

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1025)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by KNT Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 February 2019 (the “**Prospectus**”) in relation to the Global Offering, the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Report**”) dated 18 December 2019 in which the utilisation of the net proceeds from the Global Offering from the Listing up to 30 September 2019 was disclosed and the announcement of the Company dated 20 December 2019 (the “**Voluntary Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds raised from the Listing (or adjusted on a pro rata basis according to the net proceeds) as follows:

- (i) approximately 76.0% of the net proceeds, or approximately HK\$56.5 million, to increase the production capacity by building a second production facility (the “**Second Production Facility**”);
- (ii) approximately 10.0% of the net proceeds, or approximately HK\$7.4 million, to repay part of the term loan and revolving loan;

- (iii) approximately 10.0% of the net proceeds, or approximately HK\$7.4 million, to set up a sales office in the U.S.; and
- (iv) approximately 4.0% of the net proceeds, or approximately HK\$3.0 million, for the working capital and general corporate purpose.

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

As disclosed in the Interim Report, HK\$43.2 million of the Net Proceeds was allocated for the increase production capacity by building the Second Production Facility, HK\$5.7 million was allocated for setting up of a sales office in the U.S., HK\$5.7 million was allocated for the repayment of bank borrowings and HK\$2.3 million was allocated for the working capital and general corporate purposes. As at the date of this announcement, the Group has utilised approximately HK\$8.0 million, representing approximately 14.1%, of the Net Proceeds as follows:

Intended use of Net Proceeds	Approximate percentage of Net Proceeds	Actual amount of Net Proceeds (HK\$ million)	Actual amount utilised up to the date of this announcement (HK\$ million)	Unutilised amount of Net Proceeds as at the date of this announcement (HK\$ million)
Increase production capacity by building the Second Production Facility	76.0%	43.2	–	43.2
Set up a sales office in the U.S.	10.0%	5.7	–	5.7
Repayment of bank borrowings	10.0%	5.7	5.7	–
Working capital and general corporate purposes	4.0%	2.3	2.3	–
	<u>100.0%</u>	<u>56.9</u>	<u>8.0</u>	<u>48.9</u>

CHANGE IN USE OF PROCEEDS

As the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$48.9 million (the “**Unutilised Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company having considered the business environment and development of the Group (in particular the current business and health environment in the PRC, being the place where the Group’s Second Production Facility was initially contemplated to be built), resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	Original approximate percentage of Net Proceeds as stated in the Prospectus	Revised approximate percentage of Net Proceeds	Unutilised amount of Net Proceeds up to the date of this announcement <i>(HK\$ million)</i>	Revised allocation of Unutilised Net Proceeds <i>(HK\$ million)</i>
Increase production capacity by building the Second Production Facility	76.0%	–	43.2	–
Set up a sales office in the U.S.	10.0%	10.0%	5.7	5.7
Repayment of bank borrowings	10.0%	10.0%	–	–
Working capital and general corporate purposes	4.0%	4.0%	–	–
Increase production capacity by investing or setting up production facilities in Vietnam	–	37.1%	–	21.1
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group’s existing business and production as well as those in Vietnam	–	38.9%	–	22.1
	<u>100.0%</u>	<u>100.0%</u>	<u>48.9</u>	<u>48.9</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board considered that notwithstanding the recent phase one agreement concerning the on-going trade talk between the U.S. and the PRC which reduced the trade tariff from 15.0% to 7.5% on the bridesmaid dresses, bridal gowns and special occasion dresses that the Group manufactured in the PRC, the trade talk remains uncertain and the Directors believe the trade war between the U.S. and the PRC (the “**Trade War**”) is likely to continue into 2021. As such, the business outlook and operating environment of the Group’s production facility in the PRC may continue to be difficult, coupled with the impact of the recent outbreak of the Coronavirus. As the Group delivers a substantial amount of its products to its customers in the U.S., the Board considered that re-locating the setup of the Second Production Facility to Vietnam would help mitigate the impact of the Trade War on the Group’s business and facilitate the Group’s business development and expansion.

As disclosed in the Prospectus, the Company originally intended to establish a new production facility in Chaozhou, Guangdong Province in the PRC by utilising approximately HK\$43.2 million, representing 76.0% of the Net Proceeds. To meet the expected increase in the production capabilities as estimated by the Second Production Facility in the PRC, the Board is exploring suitable facilities and opportunities in Vietnam to invest in or establish its own production facility as the new Second Production Facility. The Board estimated that approximately HK\$21.1 million will be allocated for that investment and establishment in Vietnam and would be completed by first quarter of 2021. With the new intended establishment of production facilities in Vietnam, it is expected that there will be an increase in the demand for warehouse and logistics facilities in Hong Kong for the procurement and storage of raw materials as the raw materials procured from Republic of Korea, Taiwan, the PRC, U.S., Turkey and India will go through Hong Kong. Therefore, the Board estimated that approximately HK\$22.1 million will be allocated for the acquisition of properties and related facilities in Hong Kong for this purpose. The Board estimated that the acquisition of properties in Hong Kong would be completed by April 2020 and the renovation works and installation of logistics facilities would be completed by October 2020.

The Board is of the view that the re-allocation of the Unutilised Net Proceeds from setting up of the Second Production Facility in the PRC to establishing the Second Production Facility in Vietnam and a logistic center in Hong Kong for the Group's business will be more favourable to the Group's long term business development as well as a better utilisation of the Unutilised Net Proceeds. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considered that the proposed change in the use of Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 13 February 2020

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

* *For identification purposes only*