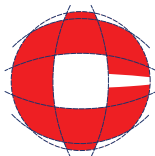


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中持基業控股有限公司  
Kate China Holdings Limited

## **KATE CHINA HOLDINGS LIMITED**

**中持基業控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8125)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2016**

#### **HIGHLIGHTS**

For the nine months ended 31 December 2016,

- (1) Revenue of the Group was approximately HK\$51.3 million, decreased approximately 41.7% as compared to the corresponding period in 2015;
- (2) Loss for the period attributable to owners of the Company was approximately HK\$23.8 million (2015: profit of HK\$3.4 million);
- (3) Loss per share of the Company was approximately HK6.77 cents (2015: earnings per share of HK1.02 cents); and
- (4) The Directors did not recommend the payment of dividend.

#### **THE FINANCIAL INFORMATION**

##### **The Third Quarterly Results**

The board (the “Board”) of directors (the “Director(s)”) of Kate China Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 31 December 2016 (the “Current Period”), together with the comparative unaudited figures for the corresponding period in 2015 (the “Corresponding Period”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*FOR THE NINE MONTHS ENDED 31 DECEMBER 2016*

	<i>Notes</i>	For the three months ended 31 December		For the nine months ended 31 December	
		2016 <i>HK\$'000</i> <b>(Unaudited)</b>	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> <b>(Unaudited)</b>	2015 <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>	3	<b>9,475</b>	17,029	<b>51,284</b>	88,004
Cost of sales		<u>(10,651)</u>	<u>(15,289)</u>	<u>(57,950)</u>	<u>(72,072)</u>
<b>Gross (loss)/profit</b>		<b>(1,176)</b>	1,740	<b>(6,666)</b>	15,932
Other income	4	<b>170</b>	241	<b>589</b>	294
Administrative expenses		<b>(7,162)</b>	(3,737)	<b>(17,452)</b>	(12,111)
Finance costs	5	<b>(46)</b>	(70)	<b>(141)</b>	(75)
Share of profit less loss of a joint venture		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>(Loss)/Profit before tax</b>	6	<b>(8,214)</b>	(1,826)	<b>(23,670)</b>	4,040
Income tax expense	7	<u>(123)</u>	<u>(119)</u>	<u>(123)</u>	<u>(681)</u>
<b>(Loss)/Profit for the period attributable to owners of the Company</b>		<b>(8,337)</b>	(1,945)	<b>(23,793)</b>	3,359
<b>Other comprehensive income/(expenses)</b>					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>28</u>	158	<u>(30)</u>	<u>(33)</u>
<b>Total comprehensive (expenses)/income for the period attributable to owners of the Company</b>		<u><b>(8,309)</b></u>	<u>(1,787)</u>	<u><b>(23,823)</b></u>	<u>3,326</u>
<b>(Loss)/Earnings per share</b>					
– Basic and diluted	8	<u><b>(2.30) cents</b></u>	<u>(0.59) cents</u>	<u><b>(6.77) cents</b></u>	<u>1.02 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 31 DECEMBER 2016**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Exchange reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2016 (audited)	<b>76,113</b>	<b>19,093</b>	<b>(200)</b>	<b>95,006</b>
Issue of new shares, net of transaction costs	<b>78,738</b>	–	–	<b>78,738</b>
Loss for the period	–	<b>(23,793)</b>	–	<b>(23,793)</b>
Other comprehensive expense for the period	–	–	<b>(30)</b>	<b>(30)</b>
Total comprehensive expense for the period	–	<b>(23,793)</b>	<b>(30)</b>	<b>(23,823)</b>
<b>At 31 December 2016 (unaudited)</b>	<b><u>154,851</u></b>	<b><u>(4,700)</u></b>	<b><u>(230)</u></b>	<b><u>149,921</u></b>
At 1 April 2015 (audited)	76,113	28,463	(245)	104,331
Profit for the period	–	3,359	–	3,359
Other comprehensive expense for the period	–	–	<b>(33)</b>	<b>(33)</b>
Total comprehensive income for the period	–	3,359	<b>(33)</b>	3,326
<b>At 31 December 2015 (unaudited)</b>	<b><u>76,113</u></b>	<b><u>31,822</u></b>	<b><u>(278)</u></b>	<b><u>107,657</u></b>

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## *FOR THE NINE MONTHS ENDED 31 DECEMBER 2016*

### **1. GENERAL**

The Company was incorporated in Hong Kong with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and the principal place of business of the Company is situated at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company while the Group is principally engaged in provision of design and fitting-out services and design and procurement of furnishings and decorative materials services. During the Current Period, the Group extended its businesses into money lending and trading of fine wines.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. Other than subsidiaries operating in Singapore and the People’s Republic of China (the “PRC”) of which functional currency is Singapore dollar and Renminbi respectively, the functional currency of the Company and other subsidiaries is HK\$.

### **2. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the Rule (the “GEM Listing Rules”) Governing the Listing of Securities on GEM.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 31 March 2016.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the condensed consolidated financial statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from design and fitting-out service provided, design and procurement of furnishings and decorative materials service provided, money lending and sale of fine wines. An analysis of the Group's revenue for the period is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Design and fitting-out service income	6,104	15,950	45,663	85,019
Design and procurement of furnishings and decorative materials service income	2,209	1,079	4,255	2,985
Interest income from money lending	555	–	759	–
Sales of fine wines	607	–	607	–
	<u>9,475</u>	<u>17,029</u>	<u>51,284</u>	<u>88,004</u>

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. No operating segments identified by the CEO have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (1) Provision of design and fitting-out service (“Design and fitting-out service”);
- (2) Provision of design and procurement of furnishings and decorative materials service (“Design and procurement of furnishings and decorative materials service”);
- (3) Money lending (“Money lending”); and
- (4) Trading of fine wines (“Wine trading”).

### Segment revenue and results

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

*For the nine months ended 31 December 2016 (Unaudited)*

	Design and fitting-out service <i>HK\$'000</i>	Design and procurement of furnishings and decorative materials service <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Wine trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>45,663</u>	<u>4,255</u>	<u>759</u>	<u>607</u>	<u>51,284</u>
Segment results	<u>(6,830)</u>	<u>(651)</u>	<u>759</u>	<u>56</u>	(6,666)
Other income					589
Central administrative costs					(17,452)
Finance costs					<u>(141)</u>
<b>Loss before tax</b>					<u><u>(23,670)</u></u>

For the nine months ended 31 December 2015 (Unaudited)

	Design and fitting-out service HK\$'000	Design and procurement of furnishings and decorative materials service HK\$'000	Total HK\$'000
Segment revenue	<u>85,019</u>	<u>2,985</u>	<u>88,004</u>
Segment results	<u>15,523</u>	<u>409</u>	15,932
Other income			294
Central administrative costs			(12,111)
Finance costs			<u>(75)</u>
<b>Profit before tax</b>			<u><u>4,040</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit/(loss) earned by each segment without allocation of certain other income, central administration costs (including directors' emoluments) and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

#### 4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank interest income	1	–	2	5
Exchange gain	1	1	2	1
Rental income	156	205	495	205
Reversal of impairment loss on trade receivables	50	25	50	25
Sundry income	<u>(38)</u>	<u>10</u>	<u>40</u>	<u>58</u>
	<u><u>170</u></u>	<u><u>241</u></u>	<u><u>589</u></u>	<u><u>294</u></u>

## 5. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest on:				
Secured bank borrowings wholly repayable after five years	44	67	135	67
Finance lease	2	3	6	8
	<u>46</u>	<u>70</u>	<u>141</u>	<u>75</u>

## 6. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been arrived at after charging/(crediting):

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Directors' emoluments (including contribution to defined contribution retirement benefits scheme)	920	1,023	2,533	2,706
Salaries, wages and other benefits (excluding directors' emoluments)	2,438	1,744	5,712	4,421
Contribution to defined contribution retirement benefits scheme (excluding directors)	57	63	210	226
	<u>3,415</u>	<u>2,830</u>	<u>8,455</u>	<u>7,353</u>
Auditor's remuneration	–	–	–	300
Depreciation	280	83	753	247
Impairment loss in respect of trade receivables (included in administrative expense)	–	–	–	–
Minimum lease payments under operating leases in respect of office premises	632	103	2,441	306
Gross rental income less outgoings	(131)	(160)	(414)	(160)
	<u>(131)</u>	<u>(160)</u>	<u>(414)</u>	<u>(160)</u>



## 7. INCOME TAX EXPENSE

The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	123	119	123	681
Deferred taxation	—	—	—	—
	<u>123</u>	<u>119</u>	<u>123</u>	<u>681</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the nine months ended 31 December 2016 (nine months ended 31 December 2015: 16.5%).

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for each of the three months and nine months ended 31 December 2016 is based on the following information:

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss)/Profit for the period attributable to the owners of the company	<u>(8,337)</u>	<u>(1,945)</u>	<u>(23,793)</u>	<u>3,359</u>
	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares	<u>363,000</u>	<u>330,000</u>	<u>351,480</u>	<u>330,000</u>

Since there were no potential dilutive shares in issue during the three and nine months ended 31 December 2016 and 2015, basic and diluted earnings per share are the same for all periods.

## 9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (nine months ended 31 December 2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) design and fitting-out services and (ii) design and procurement of furnishings and decorative materials services. During the nine months ended 31 December 2016, the Group has diversified and extended its business into money lending and trading of fine wines.

#### *Provision of (i) design and fitting-out services and (ii) design and procurement of furnishings and decorative materials services*

As described in the first quarterly report of the Company, there was a fire break-out (the “Fire Incident”) in one of the working sites engaging for both design and fitting-out services and design and procurement of furnishings and decorative materials services. Additional project costs have been incurred as a result of the Fire Incident.

The Group had made effort to restore the damage from the Fire Incident and proactively keep up the progress of the project. The Group had commenced discussion with the principal contractor and the project customer in respect of any compensation.

During the nine months ended 31 December 2016, the Group has completed 6 projects relating to design and fitting-out services and 4 projects relating to design and procurement of furnishings and decorative materials services whilst 1 new project relating to design and fitting-out services and 2 new projects relating to design and procurement of furnishings and decorative materials services have been contracted. As a result, as at 31 December 2016, the Group has 6 projects on hand, all of which are in Hong Kong. With regard to those 6 projects on hand, 4 of them relate to design and fitting-out services and 2 relates to design and procurement of furnishings and decorative materials services.

The Group expects the existing projects will be completed in the coming few months and has been actively looking for new customers and new projects in order to strengthen its customer/revenue base. During the nine months ended 31 December 2016, the Group has submitted tenders for new projects and in the future, the Group will actively submit tenders for potential projects.

#### *Money lending*

The Group was granted a money lender license in Hong Kong under the Money Lenders Ordinance in July 2016 and commenced its money lending business with new loans granted in August 2016.

There were loan portfolios with principal amount of HK\$13.5 million as at 31 December 2016. The Group recognised an aggregate interest income of approximately HK\$759,000 for the nine months ended 31 December 2016.

The Group adopted a prudent risk management policy, with the money lending business continuously carrying out regular review of credit risk over the existing borrowers. While the Group will actively explore customers with good quality to expand its business scale, it will continue to adopt a prudent credit risk management strategy to ensure a healthy development in the money lending business.

### *Trading of fine wines*

The Group observed that there was an increasing demand and consumption in the fine wines market in the Asian countries such as the People's Republic of China, Hong Kong, etc. The Group has started the setting up of a new business segment in trading of fine wines in October 2016.

Hong Kong, as one of the regional business centres in Asia, acts as a trading regional hub. Taking advantage of the duty-free of fine wines policy from 2008 by the Hong Kong Government, the import and re-export of the fine wines has been increasing in both quantity and value. Accordingly, the Group expects the fine wine trading will contribute a steady revenue to the Group in the future.

The trading of fine wines has contributed a revenue of HK\$607,000 to the Group for the nine months ended 31 December 2016.

### *Other development*

In September 2016, the Group, through a wholly-own subsidiary, entered into a sale and purchase agreement with an independent third party (the "Vendor"), pursuant to which the Group has agreed to acquire the entire issued share capital in a company (the "Target") with licences to carry on Type 1, 4 and 9 regulated activities under the Securities and Futures Ordinance ("SFO"). Up to the date of the report, the Group is in the process of application for the approval from the Securities and Futures Commission ("SFC") in respect of the change in the substantial shareholder of the Target. The sale and purchase transaction will not be completed until the approval from the SFC is granted.

Upon passing of a special resolution at the extraordinary general meeting on 23 January 2017, the name of the Company will be changed from "Kate China Holdings Limited" to "Royal Century Resources Holdings Limited" in order to better reflect the current status of the Group's business development and its direction of future development. The Company is carrying out the necessary registration and/or filing procedures in respect of the change of company name with the Companies Registry.

Looking forward, the Group will proactively seek for new business opportunities and diversification in order to enlarge the revenue base and maximise the returns to the shareholders and the value of the Group.

## FINANCIAL REVIEW

### *Revenue*

The Group's revenue is mainly generated from (i) design and fitting-out services; (ii) design and procurement of furnishings and decorative materials services; (iii) money lending; and (iv) sale of fine wines.

Total revenue for the nine months ended 31 December 2016 was approximately HK\$51.3 million (nine months ended 31 December 2015: HK\$88.0 million) which represents a reduction of approximately HK\$36.7 million or 41.7%. Such decrease was mainly due to fewer significant projects of design and fitting-out services were undertaken by the Group as compared with those in corresponding period in 2015. Despite the reduction in the project revenue, the Group has new sources of revenue of approximately HK\$1.4 million derived from money lending and trading of fine wines.

The Group's revenue by types of business is as follows:

	<b>For the nine months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Design and fitting-out service income	<b>45,663</b>	85,019
Design and procurement of furnishings and decorative materials service income	<b>4,255</b>	2,985
Money lending	<b>759</b>	–
Trading of fine wines	<b>607</b>	–
	<hr/>	<hr/>
	<b>51,284</b>	<b>88,004</b>
	<hr/> <hr/>	<hr/> <hr/>

For the nine months ended 31 December 2016 and 2015, all the Group's revenue were derived in Hong Kong.

### ***Gross loss and loss for the period***

For the nine months ended 31 December 2016, the Group recorded a gross loss of approximately HK\$6.7 million (nine months ended 31 December 2015: gross profit of approximately HK\$15.9 million) and the overall gross loss margin was approximately 13.0% (nine months ended 31 December 2015: gross profit margin of approximately 18.1%).

	<b>For the nine months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gross (loss)/profit by business:		
Design and fitting-out service	<b>(6,830)</b>	15,523
Design and procurement of furnishings and decorative materials service	<b>(651)</b>	409
Money lending	<b>759</b>	–
Trading of fine wines	<b>56</b>	–
	<b><u>(6,666)</u></b>	<b><u>15,932</u></b>
	<b>%</b>	<b>%</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Overall gross (loss)/profit margin	<b><u>(13.0)</u></b>	<b><u>18.1</u></b>

As mentioned in the “Business Review and Outlook” section, additional project costs have been incurred arising from the Fire Incident as described in the first quarterly report of the Company. Besides, as mentioned in “Revenue” above, the Group has also recognised a significant decrease in revenue compared with the corresponding period in 2015. Hence, during the nine months ended 31 December 2016, there was gross loss amounting to approximately HK\$6.8 million (nine months ended 31 December 2015: gross profit of HK\$15.5 million) and HK\$0.7 million (nine months ended 31 December 2015: gross profit of HK\$0.4 million) respectively for design and fitting-out service and for design and procurement of furnishings and decorative materials service. On the other hand, a gross profit of approximately HK\$0.8 million was generated from the Group’s newly engaged money lending and trading of fine wines business.

Loss for the nine months ended 31 December 2016 amounted to approximately HK\$23.8 million, representing a turnaround from the profit for the corresponding period in 2015 of approximately HK\$3.4 million. Such loss was mainly attributable to the decrease in revenue generated from the design and fitting-out contracts and the recording of additional contract costs for the period as a result of the Fire Incident. Except for such, there was no material fluctuation from the administrative and operating costs of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the nine months ended 31 December 2016, apart from the share placing in June 2016 (the “Placing”), the Group financed its operations by its internal resources. As at 31 December 2016, the Group had net current assets of approximately HK\$107.2 million (31 March 2016: HK\$70.7 million), including cash of approximately HK\$76.9 million (31 March 2016: HK\$25.3 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 5.5 times as at 31 December 2016 (31 March 2016: 2.5 times). The increase in the current ratio was mainly attributable to the improvement of the financial resource of the Group as proceeds of approximately HK\$78,738,000 was received from the Placing.

## **CAPITAL STRUCTURE AND GEARING**

The capital of the Group comprises only ordinary shares. During the nine months ended 31 December 2016, the Company issued 33,000,000 new shares through the Placing with proceeds amounting to approximately HK\$78,738,000, net of share issuing costs. Total equity attributable to owners of the Company amounted to approximately HK\$149.9 million as at 31 December 2016 (31 March 2016: HK\$95.0 million).

As at 31 December 2016, the Group’s borrowings comprised bank borrowings of approximately HK\$7.0 million (31 March 2016: HK\$7.2 million) and obligation under a finance lease of approximately HK\$0.2 million (31 March 2016: HK\$0.2 million). The Group’s gearing ratio, calculated by dividing total borrowings by total equity, was approximately 4.8% (31 March 2016: 7.9%). The drop in the gearing ratio was mainly due to the Placing which broadened the capital base of the Group.

## **PLACING OF NEW SHARE UNDER GENERAL MANDATE**

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.

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 “Placing Share(s)”) of the Company at a placing price of HK\$2.45 per Placing Share to not less than six places. The closing price per share on that date was HK\$3.00.

The Placing was completed on 5 July 2016 with gross and net proceeds of HK\$80.85 million (equivalent to HK\$2.45 per Placing Share) and approximately HK\$78.5 million (equivalent to approximately HK\$2.38 per Placing Share) respectively. The net proceed of the Placing is intended to be used for the Group's general working capital and/or other potential business development opportunities as considered appropriate, including but not limited to the application of at least HK\$30 million of the net proceeds for carrying out the money lending business.

The following table shows the intended and actual use of the proceeds as at the date of this report:

	<b>Planned use of proceeds as described in the announcement dated 14 June 2016 HK\$'000</b>	<b>Further detailed use of proceeds as described in the annual results announcement dated 27 June 2016 HK\$'000</b>	<b>Actual use of proceeds up to date of this report HK\$'000</b>
Net proceeds from the Placing			
– General working capital and/or other potential business development opportunities	78,500	48,500	<b>21,000</b>
– Money lending business	–	30,000	<b>13,500</b>
Total	<u>78,500</u>	<u>78,500</u>	<u><b>34,500</b></u>

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016.

### **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2016, an investment property and a motor vehicle of the Group with carrying value of approximately HK\$22.4 million (31 March 2016: HK\$22.4 million) and HK\$0.20 million (31 March 2016: HK\$0.2 million) respectively were pledged to banks to secure certain banking facilities of the Group.

### **SIGNIFICANT ACQUISITION AND DISPOSAL**

There has been no significant acquisition and disposal of subsidiaries or assets of the Group during the nine months ended 31 December 2016.

## CONTINGENT LIABILITIES

On 9 December 2015, a supplier filed a statement of claim for cost dispute of approximately HK\$1 million against a subsidiary of the Group. As at date of the report, no proceeding has been occurred. Based on the legal advice, the Directors are of the opinion that the Group has meritorious defenses against the supplier. Therefore, no provision for the claim has been made in the consolidated financial statements for the nine months ended 31 December 2016.

## COMMITMENTS

### *The Group as lessee*

As at 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in relation to office premises, falling due as follows:

	<i>HK\$'000</i>
Within one year	3,416
In the second to fifth years inclusive	<u>1,472</u>
	<u><u>4,888</u></u>

### *The Group as lessor*

As at 31 December 2016, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in relation to premises, falling due as follows:

	<i>HK\$'000</i>
Within one year	440
In the second to fifth years inclusive	<u>57</u>
	<u><u>497</u></u>

## EMPLOYEE INFORMATION

Total remuneration for the nine months ended 31 December 2016 (including directors' emoluments and salaries to staff and directors including MPF contributions) was approximately HK\$8.5 million (nine months ended 31 December 2015: HK\$7.4 million). Such increase was mainly due to the increase in bonus during the period compared with the corresponding period in 2015. As at 31 December 2016, the Group had 31 employees (31 December 2015: 33 employees).



## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, none of the Directors nor the chief executive (the “Chief Executive”) of the Company had any interests and short positions in the shares of the Company (the “Share(s)”), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the “Required Standard of Dealings”).

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

As at 31 December 2016, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Long position in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interests in capital	Number of Shares held	Approximate percentage of the issued Shares
Time Vanguard Holdings Limited	Beneficial owner	50,000,000	13.77%
China Huarong International Holdings Limited ( <i>Note 1</i> )	Interest of a controlled corporation	50,000,000	13.77%
Huarong Real Estate Co., Ltd. ( <i>Note 1</i> )	Interest of a controlled corporation	50,000,000	13.77%
China Huarong Asset Management Co., Ltd. ( <i>Note 1</i> )	Interest of a controlled corporation	50,000,000	13.77%
Good Virtue Capital Limited	Beneficial owner	47,000,000	12.95%

<b>Name of shareholder</b>	<b>Capacity/Nature of interests in capital</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued Shares</b>
Ms. Zheng Juhua ( <i>Note 2</i> )	Interest of a controlled corporation	47,000,000	12.95%
Mr. Wang Shengdong	Beneficial owner	45,484,000	12.53%
Taiping Quantum Prosperity Fund	Beneficial owner	31,808,000	8.76%
Genius Idea Holdings Limited	Beneficial owner	20,000,000	5.51%
Mr. Chan Tat Wah ( <i>Note 3</i> )	Interest of a controlled corporation	20,000,000	5.51%
Ms. Lee Yuk Pui Kawina ( <i>Note 3</i> )	Family interest	20,000,000	5.51%

*Notes:*

1. 50,000,000 Shares are registered in the name of Time Vanguard Holdings Limited, which is wholly-owned by China Huarong International Holdings Limited (“Huarong International”). Huarong International is a jointly-owned as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. (“Huarong Zhiyuan”) and 88.1% by Huarong Real Estate Co., Ltd. (“Huarong Real Estate”). Each of Huarong Zhiyuan and Huarong Real Estate is wholly-owned by China Huarong Asset Management Co., Ltd (“Huarong Asset”). Accordingly, each of Huarong International, Huarong Real Estate and Huarong Asset is deemed to be interested in the relevant Shares under the SFO.
2. 47,000,000 Shares are registered in the name of Good Virtue Holdings Limited, which is owned as to 70% by Ms. Zheng Juhua. Accordingly, Ms. Zheng Juhua is deemed to be interested in the relevant Shares under the SFO.
3. 20,000,000 Shares are registered in the name of Genius Idea Holdings Limited, which is wholly-owned by Mr. Chan Tat Wah. Ms. Lee Yuk Pui Kawina is the spouse of Mr. Chan Tat Wah. Accordingly, each of Mr. Chan Tat Wah and Ms. Lee Yuk Pui Kawina is deemed to be interested in the relevant Shares under the SFO.

Save as disclosed above, as at 31 December 2016, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

## **OTHER INTERESTS DISCLOSEABLE UNDER THE SFO**

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short positions in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The share option scheme enables the Company to grant options to any full-time or part time employee of the Company or any member of the Group (the “Eligible Participant”) as incentives or rewards for their contributions to the Group. The Company conditionally adopted a share option scheme (the “Scheme”) on 30 June 2014 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the Shares to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

As at 31 December 2016, the total number of Shares available for issue under the Scheme is 30,000,000 Shares, representing approximately 8.3% of the issued Shares.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Scheme (the “Option”), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be 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 of the Options, which must be a day on which trading of Shares take place on the Stock Exchange (the “Trading Day”); and (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options.

The Company shall be entitled to issue options, provided that the total number of Shares which may issue upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders’ approval and the issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issued at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Since the adoption of the Scheme, no share option has been granted by the Company.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

Save as disclosed above, at no time during the nine months ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Save as disclosed above, at no time during the nine months ended 31 December 2016 had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the shares (or warrants or debentures, is applicable) of the Company and its associated corporations (within the meaning of the SFO).

## **COMPETING INTERESTS**

During the nine months ended 31 December 2016 and up to the date of this report, Mr. Chan Chi Yuen ("Mr. Chan") is an executive director of Noble Century Investment Holdings Limited (stock code: 2322), a company listed on the Main Board, which has a subsidiary engaging in the money lending business and therefore, Mr. Chan is considered to have interests in the businesses which compete or may compete with the businesses of the Group and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

The money lending business of the Group was just commenced during the period and the amount was not significant compared with the other business segment of the Group. Further, loans were granted and approved by the credit committee. Mr. Chan has also confirmed he is fully aware of, and has been discharging, his fiduciary duty to the Company to avoid conflict of interest. In situations where any conflict of interests arises, Mr. Chan will refrain from taking part in the decision making process and from voting on the relevant board resolution at the board meeting.

Given the above, the Directors believe that any significant competition caused to the business of Group would be unlikely.

Save as disclosed above, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **COMPLIANCE ADVISOR'S INTERESTS**

As at 31 December 2016, neither Altus Capital Limited, the compliance advisor of the Company, nor any of its Directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of 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 (“Model Code”). Having made specify enquiry of all Directors, the Company was not aware of any non-compliance with the Model Code during the nine months ended 31 December 2016.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the nine months ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the “CG Code”). To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the nine months ended 31 December 2016.

## **DIRECTORS' INFORMATION**

### *Changes in information of Directors*

Mr. Liu Rongsheng had been appointed as an executive director and chairman of China Ocean Fishing Holdings Limited (formerly Sky Forever Supply Chain Management Group Limited) (Stock code: 8047) on 7 September 2016.

Mr. Chan Chi Yuen had been appointed as an independent non-executive director of Man Sang Jewellery Holdings Limited (Stock code: 1466) on 20 December 2016.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) currently comprises three independent non-executive Directors and is chaired by Mr. Chan Chiu Hung Alex. The other members are Mr. Wu Zhao and Mr. Lam Cheok Va. The primary duties of the Audit Committee include the oversight of the Group’s financial reporting system, risk management and the internal control systems of the Group.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2016 with the management in connection with the compliance of the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal or disclosure requirements.

## **PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD QUARTERLY REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.katechina.hk](http://www.katechina.hk)). The third quarterly report of the Company for the nine months ended 31 December 2016 containing all the information required by the GEM Listing Rules will be dispatched 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, 9 February 2017

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.katechina.hk](http://www.katechina.hk).*