



中持基業控股有限公司
Kate China Holdings Limited

KATE CHINA HOLDINGS LIMITED

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(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Kate China Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

THE FINANCIAL STATEMENTS

Annual Results

The board of Directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016 together with the comparative audited figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	4	101,048	142,556
Cost of sales		<u>(86,352)</u>	<u>(110,961)</u>
Gross profit		14,696	31,595
Other income	6	790	287
Decrease in fair value of an investment property		(2,144)	–
Administrative expenses		(20,713)	(23,950)
Finance costs	7	(158)	(117)
Share of results of a joint venture		<u>(390)</u>	<u>–</u>
(Loss) profit before tax		(7,919)	7,815
Income tax expense	8	<u>(1,451)</u>	<u>(2,364)</u>
(Loss) profit for the year attributable to owners of the Company	9	<u>(9,370)</u>	<u>5,451</u>
Other comprehensive income (expenses) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>45</u>	<u>(428)</u>
Total comprehensive (expenses) income for the year attributable to owners of the Company		<u>(9,325)</u>	<u>5,023</u>
(Loss) earnings per share			
Basic and diluted (HK cents)	11	<u>(2.84)</u>	<u>1.95</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Plant and equipment		2,310	1,068
Investment property		22,380	–
Investment in a joint venture		<u>–</u>	<u>–</u>
		24,690	1,068
Current assets			
Trade and other receivables	<i>12</i>	43,214	37,183
Amounts due from customers for contract work		48,538	78,770
Amount due from ultimate holding company	<i>13</i>	–	5
Amount due from a substantial shareholder	<i>13</i>	5	–
Amount due from a joint venture	<i>13</i>	–	–
Amounts due from related parties	<i>13</i>	–	61
Tax recoverable		625	74
Bank balances and cash		25,268	50,004
		117,650	166,097
Current liabilities			
Trade and other payables	<i>14</i>	32,534	58,361
Amounts due to customers for contract work		6,128	2,270
Income tax payable		929	1,727
Obligation under a finance lease		85	82
Secured bank borrowing		7,256	–
		46,932	62,440
Net current assets		70,718	103,657
		95,408	104,725

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Capital and reserves			
Share capital		76,113	76,113
Reserves		18,893	28,218
		<hr/>	<hr/>
Total equity		95,006	104,331
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		225	132
Obligation under a finance lease		177	262
		<hr/>	<hr/>
		402	394
		<hr/>	<hr/>
		95,408	104,725
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kate China Holdings Limited (the “Company”) was incorporated in Hong Kong as a company with limited liability and its share are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are provision of design and fitting-out service and provision of design and procurement of furnishings and decorative materials services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its Hong Kong subsidiaries. Other than those Hong Kong subsidiaries, the functional currency of a subsidiary established in Singapore is denominated in Singapore dollars (“SGD”).

The financial information relating to the years ended 31 March 2016 and 2015 included in this preliminary announcement of annual results for the year ended 31 March 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2016 in due course.

The Company’s auditor has reported on the consolidated financial statements for the years. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in the annual report. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and the Companies Ordinance. These consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair values.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRS, Hong Kong Accounting Standard (“HKAS(s)”), amendments and Interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective.

HKFRS 9 (2014)	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 15	<i>Clarification to HKFRS 15</i> ³
HKFRS 16	<i>Leases</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements HKFRS 2012-2014 Cycle</i> ¹
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective date not yet been determined

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. REVENUE

Revenue represents revenue arising from design and fitting-out service provided, sales and procurement of furnishings and decorative materials. An analysis of the Group's revenue for the year is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Design & fitting-out service income	97,043	98,129
Design & procurement of furnishings and decorative materials service income	<u>4,005</u>	<u>44,427</u>
	<u>101,048</u>	<u>142,556</u>

5. SEGMENT INFORMATION

Information reported to the Chief Executive Officer (the "CEO"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in services. No operating segments identified by the CEO has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (a) Provision of design and fitting-out service ("Design & fitting-out"); and
- (b) Provision of design and procurement of furnishings and decorative materials service ("Design and procurement of furnishings and decorative materials service").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 March 2016

	Design & fitting-out HK\$'000	Design and procurement of furnishings and decorative materials service HK\$'000	Total HK\$'000
Segment revenue	<u>97,043</u>	<u>4,005</u>	<u>101,048</u>
Segment profit	<u>11,551</u>	<u>3,501</u>	15,052
Other income			434
Central administration costs			(20,713)
Decrease in fair value of an investment property			(2,144)
Share of results of a joint venture			(390)
Finance costs			<u>(158)</u>
Loss before tax			<u>(7,919)</u>

For the year ended 31 March 2015

	Design & fitting-out HK\$'000	Design and procurement of furnishings and decorative materials service HK\$'000	Total HK\$'000
Segment revenue	<u>98,129</u>	<u>44,427</u>	<u>142,556</u>
Segment profit	<u>24,946</u>	<u>6,663</u>	31,609
Other income			69
Central administration costs			(23,746)
Finance costs			<u>(117)</u>
Profit before tax			<u>7,815</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit earned by each segment without allocation of other income, central administration costs (including directors' emoluments), decrease in fair value of an investment property, finance costs and share of results of a joint venture. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Design & fitting-out	56,759	71,496
Design and procurement of furnishings and decorative materials service	<u>32,747</u>	<u>41,832</u>
Total segment assets	89,506	113,328
Unallocated corporate assets	<u>52,834</u>	<u>53,837</u>
Total assets	<u>142,340</u>	<u>167,165</u>
Segment liabilities		
Design & fitting-out	19,299	30,091
Design and procurement of furnishings and decorative materials service	<u>17,713</u>	<u>30,388</u>
Total segment liabilities	37,012	60,479
Unallocated corporate liabilities	<u>10,322</u>	<u>2,355</u>
Total liabilities	<u>47,334</u>	<u>62,834</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than plant and equipment, investment property, investment in a joint venture, certain prepayments, deposits and other receivables, amount(s) due from ultimate holding company/a substantial shareholder/a joint venture/related parties, tax recoverable and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to reportable segments other than certain accrued expenses and other payables, obligation under a finance lease, income tax payable, secured bank borrowing, and deferred tax liabilities as these liabilities are managed on a group basis.

Other segment information

For the year ended 31 March 2016

	Design & fitting-out	Design and procurement of furnishings and decorative materials service	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Impairment loss on trade receivables	1,292	728	–	2,020
Reversal of impairment loss of trade and other receivables	(4)	–	–	(4)
Amounts regularly provided to the CEO but not included in the measure of segment profit or loss or segment assets:				
Decrease in fair value of an investment property	–	–	2,144	2,144
Impairment loss recognised on amount due from a joint venture	–	–	271	271
Share of results of a joint venture	–	–	390	390
Depreciation of plant and equipment	–	–	449	449
Additions to plant and equipment	–	–	1,691	1,691
Addition to an investment property	–	–	24,524	24,524
Bank interest income	–	–	(6)	(6)
Finance costs	–	–	158	158
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2015

	Design & fitting-out <i>HK\$'000</i>	Design and procurement of furnishings and decorative materials service <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Impairment loss on trade and other receivables	204	–	–	204
Reversal of impairment loss of trade receivables	(218)	–	–	(218)
Amounts regularly provided to the CEO but not included in the measure of segment profit or loss or segment assets:				
Additions to plant and equipment	–	–	807	807
Depreciation of plant and equipment	–	–	464	464
Bank interest income	–	–	(18)	(18)
Finance costs	–	–	117	117

Geographical segment

The Group's operations are located in Hong Kong and Malaysia.

The Group's revenue from external customers is presented based on the location of the operations and information about its non-current assets is presented based on the geographical location of the assets as detailed below:

	Revenue from external customers		Non-current assets	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	101,048	133,075	24,690	1,068
Malaysia	–	9,481	–	–
	<u>101,048</u>	<u>142,556</u>	<u>24,690</u>	<u>1,068</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A ¹	32,998	N/A ³
Customer B ¹	23,629	N/A ³
Customer C ¹	13,356	N/A ³
Customer D ¹	11,107	N/A ³
Customer E ^{1,2}	N/A ³	44,205
Customer F ^{1,2}	N/A ³	33,425
Customer G ¹	N/A ³	18,598
Customer H ¹	N/A ³	14,812

¹ Revenue from Design & fitting-out.

² Revenue from Design & procurement of furnishings and decorative materials service.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	6	18
Reversal of impairment loss in respect of trade and other receivables	4	218
Exchange gain	–	8
Gain on disposal of plant and equipment	–	1
Rental income	352	–
Sundry income	428	42
	<u>790</u>	<u>287</u>

An analysis of the Group's net rental income is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gross rental income	352	–
Less: outgoing (included in administrative expenses)	<u>(71)</u>	<u>–</u>
	<u>281</u>	<u>–</u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interests on:		
— bank borrowings	148	104
— obligation under a finance lease	<u>10</u>	<u>13</u>
	<u>158</u>	<u>117</u>

8. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong	1,127	2,270
Singapore Corporate Tax	<u>-</u>	<u>81</u>
	1,127	2,351
Under (over) provision in prior years:		
Hong Kong	231	(53)
Deferred tax		
Current year	<u>93</u>	<u>66</u>
Income tax expense for the year	<u>1,451</u>	<u>2,364</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for both years.

Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the BVI.

Singapore Corporate Tax has been provided at the rate of 17% on the estimated assessable profits for both years.

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) Profit before tax	<u>(7,919)</u>	<u>7,815</u>
Tax expense at rates applicable to profits in the jurisdiction concerned	(1,307)	1,297
Tax effect of income not taxable for tax purpose	(70)	(3)
Tax effect of expenses not deductible for tax purpose	1,046	913
Tax effect of deductible temporary differences not recognised	601	47
Tax effect of tax losses not recognised	1,109	397
Utilisation of tax losses not recognised	(113)	–
Under (over) provision in prior years	231	(53)
Effect of tax exemptions granted (<i>note</i>)	<u>(46)</u>	<u>(234)</u>
Income tax expense for the year	<u>1,451</u>	<u>2,364</u>

Note: Tax exemptions represented reduction of Hong Kong profits tax for the year of assessment 2015/2016 by 75% (2014/2015: 75%), subject to a ceiling of HK\$20,000 (2014/2015: HK\$20,000) per case and exemptions of Singapore income tax for the year of assessment 2014/2015 and 2015/2016 at regressive rate.

9. (LOSS) PROFIT FOR THE YEAR

The Group's (loss) profit for the year has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Directors' emoluments	4,065	3,806
Salaries, wages and other benefits (excluding directors' emoluments)	5,303	6,359
Contribution to defined contribution retirement benefits scheme (excluding directors)	<u>276</u>	<u>288</u>
	<u>9,644</u>	<u>10,453</u>
Depreciation	449	464
Auditor's remuneration	995	1,239
Impairment loss on trade and other receivables (included in administrative expenses)	2,020	204
Impairment loss on amount due from joint venture (included in administrative expenses)	271	–
Minimum lease payments under operating leases in respect of office premises	1,207	332
Initial public offering expenses (included in administrative expenses)	<u>–</u>	<u>5,516</u>

10. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

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

(Loss) earnings

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(9,370)</u>	<u>5,451</u>

Number of shares

	2016	2015
	<i>000</i>	<i>000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>330,000</u>	<u>279,699</u>

Since there were no potential dilutive shares in issue during the years ended 31 March 2016 and 2015, basic and diluted (loss) earnings per share are the same for both years.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	37,850	35,019
Less: allowance for impairment of trade receivables	<u>(1,754)</u>	<u>(461)</u>
Net trade receivables	36,096	34,558
Retention money receivables	80	80
Less: allowance for impairment of retention money receivables	<u>(80)</u>	<u>(80)</u>
Net retention money receivables	-	-
Deposit, prepayment and advance to suppliers	1,542	286
Other receivables	<u>5,576</u>	<u>2,339</u>
Total trade and other receivables	<u>43,214</u>	<u>37,183</u>

The Group allows an average credit period ranging from 30 to 180 day to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	18,428	15,444
More than 30 days but within 90 days	854	7,228
More than 90 days but within 180 days	8,637	7,489
More than 180 days but within 365 days	2,818	792
More than 365 days	<u>5,359</u>	<u>3,605</u>
	<u>36,096</u>	<u>34,558</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$15,124,000 (2015: HK\$14,696,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The Group does not hold any collateral over these balances.

The aged analysis of trade receivables which are past due but not impaired is set out below:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	200	2,655
More than 30 days but within 90 days	7,331	6,537
More than 90 days	7,593	5,504
	<u>15,124</u>	<u>14,696</u>

The movement in the allowance for impairment of trade and other receivables is set out below:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the financial year	541	555
Impairment losses recognised on trade and other receivables	2,020	204
Amounts written off as uncollectible	(723)	–
Impairment loss reversed	(4)	(218)
At the end of the financial year	<u>1,834</u>	<u>541</u>

Included in the allowance for impairment of trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately HK\$1,834,000 (2015: HK\$541,000) which had been long outstanding. The individually impaired trade and other receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

Included in trade and other receivables in the consolidated statements of financial position are mainly the following amounts denominated in currency other than the functional currency of the entity to which they relate:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	<u>8</u>	<u>122</u>

13. AMOUNT(S) DUE FROM ULTIMATE HOLDING COMPANY/A SUBSTANTIAL SHAREHOLDER/A JOINT VENTURE/RELATED PARTIES

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amount due from ultimate holding company Genius Idea Holdings Limited	<i>(i)</i>	<u>—</u>	<u>5</u>
Amount due from a substantial shareholder Genius Idea Holdings Limited	<i>(i)</i>	<u>5</u>	<u>—</u>
Amounts due from a joint venture PGS Group Less: impairment loss recognised	<i>(ii)</i>	<u>271</u> <u>(271)</u>	<u>—</u> <u>—</u>
		<u>—</u>	<u>—</u>
Amounts due from related parties Trinity Champ Limited Karlson Survey Consultants Limited ("Karlson")	<i>(iii)</i> <i>(iii)</i>	<u>—</u> <u>—</u>	<u>1</u> <u>60</u>
		<u>—</u>	<u>61</u>

Notes:

- (i) The amounts were non-trading in nature which is considered as a quasi-loans entered into by the Company. The amounts are unsecured, interest-free and repayable on demand. Since Genius Idea Holdings Limited is no longer the ultimate holding company of the Group, therefore, the amount due from ultimate holding company becomes amount due from a substantial shareholder as at 31 March 2016.
- (ii) The amount due from a joint venture is unsecured, interest-free and repayable on demand.
- (iii) The director of the Company, Mr. Chan Tat Wah, who resigned on 17 November 2015 has interests and able to exercise control or significant influence over these companies. The amounts due from related companies were non-trading in nature which is considered as a quasi-loans entered into by the Company and are unsecured, interest-free and repayable on demand. The maximum outstanding amount due from related companies during the year was approximately HK\$61,000 (2015: HK\$61,000). Since Mr. Chan Tat Wah has resigned as executive director of the Company during the year, the amounts due from Trinity Champ Limited and Karlson becomes other receivables as at 31 March 2016.

Movements in the allowance for impairment of amounts due from a joint venture during the year are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At the beginning of the financial year	–	–
Impairment loss recognised	<u>271</u>	<u>–</u>
At the end of the financial year	<u><u>271</u></u>	<u><u>–</u></u>

Included in the allowance for impairment of amount due from a joint venture is considered uncollectible with the amount of approximately HK\$271,000 (2015: N/A).

14. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	30,883	56,425
Receipt in advances	235	57
Accrued expenses and other payables	<u>1,416</u>	<u>1,879</u>
	<u><u>32,534</u></u>	<u><u>58,361</u></u>

The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	29,243	51,989
More than 30 days but within 90 days	379	1,950
More than 90 days	<u>1,261</u>	<u>2,486</u>
	<u><u>30,883</u></u>	<u><u>56,425</u></u>

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade and other payables in the consolidated statements of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entities to which they relate:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
RMB	<u>2,152</u>	<u>2,699</u>

15. OPERATING LEASE COMMITMENTS

The Group as lessee

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Minimum lease payments paid under operating leases during the year		
Premises	<u>1,207</u>	<u>332</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	3,561	348
In the second to fifth years inclusive	<u>5,471</u>	<u>464</u>
	<u>9,032</u>	<u>812</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average of three years in both years.

The Group as lessor

Property rental income earned during the year was approximately HK\$352,000 (2015: Nil). The property held for rental purposes is expected to generate rental yields of 1.52% on an ongoing basis. The property held has committed tenants for the next two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	297	–
In the second to fifth year inclusive	<u>3</u>	<u>–</u>
	<u>300</u>	<u>–</u>

16. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and bonus paid to the spouse of a director of the Company	<u>643</u>	<u>1,415</u>

Compensation of key management personnel

The remuneration of key management personnel of the Company during the year was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, allowances and other benefits	6,345	6,235
Contributions to retirement benefits scheme	<u>123</u>	<u>98</u>
	<u>6,468</u>	<u>6,333</u>

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

17. CONTINGENT LIABILITY

On 9 December 2015, a supplier has filed a statement of claim of approximately HK\$1,000,000 against a subsidiary of the Group. As at the date of the annual report, no proceeding has been occurred. Based on the legal advice, the directors of the Company are of the opinion that the Group has meritorious defenses against the supplier. Therefore, no provision for this claim has been made in the consolidation financial statements for the year ended 31 March 2016.

18. SUBSEQUENT EVENT

On 14 June 2016, the Group and a placing agent entered into the placing agreement, pursuant to which the Group has appointed the placing agent to procure altogether not less than six placees for subscribing up to an aggregate of 33,000,000 placing shares at a placing price of HK\$2.45 per placing share. Upon the completion of the placing (and assuming all the 33,000,000 placing shares are subscribed for), the gross proceeds and net proceeds arising from the placing are estimated to be approximately HK\$80,850,000 and HK\$78,540,000, respectively. The Company intends to use the net proceeds for the Group's general working capital and/or other potential business development opportunities including but not limited to money lending business as considered appropriate. Details of which are set out in the Company's announcement dated 14 June 2016. The transaction has yet been completed up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Kate China Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is principally engaged in the provision of (i) design and fitting-out services in Hong Kong and (ii) design and procurement of furnishings and materials services in Hong Kong, Singapore and Malaysia.

As at 31 March 2016, the Group has 13 projects in progress, of which 9 of them relate to design and fitting-out services and the remaining 4 relate to design and procurement of furnishings and materials services in Hong Kong.

Financial Review

Revenue

The Group’s revenue is mainly generated from (i) contracts to provide design and fitting-out services; and (ii) design and procurement of furnishings and materials services.

The total revenue for the year ended 31 March 2016 was approximately HK\$101.0 million (2015: HK\$142.6 million) which represents a decrease of approximately HK\$41.6 million or 29.2% as compared to the previous year. Such decrease was mainly attributable to the substantial decrease in design and procurement of furnishings and materials services which were mainly associated with decoration contracts for hotels, residential apartments and restaurants.

Breakdown of revenue by types of projects is as follows:

	For the year ended 31 March	
	2016	2015
	HK\$’000	HK\$’000
Design and fitting-out service income	97,043	98,129
Design and procurement of furnishings and decorative materials service income	4,005	44,427
	<u>101,048</u>	<u>142,556</u>

Breakdown of revenue by geographical locations is as follows:

	For the year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	101,048	133,075
Malaysia	<u>–</u>	<u>9,481</u>
	<u>101,048</u>	<u>142,556</u>

For the year ended 31 March 2016, the Group recorded total revenue of approximately HK\$101.0 million, all of which were derived from Hong Kong.

Gross profit and loss for the year

For the year ended 31 March 2016, the Group recorded a gross profit of approximately HK\$14.7 million (2015: HK\$31.6 million) and the overall gross profit margin was approximately 14.5% (2015: 22.2%). Gross profit for design and fitting-out services derived in Hong Kong amounted to approximately HK\$11.2 million (2015: HK\$24.9 million) and for design and procurement of furnishings and materials services was approximately HK\$3.5 million (2015: HK\$2.4 million). The decrease in gross profit margin for the year ended 31 March 2016 was mainly attributable to the continuous increase in direct cost.

For the year ended 31 March 2016, the Group recorded a loss for the year of approximately HK\$9.4 million (2015: profit of approximately HK\$5.5 million). The loss for the year was due to a lower gross profit margin of the projects for the year of approximately HK\$16.9 million, a loss on the valuation of the investment property of approximately HK\$2.1 million and impairment of trade and other receivables of approximately HK\$2.0 million.

Outlook

Currently, the Group's projects in progress are all in Hong Kong. The project works for the existing customer base will be completed in the next few months. Since the completed decoration works will not be recurred in a short period, new projects from the existing customers will be decreased. The Group will proactively seek for new customers and make tenders for new project works.

Looking forward, the Group will actively look for business opportunities associated with its core business so as to strengthen its revenue base and maximise the return to the shareholders and the value of the Company.

With reference to an announcement of the Company dated 17 November 2015, the Company acquired a subsidiary including a joint venture which was intended to be engaged in the business of logistics, freight forwarding, warehousing and/or related business in connection with commodities and other general trades. The subsidiary and the joint venture had carried out a feasibility study and due diligence study on an investment and/or trading opportunity. Owing to the results of the study and the current economic situation, the Board adopted a prudent approach and hold up further investment until signals from recovery of the commodity market are noticed.

Despite the uncertainties of the local economy, the Group observed that the demand for money lending business in Hong Kong continued to have a steady growth.

In order to broaden our income sources, subsequent to the end of the financial year on 31 March 2016, the Group has made an application for a money lender licence which is expected to be finalised with licence granted in the next few months. The target borrowers in relation to the Group's money lending business will be corporate and individuals with high creditworthiness. The Group will adopt a prudent management approach to minimise its credit risk exposure in cultivating this new business segment.

Besides the current business development, the Group will actively seek for business opportunities and explore new investment opportunities so as to diversify the principal activities of the Group and broaden its revenue base.

Liquidity, Financial Resources and Capital Structure

During the year ended 31 March 2016, the Group financed its operations by its internal resources. As at 31 March 2016, the Group had net current assets of approximately HK\$70.7 million (2015: HK\$103.7 million), including cash and bank balances of approximately HK\$25.3 million (2015: HK\$50.0 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.5 times as at 31 March 2016 (2015: 2.7 times). There was no material changes in the current ratio during the year.

The Group's current assets comprised mainly (i) trade and other receivables, (ii) amounts due from customers for contract work and (iii) bank balances and cash. Similarly, current liabilities comprised mainly (i) trade and other payables, (ii) amounts due to customers for contract work and (iii) income tax payable.

While the trade and other receivables increased by approximately HK\$6 million to approximately HK\$43.2 million as at 31 March 2016, amounts due from customers for contract work decreased from approximately HK\$78.8 million as at 31 March 2015 to approximately HK\$48.5 million as at 31 March 2016. The decrease in overall trade receivables and amounts due from customers was mainly attributable to the decrease in incompleting projects outstanding as at 31 March 2016.

The Group's borrowings comprised bank borrowings of approximately HK\$7.3 million and obligation under a finance lease of HK\$0.2 million. The Group's gearing ratio, calculated by dividing total borrowings by total equity, was 7.9% (2015: 0.3%). The increase in the gearing ratio was mainly attributable to the inception of a bank loan for the acquisition of a property during the year.

The capital of the Group comprises only ordinary shares. There was no changes in the share capital of the Company during the year. Total equity attributable to owners of the Company amounted to approximately HK\$95.0 million as at 31 March 2016 (2015: HK\$104.3 million).

Foreign Exchange Exposure

Operations of the Group are mainly conducted in Hong Kong dollar ("HK\$"), Singapore dollar ("SGD") and United States dollar ("US\$") and its revenue, expenses, assets, liabilities and borrowings are principally denominated in HK\$, SGD and US\$.

The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Charges on Group Assets

As at 31 March 2016, the investment property and a motor vehicle of the Group with a carrying value of approximately HK\$22.4 million and HK\$0.2 million respectively are pledged to secure facilities and borrowings granted to the Group.

Significant Acquisition and Disposal of Assets

During the year, the Group acquired an investment property at a consideration of approximately HK\$24 million.

Save as disclosed above, there has been no other significant acquisition and disposal of assets of the Group during the year.

Contingent Liabilities

Save as disclosed in note 17 to this announcement, the Group did not have other significant contingent liabilities as at 31 March 2016.

Commitments

Details of the commitments of the Group are set out in note 15 to this announcement.

Use of Proceeds from the Listing of the Company on Gem (The “Listing”) and the Placing of New Shares in March 2015

The business plan and planned use of proceeds from the Listing as disclosed in the prospectus of the Company dated 8 July 2014 (the “Prospectus”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the recent development of the market. As described in the Prospectus, net proceeds of approximately HK\$31.0 million were raised.

On 16 February 2015, the Company entered into a placing agreement with a placing agent to place up to 30,000,000 new shares at a placing price of HK\$1.20 per placing share (the “2015 Placing”) to not less than six independent places with net proceeds of approximately HK\$35.0 million (equivalent to HK\$1.7 per share). The closing market price of the shares of the Company on that date was HK\$1.49.

As described in an announcement of the Company dated 23 June 2015, the Group continued to focus its business in Hong Kong and the Directors believed that it would be more effective for the management to focus in its Hong Kong operations. Accordingly, the Directors changed the proceeds from the Listing originally allocated for the expansion of an office in Singapore to be used as the Group’s general working capital purposes.

After seeking to expand the Group’s office in Hong Kong through the acquisition of property for almost a year, on 29 June 2015 the Group has entered into a provisional sale and purchase agreement with the vendor at a cash consideration of approximately HK\$22.4 million with expected related expenses of approximately HK\$2.5 million. As this property was smaller than those potential properties being considered by the Group at the time of execution of the 2015 Placing, the eventual sum required for the acquisition was less than anticipated. As a result, as announced on 29 June 2015, the remaining balance of the proceeds for the acquisition of a new showroom/workshop in Hong Kong (i.e. approximately HK\$11.1 million) was reallocated to as general working capital purpose.

	Planned use of proceeds <i>HK\$'000</i>	Revised use of proceeds as described in the annual results announcement dated 23 June 2015 <i>HK\$'000</i>	Revised use of proceeds as described in the discloseable transaction announcement dated 29 June 2015 <i>HK\$'000</i>	Actual use of proceeds up to 31 March 2016 <i>HK\$'000</i>
Proceeds from the Listing				
– Enhance our customer awareness	3,000	3,000	3,000	3,000
– Enhance design capacity and office efficiency	500	500	500	500
– Expand our office in Hong Kong	13,000	13,000	–	–
– Expand our office in Singapore	11,500	–	–	–
– General working capital	3,000	14,500	14,500	14,500
Proceeds from the 2015 Placing				
– Acquisition of a new showroom/ workshop in Hong Kong	23,000	23,000	24,900	24,900
– General working capital	12,000	12,000	23,100	23,100
Total	<u>66,000</u>	<u>66,000</u>	<u>66,000</u>	<u>66,000</u>

The proceeds from the Listing and the 2015 Placing had been fully utilised during the year.

Proposed Placing of Shares

Reference is made to the announcement issued by the Company on 14 June 2016 in relation to the placing of new shares under general mandate (“Proposed Placing”).

On 14 June 2016, the Company entered into a placing agreement with a placing agent to place up to 33,000,000 new shares (the “Shares”) of the Company at a placing price of HK\$2.45 per Share to not less than six placees. The closing market price per Share on that date was HK\$3.00.

Upon completion of the Proposed Placing, the net proceeds are estimated to be HK\$78.5 million (equivalent to HK\$2.38 per Share). The net proceed of the Proposed Placing will be used for the Group’s general working capital and/or other potential business development opportunities as considered appropriate.

As disclosed in the section headed “Outlook”, the Group expects that a money lender license will be granted in the next few months, it is expected that at least HK\$30 million of the net proceed will be applied in commencement of the money lending business.

Employee Information

Total remuneration for the year ended 31 March 2016 (including Directors’ emoluments and salaries to staff and Directors including MPF contributions) was approximately HK\$9.6 million (2015: HK\$10.5 million). Such decrease was mainly due to the decrease in the bonus of approximately HK\$2 million as compared with last year. As at 31 March 2016, the Group had 33 employees (2015: 31 employees).

OTHER INFORMATION

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016.

Corporate Governance Practices

The Board considers that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to ensure that business activities and decision making processes are regulated in a proper and prudent manner. In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee, a remuneration committee, a nomination committee and a compliance committee with specific written terms of reference. During the year ended 31 March 2016, the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules.

Directors’ Securities Transactions

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules.

On 6 October 2015, the then substantial shareholder of the Company, Genius Idea Holdings Limited, which is wholly-owned by Mr. Chan Tat Wah, a former executive Director and the former chairman of the Company who resigned on 17 November 2015, sold 155,000,000 shares of the Company (representing approximately 47.0% of the total issued shares) to more than one purchaser who are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Save as disclosed above, no Director has dealt in the shares during the year.

Following specific enquiry by the Company, all Directors confirmed that they have complied with such code of conduct throughout the year ended 31 March 2016.

Purchase, Sale or Redemption of Shares

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee, comprising three independent non-executive directors, has reviewed the financial statements of the Group for the year. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.katechina.hk). The annual report of the Company for the year ended 31 March 2016 containing all the information required by the GEM Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Kate China Holdings Limited
Chan Chi Yuen
Chairman

Hong Kong, 27 June 2016

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen (Chairman), Mr. Tsang Kei Cheong (Chief Executive Officer) and Mr. Liu Rongsheng; and the independent non-executive Directors are Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting on the website of the Company at www.katechina.hk.