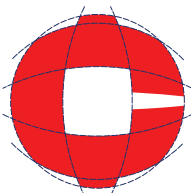


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中持基業控股有限公司
Kate China Holdings Limited

KATE CHINA HOLDINGS LIMITED

中持基業控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

PLACING OF NEW SHARES UNDER THE GENERAL MANDATE

Placing Agent



KINGSTON SECURITIES LTD.

THE PLACING

On 16 February 2015, the Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six Placees, who (where applicable, and their ultimate beneficial owners) are Independent Third Parties and not related to each other, on a best effort basis, for subscribing up to an aggregate of 30,000,000 Placing Shares at HK\$1.20 per Placing Share. The Placing Price is exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The Placing is subject to the condition set out in the paragraph headed “Condition of the Placing” below.

The Placing Price represents (i) a discount of approximately 19.46% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 14.89% to the average closing price of HK\$1.41 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price and liquidity of the Shares, and was negotiated on an arm's length basis between the Company and the Placing Agent.

The total number of Placing Shares represents (i) approximately 10.00% of the existing issued share capital of the Company; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the 30,000,000 Placing Shares.

An application will be made to the GEM Listing Committee for the approval of the listing of and permission to deal in the Placing Shares.

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 29 September 2014.

Upon completion of the Placing (and assuming all the 30,000,000 Placing Shares are subscribed for), the gross proceeds and net proceeds arising from the Placing are estimated to be HK\$36 million and approximately HK\$35 million respectively. The Company intends to use the net proceeds for the acquisition of a property in Hong Kong and as general working capital.

GENERAL

At the request of the Company, trading in Shares on the Stock Exchange has been halted with effect from 9:02 a.m. on 16 February 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 February 2015.

Shareholders and potential investors should note that the Placing may or may not proceed in the event that the condition of the Placing is not satisfied. If the condition of the Placing is not satisfied, then the Placing Agreement shall be terminated forthwith and all rights, obligations and liabilities of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties shall have any claim against the other in relation thereto, save for any antecedent reaches of the Placing Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

1. THE PLACING

On 16 February 2015, the Placing Agreement was entered into between the Company (as issuer) and the Placing Agent (as placing agent). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placees

The Placing Shares will be placed on a best effort basis. The Placing Agent has agreed in the Placing Agreement that it will use its best efforts to, during the period from 16 February 2015 to 9 March 2015 (both days inclusive), procure the Placing Shares to be placed to altogether not less than six Placees, who (where applicable, and their ultimate beneficial owners) are Independent Third Parties and not related to each other.

If the number of Placees shall be less than six, the Company will issue a further announcement in accordance with the requirement of the GEM Listing Rules.

It is expected that none of the Placees will become a substantial Shareholder immediately after completion of the Placing.

Number of Placing Shares

The Placing Agent has agreed to procure, on a best effort basis, Placees to subscribe for up to 30,000,000 Placing Shares on the terms and subject to the conditions set out in the Placing Agreement.

A maximum of 30,000,000 Placing Shares represents (i) approximately 10.00% of the total number of 300,000,000 existing issued Shares as at the date of this announcement; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the 30,000,000 Placing Shares pursuant to the Placing.

Placing Price

The Placing Price is HK\$1.20 per Placing Share exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The net placing price (net of commissions and expenses) is approximately HK\$1.16 per Placing Share.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent on the date of Placing Agreement with reference to recent market prices of the Shares. The Placing Price represents (i) a discount of approximately 19.46% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 14.89% to the average closing price of HK\$1.41 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price and liquidity of the Shares, and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions, and are in the interests of the Company and the Shareholders as a whole.

Placing Commission

The Placing Agent will receive a placing commission of 2.5% of the aggregate Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission was arrived at arm's length negotiation between the Company and the Placing Agent. The Directors are of the view that the placing commission of 2.5% are on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Disposal and lock-up restriction

The Placing Shares are not subject to any lock-up or other disposal restriction under the terms of the Placing Agreement.

Condition of the Placing

The Placing is conditional on the GEM Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares on or before 9 March 2015 (or such later date as may be agreed by the Company and the Placing Agent).

If the condition is not satisfied, the Placing Agreement shall be terminated forthwith and all rights, obligations and liabilities of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties shall have any claim against the other in relation thereto, save for any antecedent breaches of the Placing Agreement.

Completion of the Placing

Completion of the Placing will take place on the fifth Business Days after the fulfillment of the above conditions precedent to completion of the Placing, or such other date as the Company and the Placing Agent may agree.

Mandate to allot and issue new Shares

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 29 September 2014. The Company is authorised to issue a maximum of 60,000,000 Shares under such mandate.

Prior to the date of the Placing Agreement, the Company has not utilised any of the power to allot and issue any new Shares pursuant to such mandate and therefore has the power to allot and issue up to 60,000,000 Shares under such mandate. Accordingly, no Shareholders' approval is required for the issue of the Placing Shares.

Ranking

The Placing Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Placing.

Termination

The Placing Agent shall have the right to terminate the Placing Agreement by notice in writing given to the Company at any time prior to 11:00 a.m. on the Completion Date if any of the following occurs:

- (A) there shall have come to the notice of the Placing Agent any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations and warranties of the Company contained herein or any failure by the Company to perform its undertakings in the Placing Agreement;
- (B) in the sole and reasonable judgment of the Placing Agent, there shall have been such a change in the national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in its judgment be likely to prejudice the success of the Placing or trading in the of the Shares in the secondary market;
- (C) any new law, rule or regulation or any change in existing laws (including common law), rules or regulations (or the juridical interpretation thereof) or other occurrence of any nature whatsoever which, in the reasonable opinion of the Placing Agent, are or may be materially adverse to the business or financial position or prospects of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- (D) any event or circumstance (whether or not forming part of a series of events or circumstances occurring or continuing before, on and/or after the date of the Placing Agreement) or material change or deterioration in local, national, international, political, military, financial, economic, market or trading conditions or any other conditions (whether or not ejusdem generis with any of the foregoing) in any part of the world in which the Company or any other member of the Group carries on business which, in the reasonable opinion of the Placing Agent, is or may be materially adverse to the business or financial position or prospects of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Placing;

and that the right to terminate the Placing Agreement under paragraphs (A) to (D) above shall be a separate and independent right and that the exercise of any such right by the Placing Agent shall not affect or prejudice or constitute a waiver of any other right, remedy or claim which the Placing Agent may have as at the date of such notice nor shall termination of the Placing Agreement affect or prejudice any provision thereof expressed to survive or operate in the event of termination of the Placing Agreement.

2. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing (assuming no Shares were allotted, issued or repurchased by the Company from the date of this announcement and up to completion of the Placing other than the allotment and issue of the Placing Shares) are as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Genius Idea Holdings Limited (Notes 1 and 2)	225,000,000	75.00%	225,000,000	68.18%
Placee(s)	—	—	30,000,000	9.09%
Public Shareholders	<u>75,000,000</u>	<u>25.00%</u>	<u>75,000,000</u>	<u>22.73%</u>
Total	<u>300,000,000</u>	<u>100.00%</u>	<u>330,000,000</u>	<u>100.00%</u>

Note:

- 225,000,000 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. Under the SFO, Ms. Lee Yuk Pui Kawina is deemed, or taken to be interested in all the shares in which Mr. Chan Tat Wah is interested.

As disclosed in the above shareholding table, immediately after completion of the Placing, over 25% of the enlarged issued share capital of the Company will be held in public hands (including the Placees).

3. REASONS FOR THE PLACING AND USE OF PROCEEDS

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.

Upon completion of the Placing (and assuming all the 30,000,000 Placing Shares will be placed), the gross proceeds arising from the Placing are estimated to be HK\$36 million and the net proceeds, after deducting related Placing commission, professional fees and all related expenses, arising from the Placing are estimated to be approximately HK\$35 million, which is intended to be used for the acquisition of a property in Hong Kong and as general working capital.

As stated in the prospectus of the Company dated 8 July 2014, it is the Company's intention to use approximately HK\$13 million of the net proceeds raised from the initial public offering of new shares of the Company to finance the consideration for the acquisition of a showroom/workshop with the objective to expand the Group's office in Hong Kong. The Company has since its listing on the Growth Enterprise Market of the Stock Exchange in July 2014 been actively identifying appropriate properties.

In view of the Group's business requirement, several properties were recently identified based on various factors such as the location, the size and the price. The Company has expressed its interest to acquire the potential properties through various real estate agent(s) to owner(s) of the respective potential properties. So far up to the Latest Practicable Date, there is no indication of acceptance or non-acceptance by the owner(s) of the respective potential properties as the market is still in favour of the owners. In the event that the potential acquisition is materialised, it is expected to constitute a major transaction (as classified under the GEM Listing Rules) to the Company and it will have to comply with the relevant requirements as prescribed under the GEM Listing Rules.

While the Directors considered those identified properties suitable for the Group's business needs, the Directors expected that the sum of the aforesaid HK\$13 million designated for such purpose together with any mortgage financing (if granted) for the potential acquisition may not be sufficient to satisfy the total consideration for the potential acquisition. In order to fulfill the Group's business needs, additional funding is therefore required to finance the possible acquisition of properties. Taking into account the aforesaid HK\$13 million already designated for such purpose, the Directors anticipate an additional amount of HK\$23 million will be required to satisfy all the costs and expenses incidental to the potential acquisition.

The Directors have considered various alternatives to finance the potential acquisition, including mortgage financing, additional bank loans or other equity financing options. Given the volatility in the financial market and the uncertainty of interest rate in the future, the Directors believe that the Placing by way of a general mandate is the most efficient way to raise additional funds to satisfy all the costs and expenses incidental to the potential acquisition in addition to the aforesaid HK\$13 million.

On the assumption that a maximum amount of net proceeds of approximately HK\$35 million being raised under the Placing, and approximately HK\$23 million will be applied as a portion of the total funding to finance the potential acquisition, it is expected that approximately HK\$12 million will be available for the Group to apply as general working capital.

The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement and the Placing Price to be fair and reasonable so far as the Shareholders are concerned and the Placing is in the best interests of the Company and the Shareholders as a whole.

4. FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
The Company was listed on GEM on 18 July 2014 by way of placing of 75,000,000 new Shares at a price of HK\$0.60 per Share.	Approximately HK\$31.0 million has been raised.	Approximately HK\$3.0 million (or approximately 9.7% of the net proceeds) for enhancing customer awareness in Hong Kong, Singapore and overseas.	Approximately HK\$0.5 million has been utilised for enhancing customer awareness in Hong Kong, Singapore and overseas. The balance is expected to be used as intended by September 2015.
		Approximately HK\$0.5 million (or approximately 1.6% of the net proceeds) for enhancing design capacity and office efficiency in Hong Kong.	Approximately HK\$0.5 million has been used for enhancing design capacity and office efficiency in Hong Kong.
		Approximately HK\$13.0 million (or approximately 41.9% of the net proceeds) for expanding office in Hong Kong through the acquisition of a new showroom/workshop.	Approximately HK\$13.0 million is intended to be used as intended by March 2015.
		Approximately HK\$0.5 million (or approximately 1.6% of the net proceeds) for establishing presence in Singapore through the leasing of an office and expansion of our sales team in Singapore.	Approximately HK\$0.5 million will be used by September 2015 with the expansion of office in Singapore.
		Approximately HK\$11.0 million (or approximately 35.5% of the net proceeds) for expanding the office in Singapore through the acquisition of a new sales office/showroom.	Approximately HK\$11.0 million will be used as intended by September 2015.
		Approximately HK\$3.0 million (or approximately 9.7% of the net proceeds) for funding the working capital and general corporate purposes.	Approximately HK\$3.0 million has been used for the working capital and general corporate purposes of the Group.

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Last Trading Date.

5. APPLICATION FOR LISTING

Application will be made to the GEM Listing Committee for the approval for the listing of, and permission to deal in, the Placing Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange has been halted with effect from 9:02 a.m. on 16 February 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 February 2015.

Shareholders and potential investors should note that the Placing may or may not proceed in the event that the condition of the Placing is not satisfied. If the condition of the Placing is not satisfied, then the Placing Agreement shall be terminated forthwith and all rights, obligations and liabilities of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties shall have any claim against the other in relation thereto, save for any antecedent reaches of the Placing Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

6. DEFINITIONS

The following defined terms are used in this announcement:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“Company”	Kate China Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on GEM

“Completion Date”	the fifth Business Day following the fulfilment of the condition precedent under the paragraph headed “Condition of the Placing” or such other date as the Company and the Placing Agent may agree in writing
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange which is responsible for GEM listing matters
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	party(ies) who is(are) independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or associated companies, or any of their respective associates
“Last Trading Day”	13 February 2015, being the last trading day in the Shares prior to the trading halt with effect from 9:02 a.m. on 16 February 2015 pending for issue of this announcement
“Latest Practicable Date”	16 February 2015, being the latest practicable date prior to this announcement for ascertaining certain information contained herein
“Placees”	the placees to be procured by the Placing Agent pursuant to the terms and conditions of the Placing Agreement
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	a placing agreement dated 16 February 2015 and made among the Company and the Placing Agent in relation to the Placing

“Placing Price”	the price of HK\$1.20, being the subscription price of each Placing Share
“Placing Shares”	up to 30,000,000 new Shares to be subscribed by the Placees in accordance with the terms of the Placing Agreement
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Kate China Holdings Limited
Chan Tat Wah
Chairman and Executive Director

Hong Kong, 17 February 2015

As at the date of this announcement, the executive Directors are Mr. Chan Tat Wah (Chairman), Mr. Fok Chun Kit (CEO), and Mr. Tsang Kei Cheong; and the independent non-executive Directors are Mr. Lam Yiu Kin, Mr. Lu Tak Ming and Prof. Lai Kin Keung. This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 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.

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.