

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

Incorporated in Hong Kong with limited liability  
Stock code : 8125

INTERIM REPORT 2014/15



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

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

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

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*This report, for which the directors of Kate China Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.*

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



SHINEWING (HK) CPA Limited  
43/F., The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong

### To the Board of Directors of Kate China Holdings Limited

*(incorporated in Hong Kong with limited liability)*

#### Introduction

We have reviewed the condensed consolidated financial statements of Kate China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 17, which comprise the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company (the "Directors") are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## Other matter

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 September 2013 and the condensed consolidated statement of profit or loss and other comprehensive income for the three months period ended 30 September 2013 and 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

## **SHINEWING (HK) CPA LIMITED**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

10 November 2014

## THE FINANCIAL STATEMENTS

### Interim Results

The board of Directors (the "Board") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2014 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		39,907	39,435	56,804	50,577
Cost of sales		(28,716)	(28,972)	(40,383)	(36,937)
<b>Gross profit</b>		<b>11,191</b>	10,463	<b>16,421</b>	13,640
Other income	5	5	24	266	27
Administrative expenses		(11,017)	(4,349)	(14,542)	(6,331)
Finance costs	6	(48)	(4)	(104)	(9)
<b>Profit before tax</b>	7	<b>131</b>	6,134	<b>2,041</b>	7,327
Income tax expense	8	(965)	(787)	(1,661)	(1,151)
<b>(Loss) profit for the period attributable to owners of our Company</b>		<b>(834)</b>	5,347	<b>380</b>	6,176
<b>Other comprehensive (expense) income</b>					
Item that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations		(54)	113	(50)	76
<b>Total comprehensive (expense) income for the period attributable to owners of the Company</b>		<b>(888)</b>	5,460	<b>330</b>	6,252
<b>(Loss) earnings per share</b> — Basic and diluted	10	<b>(0.29) cents</b>	2.38 cents	<b>0.15 cents</b>	2.74 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2014

	Notes	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
<b>Non-current asset</b>			
Plant and equipment	11	933	732
<b>Current assets</b>			
Trade and other receivables	12	22,180	34,075
Amounts due from customers of contract work		37,751	7,689
Amount due from ultimate holding company	16	5	—
Tax recoverable		958	1,557
Bank balances and cash		27,990	5,107
		<b>88,884</b>	48,428
<b>Current liabilities</b>			
Trade and other payables	13	19,538	5,761
Amounts due to customers of contract work		4,243	13,680
Income tax payables		1,438	1,189
Unsecured bank borrowing	14	—	284
Bank overdraft		—	4,985
		<b>25,219</b>	25,899
<b>Net current assets</b>		<b>63,665</b>	22,529
<b>Total assets less current liabilities</b>		<b>64,598</b>	23,261
<b>Capital and reserves</b>			
Share capital	15	41,013	—
Reserves		23,525	23,195
<b>Equity attributable to owners of the Company</b>		<b>64,538</b>	23,195
<b>Non-current liability</b>			
Deferred tax liability		60	66
		<b>64,598</b>	23,261

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Share capital (Note 14) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014 (Audited)	—	183	23,012	23,195
Issue of new shares, net of transaction costs	41,013	—	—	41,013
Profit for the period	—	—	380	380
Other comprehensive expense for the period	—	(50)	—	(50)
Total comprehensive income for the period	—	(50)	380	330
<b>At 30 September 2014 (Unaudited)</b>	<b>41,013</b>	<b>133</b>	<b>23,392</b>	<b>64,538</b>
At 1 April 2013 (Audited)	—	29	13,367	13,396
Profit for the period	—	—	6,176	6,176
Other comprehensive income for the period	—	76	—	76
Total comprehensive income for the period	—	76	6,176	6,252
<b>At 30 September 2013 (Unaudited)</b>	<b>—</b>	<b>105</b>	<b>19,543</b>	<b>19,648</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities	<u>(12,342)</u>	<u>(8,763)</u>
Net cash used in investing activities	<u>(365)</u>	<u>(322)</u>
Net cash generated from (used in) financing activities		
New bank borrowing raised	5,000	—
Repayment of bank borrowing	(5,284)	(101)
Net proceeds from issue of shares	41,013	—
Other financing cash flows	<u>(104)</u>	<u>(48)</u>
	<u>40,625</u>	<u>(149)</u>
Net increase (decrease) in cash and cash equivalents	27,918	(9,234)
Cash and cash equivalents at beginning of period	122	10,522
Effect of foreign exchange rate changes	<u>(50)</u>	<u>(1)</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u>27,990</u>	<u>1,287</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

### 1. GENERAL INFORMATION

The Company was incorporated in Hong Kong as a company with limited liability and its shares are listed on the GEM of the Stock Exchange. The addresses of the registered office and the principal place of business of the Company is 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.

The 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 dollar, the functional currency of the Company and other subsidiaries is HK\$.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the HKAS 34 issued by the HKICPA as well as the applicable disclosure requirements of the GEM Listing Rules.

Pursuant to a Group Reorganisation which was completed on 31 August 2013 as detailed in the section headed "Reorganisation" in the listing document dated 8 July 2014 (the "Prospectus"), the Company became the holding company of the companies comprising the Group.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the accountants' report included in Appendix I to the Prospectus, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 11 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) — Interpretation 21	Levies

The application of the above new or revised standards, amendments and interpretations in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/ or disclosures set out in these condensed consolidated financial statements.

#### 4. 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.

Principal activities and reportable and operating segments are as follows:

- (i) Provision of design and fitting-out works (“Design & fitting-out”); and
- (ii) Provision of design and procurement of furnishings and materials services (“Design and procurement of furnishings and materials service”).

##### (a) Segment revenue and results

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

##### *For the six months ended 30 September 2014 (Unaudited)*

	<b>Design &amp; fitting-out HK\$'000</b>	<b>Design and procurement of furnishings and materials service HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<u>34,524</u>	<u>22,280</u>	<u>56,804</u>
Segment profit	<u>9,960</u>	<u>6,475</u>	16,435
Other income			48
Central administrative costs			(14,338)
Finance costs			<u>(104)</u>
<b>Profit before tax</b>			<u><b>2,041</b></u>

4. **SEGMENT INFORMATION** (CONTINUED)

(a) **Segment revenue and results** (Continued)

For the six months ended 30 September 2013 (Unaudited)

	Design & fitting-out HK\$'000	Design and procurement of furnishings and materials service HK\$'000	Total HK\$'000
Segment revenue	<u>34,230</u>	<u>16,347</u>	<u>50,577</u>
Segment profit	<u>9,263</u>	<u>4,377</u>	13,640
Other income			27
Central administrative costs			(6,331)
Finance costs			<u>(9)</u>
<b>Profit before tax</b>			<u><u>7,327</u></u>

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

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (b) Segments assets and liabilities

The following table present segment assets and liabilities of the Group's operating segments as at 30 September 2014 and 31 March 2014:

	<b>30 September 2014 HK\$'000 (Unaudited)</b>	31 March 2014 HK\$'000 (Audited)
<b>Segment assets</b>		
Design & fitting-out	<b>31,773</b>	16,845
Design and procurement of furnishings and materials service	<b>26,034</b>	23,067
Total segment assets	<b>57,807</b>	39,912
Unallocated corporate assets	<b>32,010</b>	9,248
Total assets	<b>89,817</b>	49,160
<b>Segment liabilities</b>		
Design & fitting-out	<b>8,329</b>	16,235
Design and procurement of furnishings and materials service	<b>14,976</b>	2,495
Total segment liabilities	<b>23,305</b>	18,730
Unallocated corporate liabilities	<b>1,974</b>	7,235
Total liabilities	<b>25,279</b>	25,965

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

- all assets are allocated to reportable segments other than plant and equipment, certain prepayments, deposits and other receivables, amount due from the ultimate holding company, tax recoverable and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to reportable segments other than certain accrued expenses and other payables, income tax payable, unsecured bank borrowing, bank overdraft and deferred tax liability as these liabilities are managed on a group basis.

## 5. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	3	1	4	1
Exchange gain	1	—	1	—
Gain on disposal of plant and equipment	1	—	1	—
Reversal of impairment loss in respect of trade receivables	—	—	218	—
Sundry income	—	23	42	26
	<u>5</u>	<u>24</u>	<u>266</u>	<u>27</u>

## 6. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interests on:				
— Unsecured bank borrowing wholly repayable within five years	48	4	104	8
— Finance lease	—	—	—	1
	<u>48</u>	<u>4</u>	<u>104</u>	<u>9</u>

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

	For the three months ended 30 September		For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:				
Directors' emoluments (including contribution to defined contribution retirement benefits scheme)	1,628	621	1,932	917
Salaries, wages and other benefits (excluding directors' emoluments)	2,248	623	3,386	1,382
Contribution to defined contribution retirement benefits scheme (excluding directors)	83	54	136	90
	<u>3,959</u>	<u>1,298</u>	<u>5,454</u>	<u>2,389</u>
Administrative expenses:				
Auditor's remuneration	120	—	220	—
Depreciation of plant and equipment	105	30	164	76
Impairment loss in respect of trade receivables	204	—	204	—
Minimum lease payments under operating leases in respect of office premises	83	78	158	153
Initial public offering expenses	4,527	2,264	5,516	2,614

## 8. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
Current tax	840	561	1,417	901
Singapore Corporate Tax				
Current tax	133	206	250	219
Deferred taxation	(8)	20	(6)	31
	<u>965</u>	<u>787</u>	<u>1,661</u>	<u>1,151</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2014 (six months ended 30 September 2013: 16.5%).

Singapore Corporate Tax has been provided at the rate of 17% on the estimated assessable profits for the six months ended 30 September 2014 (six months ended 30 September 2013: 17%).

## 9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the three months and six months ended 30 September 2014 is based on the profit or loss attributable to owners of the Company of loss of HK\$834,000 and profit of HK\$380,000 respectively (three and six months ended 30 September 2013: profit of approximately HK\$5,347,000 and HK\$6,176,000 respectively) and the weighted average of 286,813,187 and 255,738,705 ordinary shares in issue during the three and six months ended 30 September 2014 respectively (three and six months ended 30 September 2013: weighted average of 225,000,000 and 225,000,000 ordinary shares respectively).

Since there were no potential dilutive shares in issue during the three and six months ended 30 September 2014 and 2013, basic and diluted (loss) earnings per share are the same for all periods.

The basic and diluted earnings per share for the period ended 30 September 2013 are calculated by dividing the profit attributable to equity holders of the Company by 225,000,000 ordinary shares, which are deemed to have been issued at the beginning of the earliest period presented in the condensed consolidated financial statements.

## 11. PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group spent approximately HK\$372,000 (six months ended 30 September 2013: approximately HK\$318,000) on additions to plant and equipment. The Group disposed a motor vehicle with carrying amount of approximately HK\$9,000 (six months ended 30 September 2013: nil) during the period.

## 12. TRADE AND OTHER RECEIVABLES

Included in the amounts are trade receivables of approximately HK\$20,056,000 (31 March 2014: HK\$32,223,000), the Group allows an average credit period ranging from 30 to 180 days to its trade customers. The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	<b>30 September 2014 HK\$'000 (Unaudited)</b>	31 March 2014 HK\$'000 (Audited)
Within 30 days	3,940	10,479
More than 30 days but within 90 days	8,058	1,258
More than 90 days but within 180 days	1,882	14,885
More than 180 days but within 365 days	4,229	4,497
More than 365 days	1,947	1,104
	<hr/>	<hr/>
Total trade receivables	20,056	32,223
Other receivables	2,124	1,852
	<hr/>	<hr/>
Trade and other receivables	<b>22,180</b>	<b>34,075</b>

## 13. TRADE AND OTHER PAYABLES

Included in the amounts are trade payables of approximately HK\$19,062,000 (31 March 2014: HK\$5,011,000), the following is an ageing analysis of trade payables presented based on the invoice received date at the end of the reporting period:

	<b>30 September 2014 HK\$'000 (Unaudited)</b>	31 March 2014 HK\$'000 (Audited)
Within 30 days	19,062	4,899
More than 30 days but within 90 days	—	18
More than 90 days	—	94
	<hr/>	<hr/>
	<b>19,062</b>	<b>5,011</b>

#### 14. UNSECURED BANK BORROWING

During the six months ended 30 September 2014, the Group borrowed an additional loan of approximately of HK\$5,000,000 (six months ended 30 September 2013: nil). The bank borrowings amounting to HK\$5,284,000 had been settled during the six months ended 30 September 2014 (six months ended 30 September 2013: approximately HK\$101,000).

Bank borrowings carrying interest at average floating interest rates 3.5% per annum (31 March 2014: 3.5% per annum).

#### 15. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
<i>Authorised:</i>		
As at 1 April 2013 and 30 June 2013 Ordinary shares of HK\$1 each	2	—
At 1 April 2014 and 30 September 2014	(Note a)	(Note a)
<i>Issued and fully paid:</i>		
As at 1 April 2013, 30 June 2013 and 1 April 2014	2	—
Bonus issue of shares (Note b)	224,999,998	—
Issue of new shares to the public (Note c)	75,000,000	45,000
Costs for initial public offering (the "IPO") incurred	—	(3,987)
	<u>300,000,000</u>	<u>41,013</u>
As at 30 September 2014	<u>300,000,000</u>	<u>41,013</u>

Note:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.
- (b) Pursuant to the resolutions in writing by the ultimate holding company of the Group, Genius Idea Holdings Limited (the "Genius Idea"), passed on 30 June 2014, a total of 224,999,998 ordinary shares credited as fully paid and without payment to Genius Idea. The shares were allotted and issued on 18 July 2014 pursuant to the resolution shall rank pari passu with other shares in issue in all respects.
- (c) In connection with the IPO, 75,000,000 shares were issued on 17 July 2014 at a price of HK\$0.60 per share for a total cash consideration, before related issuance expenses, of HK\$45,000,000. Dealings in these shares on the Stock Exchange commenced on 18 July 2014.

## 16. RELATED PARTY TRANSACTIONS AND BALANCE

### (I) TRANSACTIONS

- (a) During the six months ended 30 September 2014 and 2013, the Group entered into transactions with a related party as follows:

	For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	890	360
Contributions to retirement benefits scheme	8	8
	<u>898</u>	<u>368</u>

The related party is the spouse of a director of the Company.

### (b) *Compensation of key management personnel*

The remuneration of key management personnel of the Group during the six months ended 30 September 2014 and 2013 is as follows:

	For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	3,372	1,311
Contributions to retirement benefits scheme	44	38
	<u>3,416</u>	<u>1,349</u>

### (ii) Balance

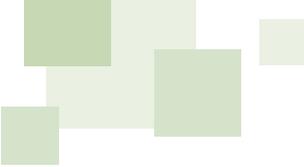
#### (a) *Amount due from ultimate holding company*

The amount is unsecured, interest free and repayable on demand.

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value due to their immediate or short-term maturities.



## 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.

The Group was successfully listed on GEM on 18 July 2014. The proceeds received have strengthened the Group's cash flow and the Group will implement its future plans according to the schedule set out in the Prospectus. The net proceeds will be applied towards enhancing customer awareness of the Group, expanding its team in Hong Kong and its presence in Singapore will further enhance the business growth of the Group.

During the six months ended 30 September 2014, the Group had 5 new customers, all of which were related to design and fitting-out services and in aggregate contributed approximately HK\$4.9 million to the Group's revenue. Up to 30 September 2014, being the latest practicable date for the purpose of this report, the Group has 19 projects on hand. With regard to those 19 projects on hand, 18 of them relate to design and fitting-out services in Hong Kong and 1 relates to design and procurement of furnishings and materials services in Hong Kong.

### Financial Review

#### Revenue

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

The total revenue for the six months ended 30 September in 2014 was approximately HK\$56.8 million (2013: HK\$50.6 million) which represents a HK\$6.2 million or 12.3% growth. Such increase was the result of the Group undertaking larger design and fitting out contracts than in 2013. Accordingly, the Group recorded an increase in overall revenue.

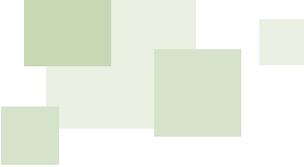
Breakdown by types of projects:

	<b>For the six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Design & fitting-out service income	<b>34,524</b>	34,230
Design & procurement of furnishings and materials service:		
— Sales of furnishings and materials	—	—
— Procurement of furnishings and materials	<b>22,280</b>	16,347
	<b>56,804</b>	50,577

Breakdown by geographical locations:

	<b>For the six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong	<b>47,323</b>	39,814
Singapore	—	—
Malaysia	<b>9,481</b>	10,763
	<b>56,804</b>	50,577

For the six months ended 30 September 2014, the Group recorded total revenue of approximately HK\$56.8 million, of which approximately HK\$47.3 million was derived from Hong Kong and approximately HK\$9.5 million from Malaysia representing approximately 83% and 17% of the total revenue of our Group respectively.



### ***Gross profit and profit for the period***

For the six months ended 30 September 2014, the Group recorded a gross profit of approximately HK\$16.4 million (2013: HK\$13.6 million) and the overall gross profit margin was approximately 28.9% (2013: 27.0%). During the six months ended 30 September 2014, gross profit for design and fitting-out services derived in Hong Kong and Malaysia amounted to approximately HK\$9.9 million and nil respectively, and for design and procurement of furnishings and materials services were approximately HK\$3.4 million and HK\$3.0 million respectively. During the six months ended 30 September 2014, gross profit margin for design and fitting-out services was approximately 28.8%, and gross profit margin for design and procurement of furnishings and materials services was approximately 29.0%, which were similar to the respective percentages recorded for the year ended 31 March 2014 as described in the paragraph headed “Gross profit” under the section headed “Financial information” of the Prospectus. Gross profit margin for design and procurement of furnishings and materials services remained higher than that for design and fitting-out services for the six months ended 30 September 2014, as was the case for the year ended 31 March 2014.

Profit for the six months ended 30 September 2014 was approximately HK\$0.4 million, representing a decrease of approximately 93.8% as compared to the corresponding period in 2013 mainly due to the following reasons:

Both the staff cost and the amount provided for tax expense during the six months ended 30 September 2014 have increased by approximately HK\$3.1 million and HK\$0.5 million as compared to the corresponding period in 2013. In addition, listing expenses of approximately HK\$5.5 million (2013: approximately HK\$2.6 million) was incurred during the six months ended 30 September 2014 which are not tax deductible. If the listing expenses of approximately HK\$5.5 million and staff cost of approximately HK\$3.1 million were added back to profit before taxation of the Group for the six months ended 30 September 2014, the Group’s adjusted profit before taxation would have been approximately HK\$13.0 million, which is similar to the adjusted profit before taxation of the Group for the corresponding period in 2013 (being the sum of listing expenses of approximately HK\$2.6 million, staff cost of approximately HK\$2.4 million and profit before taxation of approximately HK\$7.3 million).



## Liquidity, Financial Resources and Capital Structure

During the six months ended 30 September 2014, the Group financed its operations by its internal resources and bank facilities. As at 30 September 2014, the Group had net current assets of approximately HK\$63.7 million (31 March 2014: HK\$22.5 million), including cash of approximately HK\$28.0 million (31 March 2014: HK\$5.1 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 3.5 times as at 30 September 2014 (31 March 2014: 1.9 times). The increase in the current ratio was partly attributable to the net proceeds raised through the successful listing of the Company in July 2014 and the fluctuation due to the Group's business model which is project by project basis.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$64.5 million as at 30 September 2014 (31 March 2014: HK\$23.2 million).

## USE OF PROCEEDS

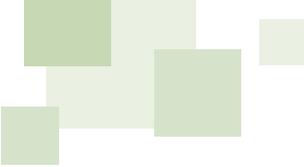
The net proceeds from the Company's Placing amounted to approximately HK\$31 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Up to 30 September 2014, the net proceeds had been applied as follows:

- (a) approximately HK\$0.4 million for enhancing the Company's customer awareness in Hong Kong, Singapore and overseas;
- (b) approximately HK\$0.5 million for enhancing the design capacity and office efficiency in Hong Kong; and
- (c) approximately HK\$3.0 million has been applied for funding the Company's working capital and general corporate purposes.

## Employee Information

Total remuneration for the six months ended 30 September 2014 (including Directors' emoluments and salaries to staff and Directors including MPF contributions) was approximately HK\$5.5 million (2013: HK\$2.4 million). Such increase was mainly due to the increase in number of staff and staff salaries. As at 30 September 2014, our Group had 37 employees (30 September 2013: 25 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 30 September 2014, 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*

<b>Name of Director</b>	<b>Capacity/Nature of interests capital</b>	<b>Number of Share held</b>	<b>Approximate percentage of issued Shares</b>
Mr. Chan Tat Wah ( <i>Note</i> )	Interest of a controlled corporation	225,000,000	75%

*Note:* 225,000,000 Shares are registered in the name of Genius Idea Holdings Limited, which is wholly-owned by Mr. Chan Tat Wah ("Mr. Chan").

Save as disclosed above, as at 30 September 2014, 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 September 2014, 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*

<b>Name of Shareholders</b>	<b>Capacity/Nature of interests capital</b>	<b>Number of Share held</b>	<b>Approximate percentage of issued shares</b>
Genius Idea Holdings Limited (Note 1)	Beneficial owner	225,000,000	75%
Ms. Lee Yuk Pui Kawina (Note 2)	Family interest	225,000,000	75%

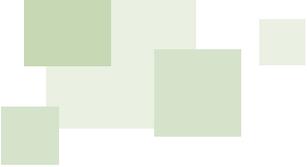
Notes:

1. Genius Idea Holdings Limited is wholly-owned by Mr. Chan.
2. Ms. Lee Yuk Pui Kawina is the spouse of Mr. Chan. Under the SFO, Ms. Lee Yuk Pui Kawina is deemed, or taken to be interested in all the Shares in which Mr. Chan is interested.

Save as disclosed above, as at 30 September 2014, 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 30 September 2014, the total number of Shares available for issue under the Scheme is 30,000,000 Shares, representing 10% 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 six months ended 30 September 2014 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying Shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## **Competing Interests**

As at 30 September 2014, 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 Adviser's Interests**

As at 30 September 2014, neither Altus Capital Limited, the compliance adviser 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. No director has dealt in the Shares since the date of listing and up to 30 September 2014.

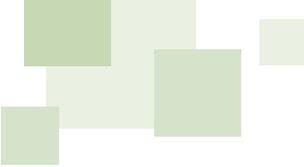
## **Purchase, Sale of Redemption of Shares**

During the six months ended 30 September 2014, 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 since the date of listing and up to 30 September 2014.



## 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 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. Lam Yiu Kin. The other members are Mr. Lu Tak Ming and Prof. Lai Kin Keung. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process and the internal control systems of the Group.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2014 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 10 November 2014

*As at the date of this report, the executive Directors are Mr. Chan Tat Wah (Chairman), Mr. Fok Chun Kit (Chief Executive Officer), 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.*