance, we use recycled packaging materials, such as polybag and hangtag. Before the beginning of each season, we would provide a package of environmentally friendly fabric to our designers and customers for their consideration, increasing the chance to use green raw materials.

In addition, we encourage suppliers and business partners to incorporate climate-related elements into their business operations. We will continue to closely monitor climate risks and improve our adaptability by referencing all kinds of best practices.

COMMUNITY INVESTMENT

As a socially responsible corporate citizen, the Group strives to continuously contribute back to the communities we operate in. While achieving business growth, we continue to support initiatives that create positive impacts and we aim to create social values to the local communities by exerting our influence. With an aim to stay connected with our local community, strengthen our relationship with community members, and contribute to the local economy, the Group always proactively participates in community events. Our community engagements include participation in volunteering and fundraising activities including donations, sponsorships, charitable contributions and voluntary commitments that underpin our community investment attributes to the industry, society and environment as a whole. Our employees are encouraged to contribute their time, skills and experience towards the further development of the local community.

In the selection of charities the Group supports, we first evaluate the vision and background of the targeted charity organization. In order to prevent misuse of our donation, charities with unclear financial position, and conflict of interest with the Group will not be considered. During the Reporting Period, the Group has supported organizations with various causes, some examples have been listed below:

- Lions Education Foundation
- Lions Club of Central Charity Foundation Limited
- Lions Club International District 303 – Hong Kong and Macao, China

During the Reporting Period, the Group had participated in volunteering services. The Group is committed to upholding our social responsibility by continually supporting various community initiatives through our extensive and well-developed network. In collaboration with our stakeholders, we strive to contribute to the betterment of our community and work diligently towards a more sustainable future for all.

REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) of KNT Holdings Limited (the “Company”) is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the subsidiaries are manufacturing and trading of garment products.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the future business development of the Group are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 3 to 4 and pages 5 to 9 of this annual report respectively. Description of the principal risks and uncertainties facing the Group and key financial performance indicators are set out in section headed “Management Discussion and Analysis” on pages 5 to 9 of this annual report.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to fulfill its immediate and long-term goals. During the year ended 31 March 2024, there was no material and significant dispute between the Group and its customers and suppliers.

RESULTS

The results of the Group for the year ended 31 March 2024 are set out in the consolidated statement of profit or loss on page 77 of this annual report.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2024.

Annual general meeting

The annual general meeting (the “AGM”) of the Company will be held on Monday, 26 August 2024. The notice of AGM will be sent to the shareholders in the manner required by the Listing Rules in due course.

Closure of register of members for entitlement to attend and vote at AGM

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 August 2024 to Monday, 26 August 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 August 2024.

REPORT OF THE DIRECTORS *(CONTINUED)*

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 152.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

BORROWINGS AND OVERDRAFTS

Details of borrowings and overdrafts of the Group as at 31 March 2024 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2024 are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2024 are set out in the consolidated statement of changes in equity and in note 38 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2024, the reserves of the Company available for distribution to its Shareholders amounted to approximately HK\$38.1 million (2023: HK\$64.1 million) as calculated in accordance with the provisions of the Companies Law of the Cayman Islands.

REPORT OF THE DIRECTORS *(CONTINUED)*

CHARITABLE DONATIONS

During the year ended 31 March 2024, the Group made charitable donations totalling approximately HK\$30,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Mr. Chong Sik (*Chairman and Chief Executive Officer*)

Mr. Chong Pun

Mr. Lam Chi Yuen

Dr. Dong Bin (*Vice-Chairman*) (appointed on 1 June 2023)

Dr. Wong Ho Yin (appointed on 28 November 2023 and resigned on 19 April 2024)

Non-executive Director

Mr. Hu Shilin

Independent Non-executive Directors

Mr. Leung Martin Oh Man

Mr. Lau Koong Yep

Mr. Yuen King Sum

Mr. Lau Kwok Fan

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS *(CONTINUED)*

Pursuant to article 84(1) of the Articles of Association of the Company, at each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. According to article 84(2) of the Articles of Association of the Company, the Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. At the AGM, Mr. Lam Chi Yuen, Mr. Hu Shilin and Mr. Lau Kwok Fan will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors, pursuant to the Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 10 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for an initial fixed term of three years, and renewable automatically until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on the date of listing, which will continue subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM, has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for otherwise disclosed, there was no other transactions, arrangements or contracts of significance in relation to the business of the Company and its subsidiaries to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for otherwise disclosed, there was no other transactions, arrangements or contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts concerning to the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 March 2024. Details of these transactions are set out in note 31 to the consolidated financial statements and below:

Continuing Connected Transactions

Leases of premises from controlling shareholders

On 1 April 2023, HYG as tenant entered into a tenancy agreement (the "Relevant Tenancy Agreement") with Mr. S Chong and Mr. P Chong as landlords (collectively the "2023 Leases"), pursuant to which Mr. S Chong and Mr. P Chong agreed to lease and HYG agreed to take the factory and staff dormitory situated at No.2 Industrial Area, Jiu Men Zhai, Humen Town, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市虎門鎮九門寨第二工業區) (the "Leased Site") for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024 at the monthly rental of RMB146,400.00 for the lease of the factory and RMB62,641.92 for the lease of the staff dormitory.

The rents paid/payable under the 2023 Leases and the rents paid by HYG for the abovementioned leases of premises from Mr. S Chong and Mr. P Chong for the year ended 31 March 2024 were negotiated on an arm's length basis and determined with reference to the market rent of the premises in similar location as at the commencement date of such leases. The Directors (including the independent non-executive Directors) are also of the view that the 2023 Leases are fair and reasonable, on normal commercial terms and in the interests of the Group and Shareholders as a whole.

REPORT OF THE DIRECTORS (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (continued)

Leases of premises from controlling shareholders (continued)

Each of Mr. S Chong and Mr. P Chong is the executive Director and Controlling Shareholder and is a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Leases will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the annual cap for the transactions contemplated under the 2023 Leases on an aggregate basis is more than 5% but all the applicable percentage ratios are less than 25% and the transaction amount for the transactions contemplated under the 2023 Leases for the year ended 31 March 2024 is less than HK\$10.00 million, the transactions contemplated under the 2023 Leases are subject to reporting, annual review and announcement requirements but are exempted from circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Subsequent to the end of the reporting period, on 1 April 2024, HYG entered into a tenancy agreement with Mr. S Chong and Mr. P Chong (collectively the "2024 Leases") for renewing the lease of the Leased Site for a term of one year commencing from 1 April 2024 and expiring on 31 March 2025 at a monthly rental of RMB146,400.00 for the lease of the factory and RMB62,641.92 for the lease of the staff dormitory.

As one of the applicable percentage ratios in respect of the annual cap for the transactions contemplated under the 2024 Leases on an aggregate basis is more than 5% but all the applicable percentage ratios are less than 25% and the transaction amount for the transactions contemplated under the 2024 Leases for the year ending 31 March 2025 is less than HK\$10.00 million, the transactions contemplated under the 2024 Leases are subject to reporting, annual review and announcement requirements but are exempted from circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

License agreements with Mr. P Chong and MPBG Limited

On 4 November 2020, KNTGL as licensee entered into license agreements with Mr. P Chong and MPBG Limited as licensors respectively, pursuant to which the licensors are the legal and beneficial owners of certain trademarks, domain names and logos (collectively, the "IP Rights") and agreed to grant to KNTGL, including its majority-owned holding companies, wholly-owned subsidiaries or affiliated companies, the exclusive right and license to use the IP Rights for the sale of bridesmaid dresses, bridal gowns, special occasion dresses, fashion apparels or other related products in the whole areas of the People's Republic of China (including Hong Kong but excluding Taiwan) for a period commencing from 4 November 2020 and expiring on 3 November 2023, renewable at the end of each three year term subject to agreement between the licensee and the licensors. The license fee payable by the licensee to each of the licensors is HK\$1 per year. On 4 November 2023, the license agreements had been renewed for a further three years commencing from 4 November 2023 and expiring on 3 November 2026, renewable at the end of each three year term subject to agreement between the licensee and the licensors. The licence fee payable by the licensee to each of the licensors is HK\$1 per year.

REPORT OF THE DIRECTORS (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt Continuing Connected Transactions

Sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited

During the year ended 31 March 2024, the Group sold bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited (“Veromia”). On 1 April 2021, KNT and Veromia entered into a sales framework agreement (the “2021 Sales Framework Agreement”), pursuant to which the Group agreed to sell and Veromia agreed to purchase bridal gowns, bridesmaid dresses and special occasion dresses from the Group for the period commencing from 1 April 2021 and expiring on 31 March 2024 (the “Veromia Sales Transactions”).

On 20 January 2023, KNT and Veromia entered into a supplemental agreement (the “2023 Supplemental Agreement”) to revise the existing annual caps to HK\$9.8 million and HK\$9.8 million for the years ending 31 March 2023 and 2024, respectively in view of the increase in sales by the Group to Veromia with the business growth of Veromia.

For the year ended 31 March 2024, the sales to Veromia amounted to approximately HK\$5.1 million.

The price charged by KNT for the sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia was determined on an arm’s length basis between KNT and Veromia having regards to the quality, quantity and delivery timeline of the bridal gowns, bridesmaid dresses and special occasion dresses supplied. The gross profit margins of the sales to Veromia for the year ended 31 March 2024 were comparable to the gross profit margins of the Group’s overall sales for the year.

The annual caps of sales (the “Sales Annual Caps”) under the 2021 Sales Framework Agreement for each of the three years ending 31 March 2022, 31 March 2023 and 31 March 2024 are HK\$6.0 million, HK\$7.0 million and HK\$8.0 million, respectively and as revised to HK\$9.8 million and HK\$9.8 million for the two years ending 31 March 2024, respectively. The Directors (including the independent non-executive Directors) confirmed that the Sales Annual Caps were determined on normal commercial terms after taking into account (i) the terms of the 2021 Sales Framework Agreement and the 2023 Supplemental Agreement; (ii) the relevant historical transaction amounts; and (iii) the future business needs and expected growth of Veromia ascertained through discussion with the management of Veromia, and were therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole. Veromia is a limited company incorporated in the United Kingdom and wholly-owned by Mr. S Chong. As Mr. S Chong is the executive Director and a Controlling Shareholder, Veromia is an associate of his and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2021 Sales Framework Agreement and the 2023 Supplemental Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since all the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules are less than 25% and each of the Sales Annual Caps is less than HK\$10.0 million, the transactions contemplated under the 2021 Sales Framework Agreement and the 2023 Supplemental Agreement are subject to the reporting, annual review and announcement requirements but are exempted from circular (including independent financial advice) and independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt Continuing Connected Transactions (continued)

Sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited (continued)

Application for waiver of the non-exempt continuing connected transactions

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in connection with the Veromia Sales Transactions, provided that the annual transaction amounts in respect of the Veromia Sales Transactions do not exceed the Sales Annual Caps.

The Group had complied with the relevant requirements under Chapter 14A of the Listing Rules, including the Sales Annual Caps, and will comply with the relevant rules of Chapter 14A of the Listing Rules if the waiver from the Stock Exchange expires or any of the Sales Annual Caps are exceeded, or when the 2021 Sales Framework Agreement is renewed or when there is a material change to the terms of the 2021 Sales Framework Agreement and the 2023 Supplemental Agreement.

Confirmation of Independent Non-executive Directors

The Audit Committee, comprising four independent non-executive Directors, has reviewed the above non-exempt continuing connected transactions and confirmed that these transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from Auditor of the Company

The Board has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standards on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2024, none of the Directors and their respective associates had any interests in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 March 2024, the interests and short positions of 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 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 Model Code, 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)	50,000	0.006%

Notes:

1. The percentage is calculated based on the total number of 842,432,607 shares in issue as at 31 March 2024.
2. 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.
3. 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.

Save for those disclosed above, as at 31 March 2024, 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.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 March 2024, 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:

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 (L)	28.008%
Ms. Lok Pui Yee, Fanny	Interest of spouse (Note 2)	235,950,000 (L)	28.008%
Total Clarity	Beneficial owner	50,000 (L)	0.006%
Ms. Tsang Kit Fong	Interest of spouse (Note 3)	50,000 (L)	0.006%
Mr. Tsang Ming Sophronia	Beneficial owner	23,790,000 (L)	2.824%
	Interest in controlled corporation	30,920,000 (L)	3.670%
Mr. Yu Shangli	Beneficial owner	45,000,000 (L)	5.342%
China International Capital Corporation Limited	Interest in controlled corporation	43,992,000 (L)	5.222%
		43,992,000 (S)	5.222%

Notes:

(L): Long position (S): Short position

- The percentage is calculated based on the total number of 842,432,607 shares in issue as at 31 March 2024.
- 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.

Save as disclosed above, as at 31 March 2024, the Directors are 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.

REPORT OF THE DIRECTORS *(CONTINUED)*

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.

(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 annual 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 84,243,261 shares, 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.

REPORT OF THE DIRECTORS *(CONTINUED)*

SHARE OPTION SCHEME *(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 annual report *(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.

(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 quotation sheets for the five trading days immediately preceding the date of grant.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

(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 year ended 31 March 2024, 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 31 March 2024.

The number of options available for grant under the mandate of the Share Option Scheme as at 1 April 2023 and 31 March 2024 were 52,000,000.

The total number of shares available for issue under the Share Option Scheme was 52,000,000 Shares, being approximately 6.17% of the issued share capital as at the date of this annual report.

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 year ended 31 March 2024 and up to the date of this annual 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 of the Company.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings during the year ended 31 March 2024. The Controlling Shareholders also confirmed in the said annual 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 year ended 31 March 2024.

REPORT OF THE DIRECTORS *(CONTINUED)*

NON-COMPETITION UNDERTAKING *(CONTINUED)*

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2024:

- (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 year ended 31 March 2024.
- (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 year ended 31 March 2024.

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

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.

REPORT OF THE DIRECTORS *(CONTINUED)*

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2024, the Group's largest customer accounted for approximately 20.3% of the Group's total revenue for the year and the Group's five largest customers accounted for approximately 57.8% of the Group's total revenue for the year.

During the year ended 31 March 2024, the Group's largest supplier accounted for approximately 45.0% of the Group's total purchases for the year and the Group's five largest suppliers accounted for approximately 63.1% of the Group's total purchases for the year.

At no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) have any interest in any of the Group's five largest customers or suppliers.

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.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group as at 31 March 2024 are set out in note 33 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2024, there were no non-compliance with laws and regulations that would have a significant impact on the Group in relation to issues such as environmental protection, employment and labour practices, operating practices and the community.

REPORT OF THE DIRECTORS *(CONTINUED)*

CORPORATE GOVERNANCE

Details of the principal corporate governance practices adopted by the Company are set out in the “Corporate Governance Report” on pages 14 to 30 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate, the Group strives to minimise adverse impacts on the environment and maximise resources efficiency in the operations. We encourage the employees to participate environmental protection and energy conservation in daily operations. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

AUDITOR

On 29 March 2023, Deloitte Touche Tohmatsu resigned as the auditor of the Company and Yongtuo Fuson CPA Limited was appointed as the auditor of the Company to fill the causal vacancy. On 7 May 2024, Yongtuo Fuson CPA Limited resigned as the auditor of the Company and CL Partners CPA Limited has been appointed as the auditor to fill the casual vacancy. Save for the aforementioned, there has been no other change of auditors in the past three years.

The consolidated financial statements for the year ended 31 March 2024 were audited by CL Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for re-appointment of CL Partners CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Chong Sik

Chairman

Hong Kong, 28 June 2024

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF KNT HOLDINGS LIMITED

嘉藝控股有限公司

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KNT Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 151, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How the matter was addressed in the audit

Assessment of net realisable value of raw materials

As explained in note 19 to the consolidated financial statements, as at 31 March 2024, the carrying amount of raw materials, net of allowances amounted to approximately HK\$2,830,000.

In determining the provision of obsolete and slow-moving raw materials, the management reviews the ageing of raw materials and carries out a review on an item-by-item basis with reference to subsequent usage of raw materials, current market condition and expectation of future usage.

We identified the assessment of net realisable value of raw materials as a key audit matter because of significant judgement exercised by management in identifying obsolete and slow-moving raw materials that are no longer suitable for use in production and determining the appropriate levels of write down of raw materials.

Our procedures in relation to assessment of net realisable value of raw materials included:

- Understanding the Group's process in the identification of obsolete and slow-moving raw materials;
- Testing the accuracy of the Group's raw materials ageing analysis, on a sample basis, to delivery documents or production notes;
- Enquiring the management and the production team about any expected changes in plans for the usage of slow-moving raw materials; and
- Evaluating the appropriateness of the management's assessment on estimated future utilisation of raw materials, with reference to historical records and expectation of future usage considered by the management.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Key Audit Matter

How the matter was addressed in the audit

Fair values of leasehold land and buildings and investment properties

As at 31 March 2024, the Group had significant amounts of leasehold land and buildings and investment properties amounting to HK\$29,600,000 and HK\$11,200,000, respectively that were measured at fair value using significant unobservable inputs (Level 3 in the fair value hierarchy). Management engaged an independent external valuer with relevant qualifications to perform the valuation of such properties. The fair values of the leasehold land and buildings and investment properties were determined based on the direct comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature and location. The changes in estimates and assumptions would result in changes in the fair values of the respective properties.

Our procedures to assess the fair values of leasehold land and buildings and investment properties included:

- Assessing the objectivity, capability and competence of the independent external valuer engaged by management;
- Obtaining the valuation reports and assessing the appropriateness and reasonableness of the valuation method, assumptions as well as the key valuation inputs applied, such as the comparable market transactions;
- Challenging with the management and the independent external valuer on the assumptions adopted in the valuation, including checking input data against the market data and adjustment factors for nature and location in similar industries; and
- Reviewing the presentation and disclosures in the consolidated financial statements regarding the fair values of the respective properties.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 30 June 2023.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CL Partners CPA Limited
Certified Public Accountants

HONG TING
Practising Certificate Number P07069
Hong Kong, 28 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5	54,312	71,667
Cost of sales		(46,862)	(62,860)
Gross profit		7,450	8,807
Other income	6	424	1,134
Other gains and losses, net	7	(649)	(461)
Selling and distribution expenses		(5,592)	(6,650)
Administrative expenses		(22,485)	(27,116)
Impairment loss reversed (recognised) in respect of trade receivables, net		6	(7)
Impairment loss recognised in respect of property, plant and equipment	14	(56)	(1,858)
Finance costs	8	(1,230)	(897)
Share of results of associates	18	(2,311)	(4,089)
Loss before taxation		(24,443)	(31,137)
Income tax expense	9	(1)	(147)
Loss for the year	10	(24,444)	(31,284)
		HK cents	HK cents
Loss per share	13		
Basic		(2.9)	(3.7)
Diluted		(2.9)	(3.7)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	NOTE	2024 HK\$'000	2023 HK\$'000
Loss for the year	10	(24,444)	(31,284)
Other comprehensive (expense) income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
– Net (loss) gain on revaluation of properties		(2,094)	198
– Deferred taxation relating to revaluation of properties		541	162
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		(45)	(626)
Other comprehensive expense for the year, net of tax		(1,598)	(266)
Total comprehensive expense for the year		(26,042)	(31,550)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	29,604	33,445
Investment properties	15	11,200	12,300
Right-of-use assets	16	115	323
Intangible asset	17	26	52
Interests in associates	18	–	2,311
		40,945	48,431
Current assets			
Inventories	19	9,340	6,416
Trade receivables	20	7,121	9,823
Deposits, prepayments and other receivables	21	36,699	34,734
Amount due from an associate	18	11,597	11,547
Bank balances and cash	22	4,432	3,155
		69,189	65,675
Current liabilities			
Trade payables	23	3,817	3,969
Other payables and accruals	24	10,534	6,844
Amounts due to directors	25	17,077	7,500
Contract liabilities	26	4,712	2,222
Lease liabilities	27	43	248
Borrowings	28(a)	16,599	9,260
Bank overdrafts	28(b)	5,876	5,962
		58,658	36,005
Net current assets		10,531	29,670
Total assets less current liabilities		51,476	78,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Lease liabilities	27	–	43
Deferred tax liabilities	29	4,945	5,485
		4,945	5,528
NET ASSETS		46,531	72,573
Capital and reserves			
Share capital	30	8,424	8,424
Reserves		38,107	64,149
TOTAL EQUITY		46,531	72,573

The consolidated financial statements on pages 77 to 151 were approved and authorised for issue by the board of directors on 28 June 2024 and are signed on its behalf by:

CHONG PUN
DIRECTOR

CHONG SIK
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	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 (b))	Statutory reserve HK\$'000 (note (c))	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 year	-	-	-	-	-	-	-	(31,284)	(31,284)
Other comprehensive (expense) income for the year	-	-	-	(626)	360	-	-	-	(266)
Total comprehensive (expense) income for the year	-	-	-	(626)	360	-	-	(31,284)	(31,550)
Transfer to accumulated losses	-	-	-	-	(986)	-	-	986	-
At 31 March 2023	8,424	141,617	19,520	2,774	26,719	(1,419)	2,538	(127,600)	72,573
Loss for the year	-	-	-	-	-	-	-	(24,444)	(24,444)
Other comprehensive expense for the year	-	-	-	(45)	(1,553)	-	-	-	(1,598)
Total comprehensive expense for the year	-	-	-	(45)	(1,553)	-	-	(24,444)	(26,042)
Transfer to accumulated losses	-	-	-	-	(991)	-	-	991	-
At 31 March 2024	8,424	141,617	19,520	2,729	24,175	(1,419)	2,538	(151,053)	46,531

Notes:

- (a) **Other reserve:** Other reserve represents (i) the transfer of HK\$16,500,000 as a result of the transfer of the entire shareholding in Dongguan HYG Garment Company Limited ("HYG"), one of the operating subsidiaries established in the People's Republic of China ("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 Limited ("KNT"), one of the operating subsidiaries incorporated in Hong Kong, from Mr. S Chong and Mr. P Chong in the previous years.
- (b) **Deemed distribution:** The deemed distribution represents the transaction cost attributed 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.
- (c) **Statutory reserve:** 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(24,443)	(31,137)
Adjustments for:		
Interest income	(55)	(78)
Finance costs	1,230	897
Depreciation of property, plant and equipment	1,425	1,593
Depreciation of right-of-use assets	2,753	1,146
Amortisation of intangible asset	26	26
Change in fair values of investment properties	1,100	1,100
Loss on disposal of an investment property	–	484
Loss on disposal of property, plant and equipment	217	–
Impairment loss recognised (reversed) on inventories	1,319	(1,499)
Share of results of associates	2,311	4,089
Impairment loss recognised in respect of property, plant and equipment	56	1,858
Impairment loss (reversed) recognised in respect of trade receivables, net	(6)	7
Operating cash flow before movements in working capital	(14,067)	(21,514)
(Increase) decrease in inventories	(4,565)	3,881
Decrease (increase) in trade receivables	2,708	(2,174)
Increase in prepayments, deposits and other receivables	(2,021)	(31,970)
(Decrease) increase in trade payables	(101)	1,339
Increase in other payables and accruals	4,014	1,779
Increase (decrease) in contract liabilities	2,490	(475)
Net cash used in operating activities	(11,542)	(49,134)
INVESTING ACTIVITIES		
Net proceeds from disposal of property, plant and equipment	107	–
Bank interest received	5	4
Purchases of property, plant and equipment	(59)	(2,389)
Advances to an associate	–	(11,520)
Investments in associates	–	(3,400)
Withdrawal of pledged bank deposit	–	2,000
Repayments of loan receivables	–	4,888
Net proceed from disposal of an investment property	–	8,516
Net cash from (used in) investing activities	53	(1,901)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
FINANCING ACTIVITIES		
New borrowings raised	15,556	12,931
Advances from directors	9,935	11,500
Repayments to directors	(304)	(4,000)
Interest paid	(1,230)	(897)
Repayments of lease liabilities	(2,793)	(1,176)
Repayments of borrowings	(8,217)	(22,834)
Net cash from (used in) financing activities	12,947	(4,476)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,458	(55,511)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(2,807)	52,758
Effect of foreign exchange rate changes	(95)	(54)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(1,444)	(2,807)
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by:		
Bank balances and cash	4,432	3,155
Bank overdrafts	(5,876)	(5,962)
	(1,444)	(2,807)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

KNT Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office and principal place of business are disclosed in the “Corporate Information” section to this annual report.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are manufacturing and trading of garment products.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(CONTINUED)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Material accounting policy information (continued)

Interests in associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Revenue from contracts with customers *(continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group receives upfront deposits of 30% of total contract sum from certain customers and this has resulted in a contract liability.

Revenue is measured based on the consideration specified in a contract with customer. The Group recognises revenue when it transfers control of goods to a customer.

The Group recognises revenue mainly from the sales of garment products (including bridesmaid dresses, bridal gowns, special occasion dresses, accessories and others).

Sales of garment products

Revenue from the sales 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.

A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Lease *(continued)*

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Lease *(continued)*

The Group as a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Lease *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into HK\$ at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operation.

Employee benefits

Retirement benefits costs

Payments to the stated-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment other than leasehold land and buildings are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Leasehold land and buildings are stated at their fair value at the end of the reporting period.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Material accounting policy information (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Revaluation is also performed immediately before the transfer of a property to investment property because of change in use. Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of such leasehold land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. The difference between depreciation based on the revalued carrying amount and depreciation based on original cost is transferred to accumulated losses as the relevant asset is used by the Group. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses. Transfers from revaluation surplus to accumulated losses are not made through profit or loss.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure or fair value as at the date of transfer from property, plant and equipment. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible asset

Intangible asset with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Material accounting policy information (continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (continued)

In testing a cash-generating unit for impairment, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as bank overdrafts in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Financial Instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, amount due from an associate and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Financial Instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

The Group always assesses lifetime ECL for trade receivables and the ECL on these assets are assessed individually for each debtor. The ECL on those financial assets are estimated by applying a probability-weighted estimate of the credit loss for each debtor. The probability-weighted estimate of the credit loss is determined based on the Group's historical credit loss experience and factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group assesses the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Financial Instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Financial Instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement of and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, amounts due to directors and borrowings and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group;
 - (3) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Material accounting policy information *(continued)*

Related parties *(continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in (i) above.
- (7) A person identified in (i)(1) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (8) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value of raw materials

Management of the Group determines provision for obsolete and slow-moving raw materials that are no longer suitable for use in production based on the ageing of inventories and carries out a review on an item-by-item basis with reference to subsequent usage of raw materials, current market condition and expectation of future usage.

As at 31 March 2024, the carrying amounts of raw materials are HK\$2,830,000 (2023: HK\$3,874,000).

Estimation of fair values of leasehold land and buildings and investment properties

The fair value is based on valuation of leasehold land and buildings and investment properties conducted by an independent external valuer with relevant qualifications (the "Valuer"). In determining the fair values of the Group's leasehold land and buildings and investment properties, the Valuer applied a direct comparison approach which involves, inter-alia, significant unobservable inputs and judgements.

The carrying amounts of leasehold land and buildings and investment properties which under revaluation amount as at 31 March 2024 were HK\$29,600,000 (2023: HK\$33,100,000) and HK\$11,200,000 (2023: HK\$12,300,000), respectively. Further details, including the key assumptions used for fair value measurement, are given in notes 14 and 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(continued)*

Provision of ECL for trade receivables, deposits and other receivables

The Group assesses lifetime ECL on trade receivables, including amount due from Veromia Limited, a related company, on an individual basis under the ECL model. The estimation on ECL is required in assessing probability-weighted estimate of the credit loss within the relevant time band which is based on the Group's historical credit loss experience and the factors that are specific to the debtors, general economic conditions and forward-looking information that is reasonable and supportable available without undue costs or effort. For deposits and other receivables, the management of the Group assesses 12-month ECL on an individual assessment on the recoverability of these balances based on the debtor's credit quality and also available reasonable and supportive forward-looking information. If there is a significant increase in credit risk on the debtors of the Group since initial recognition, additional ECL may be required.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 35.

As at 31 March 2024, the carrying amounts of trade receivables, deposits and other receivables are HK\$7,121,000 (2023: HK\$9,823,000) and HK\$33,755,000 (2023: HK\$33,773,000), respectively.

Estimated impairment of interests in associates

Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associates which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associates and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 March 2024, the carrying amount of the associates amounted to nil (2023: HK\$2,311,000).

Estimated impairment of amount due from an associate

The Group follows the guidance of HKFRS 9 to make allowance on amount due from an associate subject to ECL, based on the assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the repayment history, existing market conditions as well as forward-looking estimates at each reporting date. When the expectation is different from the original estimate, such difference will impact the carrying amounts of amount due from an associate in the periods in which such estimate has been changed.

As at 31 March 2024, the carrying amount of the amount due from an associate amounted to HK\$11,597,000 (2023: HK\$11,547,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION

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

An analysis of revenue from operations is as follows:

	2024 HK\$'000	2023 HK\$'000
Sales of garment products recognised at a point in time		
Bridesmaid dresses	25,233	35,045
Bridal gowns	4,285	6,320
Special occasion dresses	9,749	13,471
Accessories	11,002	14,498
Others (note)	4,043	2,333
Total	54,312	71,667

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

	2024 HK\$'000	2023 HK\$'000
Geographical markets		
United States of America	22,548	29,482
Hong Kong	19,689	19,106
Europe	5,078	12,673
United Kingdom	5,489	8,278
Australia	1,508	1,991
Others	–	137
Total	54,312	71,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Sales of garment products

Revenue from the sales 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.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of the reporting period.

	2024 HK\$'000	2023 HK\$'000
Sales of garment products	12,481	5,018

The management expected that the unsatisfied performance obligation would be recorded as revenue within one year.

Segment information

The Group's operation is solely derived from manufacturing and trading of garment products during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Company) reviews revenue analysis by geographic location of customers, overall results and financial position of the Group as a whole based on same accounting policies set out in note 3. No other discrete financial information is provided other than the Group's result 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 31 March 2024 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2024 HK\$'000	2023 HK\$'000
Customer A	11,002	14,498
Customer B	N/A*	11,107
Customer C	N/A*	7,693
Customer D	6,772	N/A*

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

6. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Bank interest income	5	4
Government grants (note)	73	351
Rental income, net of outgoing expenses of HK\$57,000 (2023: HK\$67,000)	71	343
Interest income from loan receivables	–	47
Interest income from loan advances to an associate	50	27
Sundry income	225	362
	424	1,134

Note:

During the year ended 31 March 2024, the Group recognised government grants of HK\$73,000 in respect of the dedicated fund on Branding, Upgrading and Domestic sales (2023: HK\$351,000 in respect of the Employment Support Scheme) launched by the Hong Kong government. As at 31 March 2024, there were no unfulfilled conditions and contingencies relating to this subsidy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

7. OTHER GAINS AND LOSSES, NET

	2024 HK\$'000	2023 HK\$'000
Net exchange gain	668	1,110
Change in fair value of investment properties (note 15)	(1,100)	(1,100)
Loss on disposal of property, plant and equipment	(217)	–
Loss on disposal of an investment property	–	(484)
Others	–	13
	(649)	(461)

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on bank loans and overdrafts	899	843
Interest on other loans	264	–
Interest on lease liabilities	67	54
	1,230	897

9. INCOME TAX EXPENSE

Income tax expense relating to operations has been recognised in profit or loss as follows:

	2024 HK\$'000	2023 HK\$'000
Under provisions in prior years – PRC Enterprise Income Tax	–	146
Deferred tax charge (note 29)	1	1
Income tax expense	1	147

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided in the consolidated financial statements as the subsidiaries of the Group operating in Hong Kong have no assessable profits for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

9. INCOME TAX EXPENSE (CONTINUED)

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No PRC Enterprise Income Tax has been provided in the consolidated financial statements as the PRC subsidiaries of the Group have no assessable profits for both years.

The income tax expense for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss as follows:

	2024 HK\$'000	2023 HK\$'000
Loss before taxation	(24,443)	(31,137)
Taxation at Hong Kong Profits Tax rate of 16.5% (note)	(4,033)	(5,137)
Tax effect of expenses not deductible for tax purpose	3	32
Tax effect of income not taxable for tax purpose	(2)	(123)
Under provisions in prior years	–	146
Tax effect of tax losses not recognised	5,099	6,560
Tax effect of utilisation of tax losses previously not recognised	–	(119)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(1,447)	(1,887)
Tax effect of share of results of associates	381	675
Income tax expense for the year	1	147

Note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

As at 31 March 2024, the Group has estimated unused tax losses of HK\$147,512,000 (2023: HK\$126,651,000), available for offset against future profits. No deferred tax asset has been recognised as at 31 March 2024 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

For the Group's PRC subsidiary, unrecognised tax losses of HK\$92,171,000 (2023: HK\$78,385,000) will expire in various dates up to 2029 (2023: 2028). The remaining unrecognised tax losses of the Group can be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

10. LOSS FOR THE YEAR

	2024 HK\$'000	2023 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 11)	3,309	5,600
Other staff costs:		
– Salaries and other allowances	20,746	26,175
– Retirement benefits scheme contributions (note (a))	2,263	2,198
Total staff costs	26,318	33,973
Less: Amount capitalised in inventories	(12,146)	(13,926)
	14,172	20,047
Depreciation of right-of-use assets	2,753	1,146
Depreciation of property, plant and equipment	1,425	1,593
	4,178	2,739
Less: Amount capitalised in inventories	(2,261)	(871)
	1,917	1,868
Auditor's remuneration	1,000	840
Amortisation of intangible asset	26	26
Cost of inventories recognised as cost of sales (including write down of inventories of HK\$1,319,000 (2023: reversal of write down of inventories of HK\$1,499,000)) (note (b))	46,862	62,860

Notes:

- (a) Amount excludes the retirement benefits scheme contributions for the directors of the Company which are set out in note 11.
- (b) The write down of inventories for the year ended 31 March 2024 is mainly due to the obsolete inventories that are no longer suitable for use in production.

The reversal of write down of inventories for the year ended 31 March 2023 was mainly due to the utilisation or sale of inventories which were previously written down in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

The remuneration paid or payable to the directors and chief executive officer of the Company by entities comprising the Group were as follows:

	Other remunerations				Total HK\$'000
	Fee HK\$'000	Salaries, allowances and other benefits HK\$'000	Performance related bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	
Year ended 31 March 2024					
Executive directors					
Mr. S Chong (Chief Executive Officer)	–	782	–	18	800
Mr. P Chong	–	987	–	18	1,005
Mr. Lam Chi Yuen	–	786	–	18	804
Dr. Dong Bin (note (iii))	100	–	–	–	100
Dr. Wong Ho Yin (note (iv))	–	–	–	–	–
Non-executive director					
Mr. Hu Shilin	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Martin Oh Man	120	–	–	–	120
Mr. Lau Koong Yep	120	–	–	–	120
Mr. Yuen King Sum	120	–	–	–	120
Mr. Lau Kwok Fan	120	–	–	–	120
	700	2,555	–	54	3,309
Year ended 31 March 2023					
Executive directors					
Mr. S Chong (Chief Executive Officer)	–	2,333	–	18	2,351
Mr. P Chong	–	1,257	–	18	1,275
Mr. Lam Chi Yuen	–	1,290	–	18	1,308
Mr. Zhou Hai (note (ii))	66	–	–	–	66
Non-executive director					
Mr. Hu Shilin	120	–	–	–	120
Independent non-executive directors					
Mr. Leung Martin Oh Man	120	–	–	–	120
Mr. Lau Koong Yep	120	–	–	–	120
Mr. Yuen King Sum	120	–	–	–	120
Mr. Lau Kwok Fan	120	–	–	–	120
	666	4,880	–	54	5,600

Notes:

- The emoluments of executive directors stated above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive director and independent non-executive directors shown above were for their services as directors of the Company.
- Mr. Zhou Hai resigned as executive director of the Company on 20 October 2022.
- Dr. Dong Bin was appointed as executive director of the Company on 1 June 2023.
- Dr. Wong Ho Yin was appointed as executive director of the Company on 28 November 2023 and resigned as executive director of the Company on 19 April 2024.
- None of the directors waived any emoluments during the year. There was no arrangement under which a director or the chief executive officer waived or agreed to waive any emoluments during the years 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three (2023: three) directors of the Company, details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining two (2023: two) highest paid employees are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and allowances	1,176	1,768
Contributions to retirement benefits scheme	35	36
	1,211	1,804

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	–	1
	2	2

No emoluments were paid by the Group to any of the directors of the Company or the chief executive officer of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. 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:

	2024 HK\$'000	2023 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(24,444)	(31,284)
	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	842,433	842,433

No diluted loss per share was presented for the years ended 31 March 2024 and 2023 as there were no potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or Valuation						
As at 1 April 2022	34,300	5,032	2,871	5,880	138	48,221
Additions	–	22	1,771	173	423	2,389
Deficit on revaluation	(1,200)	–	–	–	–	(1,200)
Exchange realignment	–	(368)	–	(198)	(9)	(575)
As at 31 March 2023	33,100	4,686	4,642	5,855	552	48,835
Additions	–	55	–	4	–	59
Disposals	–	(490)	–	–	(423)	(913)
Deficit on revaluation	(3,500)	–	–	–	–	(3,500)
Exchange realignment	–	(259)	–	(141)	(7)	(407)
As at 31 March 2024	29,600	3,992	4,642	5,718	122	44,074
Comprising:						
At cost	–	3,992	4,642	5,718	122	14,474
At valuation	29,600	–	–	–	–	29,600
	29,600	3,992	4,642	5,718	122	44,074
Accumulated depreciation and impairment						
As at 1 April 2022	–	5,032	2,871	5,880	129	13,912
Provided for the year	1,398	–	98	10	87	1,593
Eliminated on revaluation	(1,398)	–	–	–	–	(1,398)
Impairment loss recognised	–	22	1,673	163	–	1,858
Exchange realignment	–	(368)	–	(198)	(9)	(575)
As at 31 March 2023	–	4,686	4,642	5,855	207	15,390
Provided for the year	1,406	2	–	1	16	1,425
Eliminated on disposals	–	(490)	–	–	(99)	(589)
Eliminated on revaluation	(1,406)	–	–	–	–	(1,406)
Impairment loss recognised	–	53	–	3	–	56
Exchange realignment	–	(259)	–	(141)	(6)	(406)
As at 31 March 2024	–	3,992	4,642	5,718	118	14,470
Carrying values						
As at 31 March 2024	29,600	–	–	–	4	29,604
As at 31 March 2023	33,100	–	–	–	345	33,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following:

Leasehold land and buildings	Over the shorter of the lease terms or 50 years
Plant and machinery	20% per annum
Furniture and fixtures	20% per annum
Office equipment	20% per annum
Motor vehicles	20% per annum

At 31 March 2024, the Group's leasehold land and buildings with carrying value of HK\$27,800,000 (2023: HK\$31,100,000) were pledged to secure certain banking facilities granted to the Group.

Impairment assessment on property, plant and equipment and right-of-use assets, other than leasehold land and buildings

Due to the continuingly loss generated by the Group during the last few years, the management of the Group conducted impairment assessment on certain property, plant and equipment and right-of-use assets during the years ended 31 March 2024 and 2023 and details of which are described below:

For the purpose of the impairment assessment of certain property, plant and equipment and right-of-use assets, management has determined that it was not possible to estimate the recoverable amount of these assets individually. The Group allocated these assets to the cash generating unit ("CGU") of sales of garment products, being the single CGU of the Group (including allocation of corporate assets).

As at 31 March 2024 and 2023, the directors of the Company estimates the recoverable amounts of the property, plant and equipment and right-of-use assets, other than leasehold land and buildings, based on higher of fair value less costs of disposal and value in use.

The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and a discount rate of 15% (2023: 15%). The cash flows beyond the five-year period are extrapolated using nil growth rate (2023: nil). This growth rate is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Other key assumption for the value in use calculation related to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rate during the forecast period, such estimation is based on the Group's historical performance, sales orders on hand and market trend.

Based on the result of the assessment, the management of the Group determined that the estimated recoverable amount of the CGU was lower than the carrying amounts of the relevant assets. Accordingly, an impairment loss of HK\$56,000 (2023: HK\$1,858,000) on property, plant and equipment was recognised for the year ended 31 March 2024. No impairment loss on right-of-use assets was recognised for the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Fair value measurement of the Group's leasehold land and buildings

The Group's leasehold land and buildings were valued on 31 March 2024 and 31 March 2023 by Roma Appraisals Limited, independent qualified professional valuers not related to the Group.

The fair value of the leasehold land and buildings was determined based on the direct comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature and location under review. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key unobservable inputs used in valuing the leasehold land and buildings was the adjusted price per square feet, which ranged from HK\$3,493 to HK\$3,864 (2023: HK\$3,989 to HK\$4,274). A slight increase in the adjusted price per square feet used would result in a significant increase in the fair value measurement of the leasehold land and buildings, and vice versa.

The Group's leasehold land and buildings are located in Hong Kong and their fair value measurement is categorised as Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the years ended 31 March 2024 and 2023.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$3,643,000 (2023: HK\$3,808,000).

15. INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
Beginning of the year	12,300	22,400
Disposal of during the year	–	(9,000)
Change in fair value (note 7)	(1,100)	(1,100)
End of the year	11,200	12,300

The Group leases out premises under operating leases. The leases typically run for a period of one year. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. Lease payments are usually changed every year to reflect market rentals. None of the leases includes variable lease payments.

On 7 July 2022, the Group entered into a sale and purchase agreement with an independent third party for the disposal of an investment property at a consideration of HK\$8,650,000. The net proceed from the disposal of the investment property was approximately HK\$8,516,000. The disposal was completed during the year ended 31 March 2023 and a loss on disposal of the investment property of approximately HK\$484,000 was recognised during the year ended 31 March 2023 (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

15. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy of investment properties

The Group's investment properties were valued on 31 March 2024 and 31 March 2023 by Roma Appraisals Limited, independent qualified professional valuers not related to the Group.

The fair value of the investment properties was determined based on the direct comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature and location under review. There has been no change to the valuation technique during the year.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The key unobservable inputs used in valuing the investment properties was the adjusted price per square feet, which ranged from HK\$3,117 to HK\$3,449 (2023: HK\$3,475 to HK\$3,794). A slight increase in the adjusted price per square feet used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

The Group's investment properties are located in Hong Kong and their fair value measurement is categorised as Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the years ended 31 March 2024 and 2023.

As at 31 March 2024, the investment properties with carrying value of HK\$11,200,000 (2023: nil) were pledged to secure the other loan granted to the Group.

As at 31 March 2024 and 2023, the Group did not have any undiscounted lease payments under non-cancellable operating leases in place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

16. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
At 1 April 2022	6,581	1,149	7,730
Lease modification (note 36)	2,817	–	2,817
Rent concession	(1,878)	–	(1,878)
Exchange realignment	(464)	–	(464)
At 31 March 2023	7,056	1,149	8,205
Lease modification (note 36)	2,545	–	2,545
Exchange realignment	(436)	–	(436)
At 31 March 2024	9,165	1,149	10,314
Accumulated depreciation and impairment			
At 1 April 2022	6,581	619	7,200
Provided for the year	939	207	1,146
Exchange realignment	(464)	–	(464)
At 31 March 2023	7,056	826	7,882
Provided for the year	2,545	208	2,753
Exchange realignment	(436)	–	(436)
At 31 March 2024	9,165	1,034	10,199
Carrying values			
At 31 March 2024	–	115	115
At 31 March 2023	–	323	323

The Group leases factory premises, staff dormitories and motor vehicles for its operations. The lease contracts for the use of factory premises and staff dormitories were entered into with Mr. S Chong and Mr. P Chong.

Lease contracts are entered into for fixed term of 1 to 5 years, but has a termination option for the lease contracts of its factory premises and staff dormitories. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease terms for leased properties ended as at 31 March 2024 and 2023 respectively. As at 31 March 2024 and 2023, the renewal of the lease contracts for factory premises and staff dormitories are still under negotiation and no verbal commitment has been confirmed. During the year ended 31 March 2023, Mr. S Chong and Mr. P Chong provided rent concessions to the Group which constituted lease modifications. The reduction of the Group's lease liabilities of HK\$1,878,000 (2024: nil) and a corresponding adjustment of the same amount to the right-of-use assets were recognised during the year ended 31 March 2023.

Details of the lease maturity analysis of lease liabilities are set out in notes 27 and 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

16. RIGHT-OF-USE ASSETS (CONTINUED)

Lease liabilities amounted to HK\$43,000 (2023: HK\$291,000) are recognised with related right-of-use assets of HK\$115,000 (2023: HK\$323,000) as at 31 March 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of impairment assessment are set out in note 14.

17. INTANGIBLE ASSET

	Golf membership HK\$'000
Cost	
At 1 April 2022, 31 March 2023 and 31 March 2024	520
Amortisation	
At 1 April 2022	442
Provided for the year	26
At 31 March 2023	468
Provided for the year	26
At 31 March 2024	494
Carrying values	
At 31 March 2024	26
At 31 March 2023	52

The golf membership is amortised over 20 years.

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2024 HK\$'000	2023 HK\$'000
Cost of investment in associates	6,400	6,400
Share of post-acquisition results and other comprehensive expense, net of dividend received	(6,400)	(4,089)
Interests in associates	–	2,311
Amount due from an associate comprise:		
Loan advances to Vantage Zone (note (i))	2,597	2,547
Amount due from Vantage Zone (note (ii))	9,000	9,000
	11,597	11,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE *(CONTINUED)*

Notes:

- (i) The loan is unsecured and bears interest at the rate of 2.0% per annum. The loan is repayable on 5 September 2024 and thus, the amount is classified as current assets in the consolidated financial statements of the Group.
- (ii) The amount is unsecured, interest-free and repayable on or before 31 October 2024.

The Group assessed ECL impairment assessment on amount due from an associate. Details of the assessment are set out in note 35.

Particulars of the Group's associates as at 31 March 2024 and 2023 are as follows:

Name of associates	Place of establishment/ principal place of operation	Fully paid-up share capital and number of shares	Attributable interest in proportion of voting power indirectly held by the Company %	Principal activities
Vantage Zone Investments Limited ("Vantage Zone")	British Virgin Islands ("BVI")/Hong Kong	United States Dollar ("USD")100	40	Operating restaurants in Hong Kong
Green Path Enterprises Limited ("Green Path")	BVI/Hong Kong	USD100	40	Operating pharmacy shops in Hong Kong

Details of the Group's associates are as follows:

(a) Vantage Zone

On 16 March 2022, the Group entered into a capital injection agreement with Mr. Chan Wai Yin and Radiant Century International Limited and pursuant to which the Group agreed to acquire 40% of equity interests in Vantage Zone at a consideration of HK\$4,000,000. During the year ended 31 March 2023, the acquisition was completed.

Vantage Zone was a company incorporated in the BVI with limited liability. Vantage Zone and its subsidiaries (the "Vantage Zone Group") is mainly engaged in the operation of restaurants in Hong Kong.

In the opinion of the directors, the capital injection to Vantage Zone enables the Group to expand its business in the operation of restaurants in Hong Kong.

In view of the Group has the right to nominate one director to the board of directors of Vantage Zone, the Group has accounted for its investment in Vantage Zone as an associate as management assessed that there is significant influence as the Group has the power to participate in the financial and operating policy decisions of Vantage Zone in accordance with Hong Kong Accounting Standard 28 *Investments in Associates and Joint Ventures* ("HKAS 28").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE *(CONTINUED)*

(a) **Vantage Zone** *(continued)*

Summarised financial information of Vantage Zone

Summarised financial information of Vantage Zone Group is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Vantage Zone Group was accounted for using the equity method in these consolidated financial statements.

	2024 HK\$'000	2023 HK\$'000
Current assets	11,071	13,400
Non-current assets	12,119	6,700
Current liabilities	(24,136)	(13,114)
Non-current liabilities	–	(2,547)
	(946)	4,439
	2024 HK\$'000	2023 HK\$'000
Revenue	11,155	10,467
Loss for the year	(5,385)	(5,561)
Other comprehensive expense for the year	–	–
Total comprehensive expense for the year	(5,385)	(5,561)
Dividend received from the associate for the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE *(CONTINUED)*

(a) **Vantage Zone** *(continued)*

Summarised financial information of Vantage Zone *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements as at 31 March 2024 and 2023:

	2024 HK\$'000	2023 HK\$'000
Net (liabilities) assets of Vantage Zone	(946)	4,439
Proportion of the Group's ownership interest in Vantage Zone	40%	40%
The Group's share of net assets of Vantage Zone	–	1,776
Carrying amount of the Group's interest in Vantage Zone	–	1,776

(b) **Green Path**

During the year ended 31 March 2023, the Company established Green Path with certain third parties and owns 40% equity interest in Green Path.

Green Path was a company incorporated in the BVI with limited liability. Green Path and its subsidiaries (the "Green Path Group") is mainly engaged in the operation of pharmacy shops in Hong Kong.

In the opinion of the directors, the capital injection to Green Path enables the Group to expand its business in the operation of pharmacy shops in Hong Kong.

In view of the Group has the right to nominate one director to the board of directors of Green Path, the Group has accounted for its investment in Green Path as an associate as management assessed that there is significant influence as the Group has the power to participate in the financial and operating policy decisions of Green Path in accordance with HKAS 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE *(CONTINUED)*

(b) **Green Path** *(continued)*

Summarised financial information of Green Path

Summarised financial information of Green Path Group is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Green Path Group was accounted for using the equity method in these consolidated financial statements.

	2024 HK\$'000	2023 HK\$'000
Current assets	5,430	8,245
Non-current assets	781	1,339
Current liabilities	(9,552)	(8,244)
Non-current liabilities	–	–
	(3,341)	1,340
	2024 HK\$'000	2023 HK\$'000
Revenue	13,508	5,839
Loss for the year	(4,681)	(4,660)
Other comprehensive expense for the year	–	–
Total comprehensive expense for the year	(4,681)	(4,660)
Dividend received from the associate for the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

(b) Green Path (continued)

Summarised financial information of Green Path (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements as at 31 March 2024 and 2023:

	2024 HK\$'000	2023 HK\$'000
Net (liabilities) assets of Green Path	(3,341)	1,340
Proportion of the Group's ownership interest in Green Path	40%	40%
The Group's share of net assets of Green Path	–	535
Carrying amount of the Group's interest in Green Path	–	535

The Group has stopped recognising its share of losses of certain associates when applying the equity method. The unrecognised share of those associates for both years and cumulatively, are set out below:

	2024 HK\$'000	2023 HK\$'000
Unrecognised share of losses of associates for the year	1,715	–
Accumulated unrecognised share of losses of associates	1,715	–

19. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	2,830	3,874
Work in progress	3,542	1,032
Finished goods	2,968	1,510
	9,340	6,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

20. TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables from third parties	4,618	7,742
Trade receivables from a related company	2,514	2,098
	7,132	9,840
Less: Loss allowance	(11)	(17)
	7,121	9,823

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. Details of the assessment are set out in note 35.

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:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	3,028	5,039
31-60 days	607	2,548
61-90 days	972	67
91-180 days	–	10
181-365 days	–	49
Over 365 days	–	12
	4,607	7,725

As at 31 March 2023, out of the past due balances, HK\$61,000 (2024: nil) were past due over 90 days or more and were 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

20. 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:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	384	427
31-60 days	17	8
61-90 days	1,734	223
91-180 days	379	1,440
	2,514	2,098

The Group assessed loss allowance on trade receivables from a related company on lifetime ECL basis. Details of the assessment are set out in note 35.

As at 31 March 2024 and 2023, nil amount has been past due over 90 days or more.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Other receivables	170	179
Other tax receivables	1,824	441
Prepayments	1,120	520
Deposits paid (note)	32,974	32,972
Others	611	622
	36,699	34,734

The Group assessed ECL impairment assessment on deposits and other receivables. Details of the assessment are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Note:

As at 31 March 2024, the Group's deposits paid mainly included a refundable deposit of an amount of HK\$30,000,000 (the "Deposit") (2023: HK\$30,000,000). During the year ended 31 March 2023, the Company entered into sourcing agreement with sourcing agent in sourcing a list of cross-border commodities, including but not limited to clothes, gowns, suits, leather goods and accessories (the "Products") for the Company and the Deposit was paid accordingly. The sourcing agent is owned by and related to a shareholder of the Company. As at 31 March 2024, certain shareholders jointly and severally undertake that in the event the sourcing of Products is not performed or the Deposit is not refunded to the Company on or before 31 August 2024, they will, on written demand, make payment of the amount of the Deposit to the Company.

22. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.25% (2023: 0.001% to 0.25%) per annum as at 31 March 2024.

23. 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:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	2,395	2,558
31-60 days	769	1,033
61-90 days	484	214
91-180 days	161	159
181-365 days	3	—
Over 365 days	5	5
	3,817	3,969

24. OTHER PAYABLES AND ACCRUALS

	2024 HK\$'000	2023 HK\$'000
Accrued payroll and welfares	2,995	3,458
Other payables and accruals	7,537	3,379
Other tax payables	2	7
	10,534	6,844

25. AMOUNTS DUE TO DIRECTORS

The amounts are interest-free, unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

26. CONTRACT LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Deposits received in relation to sales of garment products	4,712	2,222

As at 1 April 2022, the contract liabilities were amounted to HK\$2,697,000.

Contract liabilities represent the deposits received from customers in advance of the transfer of control of garment products. In general, the Group receives certain percentage of contract sum as advance payment from the customers.

For the contract liabilities as at 31 March 2023, the entire balances were recognised as revenue during the year ended 31 March 2024. The management expected that the entire balances of contract liabilities as at 31 March 2024 would be recognised as revenue within one year.

27. LEASE LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Lease liabilities payable		
Within one year	43	248
More than one year but not more than two years	–	43
	43	291
Less: Amount due for settlement with 12 months shown under current liabilities	(43)	(248)
Amount due for settlement after 12 months shown under non-current liabilities	–	43
Interest on lease liabilities	67	54
Total cash outflow for leases	2,860	1,230

Certain leases had been modified during the years ended 31 March 2024 and 2023 and details are disclosed in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. BORROWINGS AND BANK OVERDRAFTS

(a) Borrowings

	2024 HK\$'000	2023 HK\$'000
Unsecured and guaranteed:		
Bank loans	4,170	5,025
Secured and guaranteed:		
Bank loans	6,929	4,235
Other loan	5,500	–
Total	16,599	9,260
Carrying amounts of borrowings 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	11,625	2,560
More than one year but not more than two years	1,788	1,734
More than two years but not more than five years	3,146	4,543
More than five years	40	423
Amounts shown under current liabilities	16,599	9,260

The bank loans carry variable interest rates ranging from 3.000% - 8.300% (2023: 2.875% - 8.530%). As at 31 March 2024, the Group's other loan from a third party carries interest at 12.25% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

28. BORROWINGS AND BANK OVERDRAFTS *(CONTINUED)*

(b) Bank overdrafts

	2024 HK\$'000	2023 HK\$'000
Secured and guaranteed: Bank overdrafts	5,876	5,962

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 8.08% (2023: 6.38%).

As at 31 March 2024 and 2023, 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 are set out as follows:

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

As at 31 March 2024, the Group entered into other loan agreement with a third party in Hong Kong. The other loan is secured by assets held by the Group and guaranteed by Mr. S Chong and Mr. P Chong, details of which are set out as follows:

- (i) Investment properties of the Group.

29. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the years:

	Accelerated tax depreciation HK\$'000	Revaluation of leasehold land and buildings HK\$'000	Total HK\$'000
At 1 April 2022	279	5,367	5,646
Charge to profit or loss for the year (note 9)	1	–	1
Credit to other comprehensive income	–	(162)	(162)
At 31 March 2023	280	5,205	5,485
Charge to profit or loss for the year (note 9)	1	–	1
Credit to other comprehensive income	–	(541)	(541)
At 31 March 2024	281	4,664	4,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2022, 31 March 2023 and 31 March 2024	10,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1 April 2022, 31 March 2023 and 31 March 2024	842,432,607	8,424

There was no movement of the Company's share capital during the years ended 31 March 2024 and 2023.

31. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

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

Name of related party	Nature of transaction	2024 HK\$'000	2023 HK\$'000
Veromia Limited	Sales of garment products	5,098	7,693
	Purchases of samples/fabrics	141	704
Vantage Zone	Interest income from loan advances to an associate	50	27
Mr. S Chong and Mr. P Chong	Interest expense on lease liabilities (note)	59	35

Note: As disclosed in note 16, 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 years.

(b) Compensation of key management personnel

The remuneration of key management personnel was as follows:

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	4,064	6,685
Post-employment benefits	72	72
	4,136	6,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

32. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted, pursuant to a resolution passed on 31 January 2019 which became effective and unconditional on 28 February 2019, for the purpose of providing incentives to any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 52,000,000 shares, being 10% of the shares in issue on the date of Listing. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period as specified in the offer letter issued by the Company, being not later than 21 days inclusive of, and from the date upon which it is made. A consideration of HK\$1 shall be payable by the participants on acceptance of the offer of the Scheme.

The exercisable period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of grant of the options. The subscription price for the shares in respect of which options are granted is determinable by directors of the Company, but shall be no less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a Company's share.

No share option has been granted, exercised, expired, cancelled or lapsed under Scheme since its adoption by the Company and up to 31 March 2024.

33. RETIREMENT BENEFITS SCHEME

The Group participates the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK\$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC government. The relevant PRC subsidiary is required to contribute a certain percentage of the relevant portion of these employees' basis salaries to the pension to fund the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

33. RETIREMENT BENEFITS SCHEME (CONTINUED)

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme.

At 31 March 2024 and 2023, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

The retirement benefits scheme contributions made by the Group are disclosed in notes 10 and 11.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes lease liabilities, amounts due to directors and borrowings and bank overdrafts as disclosed in notes 25, 27 and 28, and equity attributable to owner of the Company, comprising share capital as disclosed in note 30 and reserves as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure regularly. As part of the review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Amortised cost	56,905	58,298
Financial liabilities		
Amortised cost	53,901	33,528
Lease liabilities	43	291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits and other receivables, amount due from an associate and bank balances and cash, trade payables, other payables and accruals, amounts due to directors, borrowings and bank overdrafts.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

(a) Currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 22.9% (2023: 20.9%) of the Group's sales are denominated in foreign currency other than the functional currency of the group entities, whilst almost 45.9% (2023: 52.8%) of purchase of goods are denominated in currencies other than the functional currency of the group entities during the year ended 31 March 2024.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding those denominated in HK\$/US\$ of which the management of the Group considers the impact on exchange rate fluctuation between these two currencies is minimal, at the end of the reporting period are as follows:

	British Pound ("GBP")		Australian Dollar ("AUD")		Euro ("EUR")		Renminbi ("RMB")	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Trade receivables	2,514	2,098	166	202	278	312	–	–
Bank balances and cash	6	6	–	–	3	3	–	–
Trade payables	–	–	–	–	(2)	(2)	(2,480)	(2,583)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency for the effects of fluctuation in GBP and RMB against HK\$. A 50 basis points increase is used, which represents management's assessment of reasonably possible changes in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(a) Currency risk (continued)

Sensitivity analysis (continued)

The Group's sensitivity to a 5% (2023: 5%) increase and decrease in the HK\$ against the relevant foreign currencies 5% (2023: 5%) is the sensitivity rate used in directors' assessment of the possible reasonably change in foreign exchange rates. The sensitivity analysis includes the Group's outstanding foreign currency denominated monetary items as well as inter-group foreign currency balances and adjusts their translation at the reporting period for a 5% (2023: 5%) change in foreign currency rates. A negative number indicates an increase in loss before taxation where the HK\$ strengthens against the relevant currencies. For a 5% weakening of the HK\$ against the relevant currencies, there would be an equal and opposite impact on loss before taxation.

	GBP Impact		RMB Impact	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit or loss	(126)	(105)	124	129

No sensitivity analysis is provided on the exposure to foreign currency for the effects of fluctuation in AUD and EUR against HK\$ as the management of the Group considers that the exchange rate fluctuation is minimal.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate amount due from an associate, other loan and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 22 for details) and borrowings and bank overdrafts (see note 28 for details).

The Group's cash flow interest rate risk is mainly arisen from the fluctuations of the HIBOR, bank's standard bills rate or Hong Kong Prime Rate on the Group's floating-rate bank loans and overdrafts or the fluctuation of other market rates on bank balances.

The Group currently does not have interest rate risk hedging policy. However, the management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings and bank overdrafts. The analysis is prepared assuming the amount of bank loans and overdrafts outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase is used for bank loans and overdrafts, which represents management's assessment of reasonably possible changes in interest rates.

For bank loans and overdrafts, if interest rate increases/decreases by 50 basis points and all other variables were held constant, the loss before taxation for the year will increase/decrease by HK\$85,000 (2023: HK\$76,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

(ii) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, amount due from an associate and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivable to provide for ECL prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually.

As at 31 March 2024, the Group had concentration of credit risk as 35.3% (2023: 21.5%) of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 87.7% (2023: 77.3%) of the total trade receivables as at 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk and impairment assessment (continued)

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic individual assessment on the recoverability of these balances based on the debtor's credit quality and also available reasonable and supportive forward-looking information. Moreover, the Group has obtained a contractually binding guarantee in the event that the sourcing of products is not performed. A shareholder of the Company has a strong capacity to pay out under the guarantee if the deposit is not refunded to the Company. The management of the Group considers that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Based on assessment by the management of the Group, the ECL for deposits and other receivables is insignificant.

Amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The Group provided the 12-month ECL impairment assessment on amount due from an associate. The Group does not consider the credit risks are significant since initial recognition, considering an associate does not have defaults in the past. For the years ended 31 March 2024 and 2023, the Group assessed the ECL for amount due from an associate are insignificant and thus no loss allowance is recognised.

Bank balances

The management of the Group considers that the credit risks on bank balances are limited because the banks are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default, have frequent repayments and does not have an substantial past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2024 HK\$'000	2023 HK\$'000
Amortised cost						
Trade receivables	20	N/A	Low risk	Lifetime ECL	7,132	9,840
Deposits and other receivables	21	N/A	Low risk	12-month ECL	34,800	34,818
Amount due from an associate	18	N/A	Low risk	12-month ECL	11,597	11,547
Bank balances	22	Aa3 – Aa1	N/A	12-month ECL	3,687	795
		A3 – A1	N/A	12-month ECL	404	268
		SG	N/A	12-month ECL	235	2,009

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information (for example, the current and forecasted economic growth rates in Europe and the United States of America, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. There has been no change in the estimation techniques or significant assumptions made for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL		
	Not credit-impaired HK\$'000	Credit-impaired HK\$'000	Total HK\$'000
At 1 April 2022	10	–	10
Changes due to financial instruments recognised as at 1 April 2022:			
– Impairment losses recognised	17	–	17
– Impairment losses reversed	(10)	–	(10)
At 31 March 2023	17	–	17
Changes due to financial instruments recognised as at 1 April 2023:			
– Impairment losses recognised	11	–	11
– Impairment losses reversed	(17)	–	(17)
At 31 March 2024	11	–	11

(iii) Liquidity risk

In management of the liquidity risk, the Group monitors and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of borrowings and bank overdrafts to ensure compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans and overdrafts with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table include both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2024						
Trade payables	N/A	3,817	–	–	3,817	3,817
Other payables and accruals	N/A	–	10,532	–	10,532	10,532
Amounts due to directors	N/A	17,077	–	–	17,077	17,077
Lease liabilities	2.42	–	43	–	43	43
Other loan	12.25	–	5,949	–	5,949	5,500
Bank loans	5.32	11,099	–	–	11,099	11,099
Bank overdrafts	6.38	5,876	–	–	5,876	5,876
		37,869	16,524	–	54,393	53,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2023						
Trade payables	N/A	3,969	–	–	3,969	3,969
Other payables and accruals	N/A	–	6,837	–	6,837	6,837
Amounts due to directors	N/A	7,500	–	–	7,500	7,500
Lease liabilities	2.72	–	256	43	299	291
Bank loans	3.64	9,260	–	–	9,260	9,260
Bank overdrafts	6.38	5,962	–	–	5,962	5,962
		26,691	7,093	43	33,827	33,819

The amount included above for variable interest instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2024, the aggregate carrying amounts of these bank loans were HK\$11,099,000 (2023: HK\$9,260,000).

Taking into account the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group’s bank loans based on the scheduled repayment dates set out in the bank loans agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank loans							
As at 31 March 2024	5.32	4,919	1,448	5,202	40	11,609	11,099
Bank loans							
As at 31 March 2023	3.64	1,373	1,442	6,709	429	9,953	9,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values.

36. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2024

The Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year. Accordingly, the Group recognised in aggregate of right-of-use assets of HK\$2,545,000 and lease liabilities of HK\$2,545,000 on the lease modification date.

For the year ended 31 March 2023

The Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year. Accordingly, the Group recognised in aggregate of right-of-use assets of HK\$2,817,000 and lease liabilities of HK\$2,817,000 on the lease modification date. The Group subsequently modified the same leases with net rent concessions, resulted in reduction in right-of-use assets of HK\$1,878,000 and lease liabilities of HK\$1,878,000 as a result of such lease modification.

37. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Bank and other loans HK\$'000	Amounts due to directors HK\$'000	Total HK\$'000
At 1 April 2022	528	19,163	–	19,691
Financing cash flows	(1,230)	(10,746)	7,500	(4,476)
Lease modification (note 36)	2,817	–	–	2,817
Rent concession	(1,878)	–	–	(1,878)
Finance costs	54	843	–	897
At 31 March 2023	291	9,260	7,500	17,051
Financing cash flows	(2,860)	6,176	9,631	12,947
Lease modification (note 36)	2,545	–	–	2,545
Finance costs	67	1,163	–	1,230
Exchange realignment	–	–	(54)	(54)
At 31 March 2024	43	16,599	17,077	33,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2024 HK\$'000	2023 HK\$'000
Non-current asset		
Amounts due from subsidiaries	47,275	72,985
Current assets		
Prepayments and other receivables	312	240
Bank balances and cash	82	80
	394	320
Current liability		
Other payables and accruals	1,140	732
Net current liabilities	(746)	(412)
Net assets	46,529	72,573
Capital and reserves		
Share capital	8,424	8,424
Reserves	38,105	64,149
Total equity	46,529	72,573

Reserves of the Company:

	Share premium HK\$'000	Deemed distribution HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022	141,617	(1,419)	(37,971)	102,227
Loss and total comprehensive expense for the year	–	–	(38,078)	(38,078)
At 31 March 2023	141,617	(1,419)	(76,049)	64,149
Loss and total comprehensive expense for the year	–	–	(26,044)	(26,044)
At 31 March 2024	141,617	(1,419)	(102,093)	38,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 March		Principal activities
				2024 %	2023 %	
KNT Group Limited ("KNTGL")	BVI	Hong Kong	US\$1	100	100	Investment holding
KNT	Hong Kong	Hong Kong	Ordinary shares HK\$3,000,000	100	100	Manufacturing and trading of garments
KNT Int'l	Hong Kong	Hong Kong	Ordinary shares HK\$20,000	100	100	Investment holding
東莞泓藝製衣有限公司 ("HYG") (note)	PRC	PRC	Registered capital HK\$16,500,000	100	100	Manufacturing and trading of garments
MyStyle Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000	100	100	Retailing of garments
KNT Global Trading Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000	100	100	Inactive
深圳嘉藝國際服飾有限公司 ("SZ KNT") (note)	PRC	PRC	Registered capital HK\$5,000,000	100	100	Trading of garments
東莞嘉藝電商貿易有限公司 ("DG KNT") (note)	PRC	PRC	Registered capital HK\$5,000,000	100	100	Inactive
深圳德思馳國際服飾有限公司* ("SZ DZage") (note)	PRC	PRC	Registered capital HK\$5,000,000	–	100	Inactive

Note: The entity is registered as wholly foreign owned enterprises under the PRC law. The English translation of the company name is for identification only.

* The subsidiary has been deregistered during the year ended 31 March 2024.

Except for KNTGL, which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

Except for HYG, SZ KNT, DG KNT and SZ DZage which adopted 31 December as their financial year end date, the Company and all other subsidiaries have adopted 31 March as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 March 2024

40. EVENTS AFTER THE REPORTING PERIOD

Lease modification

On 1 April 2024, the Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year, with gross undiscounted lease payment of approximately HK\$2,734,000.

Subscription of new shares under general mandate

Subsequent to 31 March 2024, on 23 May 2024, the Company entered into the subscription agreement with a subscriber (the "Subscriber"), pursuant to which, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 168,480,000 subscription shares (the "Subscription Share") at the subscription price of HK\$0.1 per Subscription Share. On 21 June 2024 and 26 June 2024, the Company and the Subscriber agreed in writing to extend the completion date of subscription to 26 June 2024 and no later than 12 July 2024, respectively. Details of which are disclosed in the announcements of the Company dated 23 May 2024, 21 June 2024 and 26 June 2024 respectively.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the five financial years, as extracted from the audited consolidated financial statements is set out below.

RESULTS

	2024 HK\$'000	Year ended 31 March			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	54,312	71,667	79,978	62,666	168,509
Loss before taxation	(24,443)	(31,137)	(25,053)	(44,612)	(47,065)
Income tax (expense) credit	(1)	(147)	(19)	(125)	20
Loss for the year	(24,444)	(31,284)	(25,072)	(44,737)	(47,045)

ASSETS AND LIABILITIES

	2024 HK\$'000	As at 31 March			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	110,134	114,106	145,663	96,048	131,447
Total liabilities	(63,603)	(41,533)	(41,540)	(51,229)	(71,966)
Total equity	46,531	72,573	104,123	44,819	59,481

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司^{*}