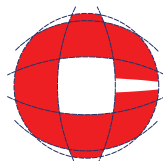


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中持基業控股有限公司
Kate China Holdings Limited

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 2015**

HIGHLIGHTS

For the nine months ended 31 December 2015,

- (1) Revenue of the Group was approximately HK\$88.0 million, decreased approximately 5.6% as compared to the corresponding period in 2014;
- (2) Profit for the period attributable to owners of the Company was approximately HK\$3.4 million (2014: HK\$1.3 million);
- (3) Earnings per share of the Company was approximately HK1.02 cents (2014: HK0.45 cents);
and
- (4) The Directors did not recommend the payment of dividend.

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 2015, together with the comparative unaudited figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	17,029	36,442	88,004	93,246
Cost of sales		<u>(15,289)</u>	<u>(30,629)</u>	<u>(72,072)</u>	<u>(71,012)</u>
Gross profit		1,740	5,813	15,932	22,234
Other income	4	241	6	294	272
Administrative expenses		(3,737)	(4,672)	(12,111)	(19,214)
Finance costs	5	(70)	—	(75)	(104)
(Loss)/Profit before tax	6	(1,826)	1,147	4,040	3,188
Income tax expense	7	(119)	(197)	(681)	(1,858)
(Loss)/Profit for the period attributable to owners of the Company		(1,945)	950	3,359	1,330
Other comprehensive income/(expenses)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		158	(1)	(33)	(51)
Total comprehensive (expenses)/income for the period attributable to owners of the Company		<u>(1,787)</u>	<u>949</u>	<u>3,326</u>	<u>1,279</u>
(Loss)/Earnings per share					
— Basic and diluted	8	<u>(0.59) cents</u>	<u>0.32 cents</u>	<u>1.02 cents</u>	<u>0.45 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

	Share capital HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
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	—	—	(33)	(33)
Total comprehensive income for the period	—	3,359	(33)	3,326
At 31 December 2015 (unaudited)	<u>76,113</u>	<u>31,822</u>	<u>(278)</u>	<u>107,657</u>
At 1 April 2014 (audited)	—	23,012	183	23,195
Issue of new shares, net of transaction costs	41,013	—	—	41,013
Profit for the period	—	1,330	—	1,330
Other comprehensive expense for the period	—	—	(51)	(51)
Total comprehensive income for the period	—	1,330	(51)	1,279
At 31 December 2014 (unaudited)	<u>41,013</u>	<u>24,342</u>	<u>132</u>	<u>65,487</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

1. GENERAL

The Company was incorporated in Hong Kong with limited liability on 29 July 2013. The registered office and the principal place of business of the Company is situated at Unit A, 10/F., Tontex Industrial Building, No. 2-4 Sheung Hei Street, San Po Kong, Kowloon, 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 materials.

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 GEM Listing Rules.

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 of the Company for the year ended 31 March 2015.

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.

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

3. 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 materials service (“**Design and procurement of furnishings and materials service**”).

Revenue derived from the following operating segments for the nine months ended 31 December 2014 and 2015 are as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited)	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited)
Design and fitting-out service income	15,950	32,596	85,019	67,120
Design and procurement of furnishings and materials service:				
Sales of furnishings and materials	10	—	10	—
Procurement of furnishings and materials	1,069	3,846	2,975	26,126
	<u>17,029</u>	<u>36,442</u>	<u>88,004</u>	<u>93,246</u>

4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited)	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited)
Bank interest income	—	6	5	10
Exchange gain	1	—	1	1
Gain on disposal of plant and equipment	—	—	—	1
Rental income	205	—	205	—
Reversal of impairment loss on trade receivables	25	—	25	218
Sundry income	10	—	58	42
	<u>241</u>	<u>6</u>	<u>294</u>	<u>272</u>

5. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interests on:				
Unsecured bank borrowings wholly repayable within five years	67	—	67	104
Finance lease	3	—	8	—
	<u>70</u>	<u>—</u>	<u>75</u>	<u>104</u>

6. (LOSS)/PROFIT BEFORE TAX

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(Loss)/Profit before tax for the period has been arrived at after charging:				
Directors' emoluments (including contribution to defined contribution retirement benefits scheme)	1,023	1,046	2,706	2,978
Salaries, wages and other benefits (excluding directors' emoluments)	1,744	1,932	4,421	5,318
Contribution to defined contribution retirement benefits scheme (excluding directors)	63	106	226	242
	<u>2,830</u>	<u>3,084</u>	<u>7,353</u>	<u>8,538</u>
Auditor's remuneration	—	100	300	320
Depreciation	83	179	247	343
Impairment loss in respect of trade receivables (included in administrative expense)	—	—	—	204
Minimum lease payments under operating leases in respect of office premises	103	112	306	270
Initial public offering expenses (included in administrative expense)	—	—	—	5,516
	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,516</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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	119	209	681	1,626
Singapore Corporate Tax	—	—	—	238
	<u>119</u>	<u>209</u>	<u>681</u>	<u>1,864</u>
Over provision in prior periods				
Singapore Corporate Tax	—	(12)	—	—
Deferred taxation	—	—	—	(6)
	<u>119</u>	<u>197</u>	<u>681</u>	<u>1,858</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 2015 (nine months ended 31 December 2014: 16.5%).

Singapore Corporate Tax has been provided at the rate of 17% on the estimated assessable profits for the nine months ended 31 December 2015 (nine months ended 31 December 2014: 17%).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for each of the three and nine months ended 31 December 2015 is based on the (loss)/profit for the period attributable to the owners of the Company of approximately HK\$(1,945,000) and HK\$3,359,000 respectively (three and nine months ended 31 December 2014: profit of approximately HK\$950,000 and HK\$1,330,000 respectively) and the weighted average of 330,000,000 and 330,000,000 ordinary shares in issue during the three and nine months ended 31 December 2015 respectively (three and nine months ended 31 December 2014: weighted average of 300,000,000 and 293,442,623 ordinary shares respectively).

Since there were no potential dilutive shares in issue during the three and nine months ended 31 December 2015 and 2014, 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 2015 (nine months ended 31 December 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of (i) design and fitting-out services in Hong Kong and (ii) design and procurement of furnishings and materials services in Hong Kong, Singapore and Malaysia.

As at 31 December 2015, the Group has 12 projects on hand. With regard to those 12 projects on hand, 9 of them relate to design and fitting-out services and 3 relates to design and procurement of furnishings and materials services in Hong Kong.

Financial Review

Revenue

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

Total revenue for the nine months in 2015 was approximately HK\$88.0 million (2014: HK\$93.2 million) which represents a HK\$5.2 million or 5.6% reduction. Such decrease was the result of the revenue recognised from design and procurement of furnishings and materials at the final stage was much less than the corresponding period in 2014 even though the Group undertook larger design and fitting-out contracts during the nine months ended 31 December 2015. Accordingly, our Group recorded a decrease in overall revenue which is considered as normal for this type of project based business by the management.

Breakdown by types of projects:

	For the nine months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Design and fitting-out service income	85,019	67,120
Design and procurement of furnishings and materials service income:		
— Sales of furnishings and materials	10	—
— Procurement of furnishings and materials	2,975	26,126
	88,004	93,246

Breakdown by geographical locations:

	For the nine months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	88,004	83,765
Malaysia	—	9,481
	88,004	93,246

For the nine months ended 31 December 2015, the Group recorded total revenue of approximately HK\$88.0 million and 100% of which was derived from Hong Kong.

Gross profit and profit for the period

For the nine months ended 31 December 2015, the Group recorded a gross profit of approximately HK\$15.9 million (2014: HK\$22.2 million) and the overall gross profit margin was approximately 18.1% (2014: 23.8%). During the nine months ended 31 December 2015, gross profit for design and fitting-out services derived in Hong Kong amounted to approximately HK\$15.5 million and for design and procurement of furnishings and materials services was approximately HK\$0.4 million respectively. During the nine months ended 31 December 2015, gross profit margin for design and fitting-out services was approximately 18.3%, and gross profit margin for design and procurement of furnishings and materials was approximately 13.7%, which were lower than that for the corresponding period in 2014 due to the continuous increase in direct cost. In view of the lower revenue and gross profit margin during the nine months ended 31 December 2015, the overall gross profit was lower than that for the corresponding period in 2014.

Profit for the nine months ended 31 December 2015 was approximately HK\$3.4 million as compared to HK\$1.3 million for the corresponding period of last year. Such increase was mainly due to the decrease in administrative expenses of approximately HK\$7,100,000 through the drop in the staff costs by approximately HK\$1.2 million as compared to the corresponding period of last year and no listing expenses incurred during the nine months ended 31 December 2015 (2014: approximately HK\$5.5 million) but in the same time, there is a drop in the gross profit by approximately HK\$6.3 million as compared to the corresponding period of last year.

Outlook

Looking forward, the Group will continue to look for business opportunities associated with its core business so as to strengthen its revenue base and maximise the return to the shareholders and the value of the Company. As included in the voluntary announcement dated 17 November 2015, the

Company had acquired a subsidiary including a joint venture intended to engage in the business of logistics, freight forwarding, warehousing and/or related business in connection with commodities and other general trade. The joint venture is still looking for trading opportunity. Besides the current business and the joint venture, the Group will continue to explore new business and investment opportunities so as to diversify the principal activities of the Group and broaden its revenue base.

Change of registered office and the principal place of business

The registered office and the principal place of business of the Company is changed to Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 1 February 2016. In relation to the change of the registered office and the principal place of business, there are costs of renovation and decoration to be incurred in the fourth quarter of the financial year 2015/16.

Liquidity, Financial Resources and Capital Structure

During the nine months ended 31 December 2015, the Group financed its operations by its internal resources. As at 31 December 2015, the Group had net current assets of approximately HK\$151.1 million (31 March 2015: HK\$103.7 million), including cash of approximately HK\$25.8 million (31 March 2015: HK\$50 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.2 times as at 31 December 2015 (31 March 2015: 2.7 times). The decrease in the current ratio was mainly attributable to the acquisition of the investment property during the nine months ended 31 December 2015.

The capital of the Group comprises only ordinary shares. There is no change in the share capital during the nine months ended 31 December 2015.

Charges on the Group's Assets

As at 31 December 2015, the investment property and a fixed deposit of HK\$4.5 million (31 March 2015: Nil) were pledged to banks to secure certain banking facilities of the Group.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015 and 31 March 2015.

Major Acquisition and Disposal

Apart from the acquisition of the investment property and the subsidiary, there is no other acquisition or disposal during the nine months ended 31 December 2015.

Use of Proceeds from the listing of the Company on GEM (the “Listing”) and the 2015 Placing

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

On 9 March 2015, the Group completed a placing of 30,000,000 new shares at a price of HK\$1.20 per share (the “**2015 Placing**”) and raised net proceeds of a sum of approximately HK\$35.0 million.

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

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

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

Employee Information

Total remuneration for the nine months ended 31 December 2015 (including directors' emoluments and salaries to staff and directors including MPF contributions) was approximately HK\$7.4 million (2014: HK\$8.5 million). Such decrease was mainly due to less bonus paid during the period as compared to the corresponding period in 2014. As at 31 December 2015, the Group had 33 employees (31 December 2014: 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 2015, the interests and short positions of the Directors (including former Directors during the period) 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%
Mr. Chan Tat Wah (resigned on 17 November 2015)	Interest of a controlled corporation	20,000,000 (Note)	6.06%

Note: 20,000,000 Shares are registered in the name of Genius Idea Holdings Limited, which is wholly-owned by Mr. Chan Tat Wah, a former Director during the period. Accordingly, Mr. Chan Tat Wah is deemed to be interested in the relevant Shares under the SFO.

Save as disclosed above, as at 31 December 2015, 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 31 December 2015, so far as is known to the Directors (including former Directors during the period) 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	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	Beneficial owner	45,000,000	13.64%
Ms. Zheng Juhua (<i>Note 2</i>)	Interest of a Controlled Corporation	45,000,000	13.64%
Genius Idea Holdings Limited	Beneficial owner	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 Huarrong (HK) International Holdings Limited.

Huarrong (HK) International Holdings Limited is a jointly-owned as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. and 88.1% by Huarong Real Estate Co., Ltd.

Each of Huarong Zhiyuan Investment & Management Co., Ltd. and Huarong Real Estate Co. Ltd. is wholly-owned by China Huarong Asset Management Co., Ltd.

Accordingly, each of Huarrong (HK) International Holdings Limited, Huarong Real Estate Co., Ltd. and China Huarong Asset Management Co., Ltd. is deemed to be interested in the relevant Shares under the SFO.

2. 45,000,000 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, a former Director during the period. 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 2015, 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 2015, the total number of Shares available for issue under the Scheme is 30,000,000 Shares, representing approximately 9.1% 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 2015 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 2015 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

As at 31 December 2015, 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 2015, 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.

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

Save as disclosed above, no Director has dealt in the Shares during the nine months ended 31 December 2015.

Purchase, Sale or Redemption of Shares

During the nine months ended 31 December 2015, 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 2015.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established by the Board on 30 June 2014 with written terms of reference which were revised on 14 December 2015 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by

Mr. Chan Chiu Hung Alex. The other members are Mr. Lu Tak Ming and Mr. Wu Zhao. 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 2015 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 and discussed with the management on the risks associated with the operations of the Group.

PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD QUARTERLY REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.katechina.hk). The third quarterly report of the Company for the nine months ended 31 December 2015 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, 1 February 2016

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen (Chairman), Mr. Fok Chun Kit (Chief Executive Officer), Mr. Tsang Kei Cheong and Mr. Liu Rongsheng; the non-executive Director is Mr. Yuan Guanghua; and the independent non-executive Directors are Mr. Chan Chiu Hung Alex, and Mr. Lu Tak Ming and Mr. Wu Zhao.

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 for at least 7 days from the date of its posting and on the website of the Company at www.katechina.hk.