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KNT

KNT HOLDINGS LIMITED
嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1025)

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 annual report of the Company for the year ended 31 March 2020 dated 26 June 2020, the announcement of the Company dated 29 October 2020 (the "**Announcement**") and the interim report of the Company for the six months ended 30 September 2020 published on 16 December 2020 regarding the utilisation of the net proceeds from the Global Offering. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

* *For identification purpose only*

USE OF PROCEEDS

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and as amended in the Announcement, 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 at the date of this announcement, the Group has utilised approximately HK$41.8 million, representing approximately 73.5%, 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)*
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group's existing business and production as well as that in Vietnam	38.9%	22.1	21.5	0.6
Increase production capacity by investing or setting up production facilities in Vietnam	19.5%	11.1	–	11.1
Repayment of bank borrowings	10.0%	5.7	5.7	–
Development of online business platform	6.5%	3.7	0.3	3.4
Working capital and general corporate purposes	25.1%	14.3	14.3	–
	100.0%	56.9	41.8	15.1

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK$15.1 million (the "**Unutilised Net Proceeds**"). The board (the "**Board**") of directors (the "**Directors**") of the Company having considered the business development and the financial performance of the Group, and in particular, the continuous global impact of the COVID-19 pandemic to the operating environment, the on-going tension between the U.S. and the PRC (the "**Trade War**"), the inability to and difficulty in travelling to Vietnam for setting up of a production facilities as well as the liquidity of the Group's working capital, resolved to change the use of the Unutilised Net Proceeds. Set out below is the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	**Approximate percentage of Net Proceeds as stated in the Announcement**	**Revised approximate percentage of Net Proceeds after re-allocation**	**Amount of Unutilised Net Proceeds as at the date of this announcement before re-allocation** *(HK$ million)*	**Amount of Unutilised Net Proceeds as at the date of this announcement after re-allocation** *(HK$ million)*	**Expected timeline for the intended use**
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group's existing business and production as well as that in Vietnam	38.9%	38.9%	0.6	0.6	End of 2021
Increase production capacity by investing or setting up production facilities in Vietnam	19.5%	–	11.1	–	–
Repayment of bank borrowings	10.0%	29.5%	–	11.1	End of 2020
Development of online business platform	6.5%	6.5%	3.4	3.4	End of 2021
Working capital and general corporate purposes	25.1%	25.1%	–	–	
	100.0%	100.0%	15.1	15.1	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board having reviewed the financial position of the Group due to the prolonged impact of the Trade War and the outbreak of COVID-19 (especially in light of the new waves arising due to the arrival of the season), the impairment caused by a major customer of the Group filing for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the United States, the terms of the existing banking facilities as well as the development of the business of the Group, believes that there is a pressing need to make funding available for repayment of bank loans due by the end of 2020. The Board believes that with travel restrictions in most countries continuing indefinitely, the ability and need to set up production facilities in Vietnam does not appear to be an imminent need and can be deferred until the global economy reaches a recovery stage. As disclosed in the Announcement, the Group is developing its online business platform and therefore the properties acquired in Hong Kong will also serve as the warehouse, being part of the logistic supply chain for the online business and the existing business production. Therefore, the Board considers that it would be appropriate to change the use of Unutilised Net Proceeds by re-allocating HK$11.1 million for the repayment of bank borrowings.

The Board is of the view that the re-allocation of the Unutilised Net Proceeds will be provide the funding to satisfy the immediate financial need of the Group and to better manage its financial liquidity as well as a better utilisation of the Unutilised Net Proceeds in view of the current difficult business climate. The Board will continue to assess the financial requirements and operations of the Group and the plan for the use of Unutilised Net Proceeds and make revision when necessary. 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, 22 December 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.