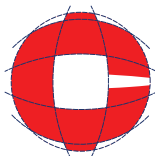


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中持基業控股有限公司
Kate China Holdings Limited

KATE CHINA HOLDINGS LIMITED

中持基業控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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.

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.

HIGHLIGHTS

For the three months ended 30 June 2016,

- (1) Revenue of the Group was approximately HK\$30.5 million, decreased approximately HK\$6.1 million or approximately 16.7% as compared to the corresponding period in 2015;
- (2) Loss for the period attributable to owners of the Company was approximately HK\$1.4 million (2015: profit of HK\$3.3 million);
- (3) Loss per share of the Company was approximately HK0.42 cents (2015: earnings per share of HK1.00 cents); and
- (4) The Directors did not recommend the payment of dividend.

THE FIRST 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 three months ended 30 June 2016, together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Notes	For the three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	30,525	36,585
Cost of sales		<u>(27,478)</u>	<u>(29,286)</u>
Gross profit		3,047	7,299
Other income	3	190	53
Administrative expenses		(4,554)	(3,916)
Finance costs	4	(48)	(3)
Share of profit less loss of jointly controlled entity		<u>–</u>	<u>–</u>
(Loss)/Profit before tax	5	(1,365)	3,433
Income tax expense	6	<u>(27)</u>	<u>(171)</u>
(Loss)/Profit for the period attributable to owners of the Company		(1,392)	3,262
Other comprehensive income/(expenses)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(26)</u>	<u>68</u>
Total comprehensive (expenses)/income for the period attributable to owners of the Company		<u>(1,418)</u>	<u>3,330</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share			
– Basic and diluted	7	<u>(0.42)</u>	<u>1.00</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Share capital HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	76,113	19,093	(200)	95,006
Loss for the period	–	(1,392)	–	(1,392)
Other comprehensive expenses for the period	–	–	(26)	(26)
Total comprehensive expenses for the period	–	(1,392)	(26)	(1,418)
At 30 June 2016 (unaudited)	<u>76,113</u>	<u>17,701</u>	<u>(226)</u>	<u>93,588</u>
At 1 April 2015 (audited)	76,113	28,463	(245)	104,331
Profit for the period	–	3,262	–	3,262
Other comprehensive income for the period	–	–	68	68
Total comprehensive income for the period	–	3,262	68	3,330
At 30 June 2015 (unaudited)	<u>76,113</u>	<u>31,725</u>	<u>(177)</u>	<u>107,661</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2016

1. 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 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”).

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 Group. The adoption of these new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. Other than a subsidiary operating in Singapore of which functional currency is Singapore dollars, the functional currency of the Company and other subsidiaries is HK\$.

The financial information relating to the year ended 31 March 2016 included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company will deliver the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) in due course.

The Company’s auditor has reported on the financial statements for the year ended 31 March 2016 of the Group. 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 407(3) of the Companies Ordinance (Cap. 622).

2. REVENUE AND 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. 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”); and
- (2) Provision of design and procurement of furnishings and decorative materials service (“Design and procurement of furnishings and decorative materials service”).

Revenue derived from the following operating segments for the three months ended 30 June 2016 and 2015 are as follows:

	For the three months ended 30 June	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Design and fitting-out service income	31,780	34,537
Design and procurement of furnishings and decorative materials service:		
Sales of furnishings and decorative materials	–	–
Procurement of furnishings and decorative materials	(1,265)	2,048
	30,525	36,585

3. OTHER INCOME

	For the three months ended 30 June	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Rental income	174	–
Bank interest income	–	5
Reversal of impairment loss on trade receivables	–	–
Sundry income	16	48
	190	53

4. FINANCE COSTS

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Secured bank borrowings wholly repayable beyond five years	46	–
Finance lease	2	3
	<u>48</u>	<u>3</u>

5. (LOSS)/PROFIT BEFORE TAX

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

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' emoluments (including contribution to defined contribution retirement benefits scheme)	787	1,038
Salaries, wages and other benefits (excluding directors' emoluments)	1,440	1,414
Contribution to defined contribution retirement benefits scheme (excluding directors)	64	81
	<u>2,291</u>	<u>2,533</u>
Auditor's remuneration	–	–
Depreciation	215	82
Impairment loss in respect of trade receivables (included in administrative expense)	–	–
Minimum lease payments under operating leases in respect of office premises	903	87
Gross rental income less outgoings	<u>(159)</u>	<u>–</u>

6. 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 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	27	171
Deferred taxation	—	—
	<u>27</u>	<u>171</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 30 June 2016 (three months ended 30 June 2015: 16.5%).

7. (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 information:

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(1,392)</u>	<u>3,262</u>

	For the three months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/ earnings per share	<u>330,000</u>	<u>330,000</u>

Since there were no dilutive potential ordinary shares outstanding during the three months ended 30 June 2016 and 2015, basic and diluted (loss)/earnings per share are the same for both periods.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2016 (three months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 three months ended 30 June 2016, the Group has two new projects relating to the design and procurement of furnishings and decorative materials services whilst two projects of design and fitting-out services had been completed. As a result, the Group has 13 projects in progress as at 30 June 2016, all of which are in Hong Kong. Amongst the 13 projects, 7 relate to design and fitting-out services and the remaining 6 relate to design and procurement of furnishings and decorative materials services.

Besides, during the three months ended 30 June 2016, there was a fire break-out in one of the working sites for both design and fitting-out service, and design and procurement of furnishings and decorative materials service. As a consequence, the Group has revised the related estimated costs in order to include the incidental costs to be incurred.

OUTLOOK

Looking forward, the Group expects the existing projects will be completed in the coming few months and has actively looked for business opportunities and sought for new customers and new projects in order to strengthen its customer/revenue base and maximize the return to the shareholders and the value of the Group. During the three months ended 30 June 2016, the Group has submitted tenders for new projects and will actively submit tenders for potential projects in the future.

As disclosed in the annual report for the year ended 31 March 2016, during the three months ended 30 June 2016, the Group has made an application for a money lender licence through a wholly-owned subsidiary. Subsequent to 30 June 2016, the Group has been granted the money lender licence. The Group has commenced its money lending business as at the date of this announcement. The Group will adopt a prudent management approach to carry out the money lending business in order to minimize its credit risk exposure while expanding its revenue base.

Besides the above business development, the Group is proactively seeking for business opportunities and exploring new investment opportunities in order to further diversify the principal activities of the Group to strengthen and broaden its revenue base.

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 decorative materials services.

The total revenue for the three months ended 30 June in 2016 was approximately HK\$30.5 million (three months ended 30 June 2015: HK\$36.6 million) which represents a decrease of approximately HK\$6.1 million or approximately 16.7% as compared to the last corresponding period. Such decrease was attributable to a revision of costs due to the fire break-out as mentioned in the "Business Review" section as well as an adjustment of the project income as a result of the cost revision. Due to the impact of the adjustment of the project income, the revenue from design and procurement of furnishings and decorative materials has turned out to be a negative.

Breakdown of revenue by types of projects is as follows:

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design and fitting-out service income	31,790	34,537
Design and procurement of furnishings and decorative materials service income:		
Sales of furnishings and decorative materials	–	–
Procurement of furnishings and decorative materials	(1,265)	2,048
	<u>30,525</u>	<u>36,585</u>

Breakdown of revenue by geographical locations is as follows:

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	30,525	36,585
Malaysia	–	–
	<u>30,525</u>	<u>36,585</u>

Gross profit and loss for the period

For the three months ended 30 June 2016, the Group recorded a gross profit of approximately HK\$3.0 million (three months ended 30 June 2015: HK\$7.3 million) and the overall gross profit margin was approximately 10.0% (three months ended 30 June 2015: 20.0%). During the three months ended 30 June 2016, gross profit for design and fitting-out services amounted to approximately HK\$4.6 million while a gross loss for design and procurement of furnishings and decorative materials services of approximately HK\$1.6 million was recorded. During the three months ended 30 June 2016, gross profit margin for design and fitting-out services was approximately 14.7% (three months ended 30 June 2015: 20.4%), and there was gross loss margin of approximately 126.5% for design and procurement of furnishings and decorative materials (three months ended 30 June 2015: gross profit margin of 12.0%), which were mainly due to the increase in direct costs and the adjustment in revenue as a result of the cost revision in respect of the fire break-out as mentioned in the “Business Review” section.

Administrative expenses increased by approximately HK\$700,000 or approximately 16.3% from approximately HK\$3.9 million for the three months ended 30 June 2015 to approximately HK\$4.6 million for the three months ended 30 June 2016. The increase in the administrative expenses was mainly resulted from the increase in the operating lease rental in respect of the office premises.

As a result, loss for the three months ended 30 June 2016 was approximately HK\$1.4 million (three months ended 30 June 2015: profit of approximately HK\$3.3 million), representing a decrease of approximately HK\$4.7 million or approximately 142.3% as compared to the corresponding period in 2015. This was resulted mainly from the cost revision in respect of the fire break-out as mentioned in the “Business Review” section and the increase in the administrative expenses during three months ended 30 June 2016.

Liquidity and Financial Resources

During the three months ended 30 June 2016, the Group financed its operations by its internal resources and bank facilities. As at 30 June 2016, the Group had net current assets of approximately HK\$68.6 million (31 March 2016: HK\$70.7 million), including cash of approximately HK\$28.0 million (31 March 2016: HK\$25.3 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.3 times as at 30 June 2016 (31 March 2016: 2.5 times). There was no material fluctuation in the current ratio during the three months ended 30 June 2016.

Capital Structure and Gearing

The capital of the Group comprised only ordinary shares. There was no movement in the share capital of the Group during the three months ended 30 June 2016. Total equity attributable to owners of the Company amounted to approximately HK\$93.6 million as at 30 June 2016 (31 March 2016: HK\$95.0 million).

As at 30 June 2016, the Group's borrowings comprised bank borrowings of approximately HK\$7.2 million (31 March 2016: HK\$7.3 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 7.9% (31 March 2016: 7.9%). There was no material fluctuation in the gearing ratio during the three months ended 30 June 2016.

Placing of New Shares 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 "Share(s)") of the Company at the placing price of HK\$2.45 per Share to not less than six places (the "June 2016 Placing"). The closing price per Share on that date was HK\$3.00.

The June 2016 Placing was completed on 5 July 2016 with gross and net proceeds of HK\$80.85 million (equivalent to HK\$2.45 per Share) and approximately HK\$78.5 million (equivalent to approximately HK\$2.38 per Share) respectively. The net proceed of the June 2016 Placing will 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.

	Planned use of proceeds <i>HK\$'000</i>	Further detailed use of proceeds as described in the annual results announcement dated 27 June 2016 <i>HK\$'000</i>	Actual use of proceeds up to date of this announcement <i>HK\$'000</i>
Net proceeds from the June 2016 Placing			
– General working capital and/or other potential business development opportunities	78,500	48,500	1,300
– Money lending business	–	30,000	7,000
Total	<u>78,500</u>	<u>78,500</u>	<u>8,300</u>

Charges on the Group's Assets

As at 30 June 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

There has been no significant acquisition and disposal of subsidiaries or assets of the Group during the three months ended 30 June 2016.

Contingent Liabilities

On 9 December 2015, a supplier has filed a statement of claim for cost dispute of approximately HK\$1,000,000 against a subsidiary of the Group. As at date of the announcement, 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 consolidated financial statements for the three months ended 30 June 2016.

Commitments

The Group as lessee

As at 30 June 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	3,561
In the second to fifth years inclusive	<u>4,581</u>
	<u><u>8,142</u></u>

The Group as lessor

As at 30 June 2016, the Group had contracted with tenants for the future minimum lease payments in relation to premises, falling due as follows:

	<i>HK\$'000</i>
Within one year	493
In the second to fifth years inclusive	<u>246</u>
	<u><u>739</u></u>

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 30 June 2016, the interests and short positions of the Directors and chief executive of the Company (the “Chief Executive”) in the shares of the Company (the “Shares”), 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”) were as follows:

Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interests in capital	Number of Shares held	Approximate percentage of the issued Shares
Mr. Liu Rongsheng	Beneficial owner	5,000,000	1.52%

As at 30 June 2016, save as disclosed above, none of the Directors or the Chief Executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the 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 30 June 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 Director	Capacity/Nature of interests in capital	Number of Shares held	Approximate percentage of the issued Shares
Time Vanguard Holdings Limited <i>(Note 1)</i>	Beneficial owner	50,000,000	15.15%
Huarong (HK) International Holdings Limited <i>(Note 1)</i>	Interest of a controlled corporation	50,000,000	15.15%
Huarong Real Estate Co., Ltd. <i>(Note 1)</i>	Interest of a controlled corporation	50,000,000	15.15%
China Huarong Asset Management Co., Ltd. <i>(Note 1)</i>	Interest of a controlled corporation	50,000,000	15.15%
Good Virtue Capital Limited <i>(Note 2)</i>	Beneficial owner	47,000,000	14.24%
Ms. Zheng Juhua <i>(Note 2)</i>	Interest of a controlled corporation	47,000,000	14.24%
Taiping Quantum Prosperity Fund	Beneficial owner	31,808,000	9.64%
Genius Idea Holdings Limited <i>(Note 3)</i>	Beneficial interest	20,000,000	6.06%
Mr. Chan Tat Wah <i>(Note 3)</i>	Interest of a controlled corporation	20,000,000	6.06%
Ms. Lee Yuk Pui Kawina <i>(Note 3)</i>	Family interest	20,000,000	6.06%

Notes:

1. 50,000,000 Shares are registered in the name of Time Vanguard Holdings Limited, which is wholly-owned by Huarong (HK) International Holdings Limited (“Huarong HK”). Huarong HK 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. (“China Huarong”). Accordingly, each of Huarong HK, Huarong Real Estate and China Huarong 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 Capital 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 30 June 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 of the company 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.

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.

As at the date of this announcement, the total number of Shares available for issue under the Scheme is 30,000,000 Shares representing 10% of the issued shares immediately after the completion of the Listing of the Shares on 18 July 2014 and representing 9.09% of the issued Shares as at 30 June 2016.

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

Right to Acquire Shares

Save as disclosed above, at no time during the three months ended 30 June 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 three months ended 30 June 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).

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. No director has dealt in the shares of the Company during the three months ended 30 June 2016.

Purchase, Sale or Redemption of Shares

During the three months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Equity-linked Agreements

No equity-linked agreements were entered into by the Group or existed during the three months ended 30 June 2016.

Competing Interests

During the three months ended 30 June 2016, none of the Directors 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 30 June 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 the GEM Listing Rules.

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 three months ended 30 June 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 are to review and supervise the Group’s financial reporting process, risk management and the internal control systems of the Group.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the three months ended 30 June 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 FIRST QUARTERLY RESULTS AND FIRST QUARTERLY REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.katechina.hk). The first quarterly report of the Company for the three months ended 30 June 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, 12 August 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 and on the website of the Company at www.katechina.hk.