

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

Incorporated in Hong Kong with limited liability  
Stock code : 8125

THIRD QUARTERLY 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.*

## THE FINANCIAL STATEMENTS

### Third Quarterly Results

The board of Directors (the "Board") of 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 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 NINE MONTHS ENDED 31 DECEMBER 2014

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	36,442	25,333	93,246	75,910
Cost of sales		(30,629)	(19,008)	(71,012)	(55,945)
<b>Gross profit</b>		<b>5,813</b>	<b>6,325</b>	<b>22,234</b>	<b>19,965</b>
Other income	4	6	4	272	31
Administrative expenses		(4,672)	(2,753)	(19,214)	(9,084)
Finance costs	5	—	(4)	(104)	(13)
<b>Profit before tax</b>	6	<b>1,147</b>	<b>3,572</b>	<b>3,188</b>	<b>10,899</b>
Income tax expense	7	(197)	(793)	(1,858)	(1,944)
<b>Profit for the period attributable to owners of the Company</b>		<b>950</b>	<b>2,779</b>	<b>1,330</b>	<b>8,955</b>
<b>Other comprehensive (expense) income</b>					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		(1)	(17)	(51)	59
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>949</b>	<b>2,762</b>	<b>1,279</b>	<b>9,014</b>
<b>Earnings per share</b>					
— Basic and diluted	8	<b>0.32 cents</b>	1.24 cents	<b>0.45 cents</b>	3.98 cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

	Share capital (note i) HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
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 (expense) for the period	—	1,330	(51)	1,279
<b>At 31 December 2014 (unaudited)</b>	<b>41,013</b>	<b>24,342</b>	<b>132</b>	<b>65,487</b>

	Share capital (note i) HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	—	13,367	29	13,396
Profit for the period	—	8,955	—	8,955
Other comprehensive income for the period	—	—	59	59
Total comprehensive income for the period	—	8,955	59	9,014
<b>At 31 December 2013 (unaudited)</b>	<b>—</b>	<b>22,322</b>	<b>88</b>	<b>22,410</b>

Note:

- (i) As at 31 December 2013, the share capital represented the share capital of China Sourcing & Creative Construction Limited prior to the reorganisation upon the listing of shares on GEM of the Stock Exchange. As at 31 December 2014, the share capital represented the share capital of the Company pursuant to the completion of Group Reorganisation on 31 August 2013. Details of the Group Reorganisation is set out in the prospectus dated 8 July 2014 in relation to the listing of shares of the Company in GEM of the Stock Exchange (the "Prospectus").



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

### 1. GENERAL

The Company was incorporated in Hong Kong as a company with limited liability on 29 July 2013. 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.

### 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.

Pursuant to a Group Reorganisation which was completed on 31 August 2013 as detailed in the section headed “Reorganisation” in the Prospectus, the Company became the holding company of the companies comprising the Group.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those adopted in the accountants’ report included in the Prospectus upon the listing of shares in GEM of the Stock Exchange for the year ended 31 March 2014, except for the adoption of the new and revised HKFRSs. The condensed consolidated financial statements do not include all the information and disclosures required in the Prospectus.

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 of 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 & 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 2013 and 2014 are as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Design & fitting-out service income	<b>32,596</b>	21,268	<b>67,120</b>	55,498
Design & procurement of furnishings and materials service:				
Procurement of furnishings and materials	<b>3,846</b>	4,065	<b>26,126</b>	20,412
	<b>36,442</b>	25,333	<b>93,246</b>	75,910

#### 4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	6	—	10	1
Exchange gain	—	4	1	4
Gain on disposal of plant and equipment	—	—	1	—
Reversal of impairment loss on trade receivables	—	—	218	—
Sundry income	—	—	42	26
	<u>6</u>	<u>4</u>	<u>272</u>	<u>31</u>

#### 5. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on:				
Unsecured bank borrowings wholly repayable within five years	—	4	104	12
Finance lease	—	—	—	1
	<u>—</u>	<u>4</u>	<u>104</u>	<u>13</u>

## 6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the three months ended 31 December		For the nine months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax for the period has been arrived at after charging:				
Directors' emoluments (including contribution to defined contribution retirement benefits scheme)	1,046	3	2,978	920
Salaries, wages and other benefits (excluding directors' emoluments)	1,932	1,155	5,318	2,537
Contribution to defined contribution retirement benefits scheme (excluding directors)	106	62	242	152
	<u>3,084</u>	<u>1,220</u>	<u>8,538</u>	<u>3,609</u>
Auditor's remuneration	100	—	320	—
Depreciation	179	96	343	172
Impairment loss in respect of trade receivables (included in administrative expense)	—	175	204	175
Minimum lease payments under operating leases in respect of office premises	112	50	270	203
Initial public offering expenses (included in administrative expense)	—	411	5,516	3,025
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	209	236	1,626	1,137
Singapore Corporate Tax	—	557	238	776
	<u>209</u>	<u>793</u>	<u>1,864</u>	<u>1,913</u>
Over provision in prior periods				
Singapore Corporate Tax	(12)	—	—	—
Deferred taxation	—	—	(6)	31
Income tax expense for the period	<u>197</u>	<u>793</u>	<u>1,858</u>	<u>1,944</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 2014 (nine months ended 31 December 2013: 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 2014 (nine months ended 31 December 2013: 17%).



## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the three and nine months ended 31 December 2014 is based on the profit for the period attributable to the owners of the Company of approximately HK\$950,000 and HK\$1,330,000 respectively (three and nine months ended 31 December 2013: profit of approximately HK\$2,779,000 and HK\$8,955,000 respectively) and the weighted average of 300,000,000 and 293,442,623 ordinary shares in issue during the three and nine months ended 31 December 2014 respectively (three and nine months ended 31 December 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 nine months ended 31 December 2014 and 2013, basic and diluted earnings per share are the same for all periods.

The basic and diluted earnings per share for the period ended 31 December 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.

## 9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2014 (nine months ended 31 December 2013: 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.

The Group was successfully listed on GEM on 18 July 2014. The proceeds received have strengthened the Group's cash flow.

During the nine months ended 31 December 2014, the Group has 6 new customers, all of which were related to design and fitting-out services and in aggregate contributed approximately HK\$20.0 million in the revenue to the Group while 1 of which was also related to design and procurement of furnishings and material services and contributed approximately HK\$1.3 million in the revenue to the Group. Up to 31 December 2014, being the latest practicable date for the purpose of this report, the Group has 11 projects on hand. With regard to those 11 projects on hand, 9 of them relate to design and fitting-out services and 2 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.

The total revenue for the nine months in 2014 was approximately HK\$93.2 million (2013: HK\$75.9 million) which represents a HK\$17.3 million or 22.8% growth. Such increase was the result of the Group undertaking design and fitting-out contracts with higher value than in 2013. Accordingly, our Group recorded an increase in overall revenue.

Breakdown by types of projects:

	<b>For the nine months ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Design & fitting-out service income	<b>67,120</b>	55,498
Design & procurement of furnishings and materials service income:		
— Sales of furnishings and materials	—	—
— Procurement of furnishings and materials	<b>26,126</b>	20,412
	<b>93,246</b>	75,910

Breakdown by geographical locations:

	<b>For the nine months ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong	<b>83,765</b>	61,433
Singapore	—	922
Malaysia	<b>9,481</b>	13,555
	<b>93,246</b>	75,910

For the nine months ended 31 December 2014, the Group recorded total revenue of approximately HK\$93.2 million, of which approximately HK\$83.8 million was derived from Hong Kong and approximately HK\$9.5 million from Malaysia representing approximately 90% and 10% of the total revenue of the Group respectively.



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

For the nine months ended 31 December 2014, the Group recorded a gross profit of approximately HK\$22.2 million (2013: HK\$20.0 million) and the overall gross profit margin was approximately 23.8% (2013: 26.3%). During the nine months ended 31 December 2014, gross profit for design and fitting-out services derived in Hong Kong and Malaysia amounted to approximately HK\$18.1 million and nil respectively, and for design and procurement of furnishings and materials services were approximately HK\$1.1 and HK\$3.0 million respectively. During the nine months ended 31 December 2014, gross profit margin for design and fitting-out services was approximately 27.0%, which was similar to the respective percentage recorded for the year ended 31 March 2014 as described in the paragraph headed "Gross profit" of the section headed "Financial information" of the Prospectus. However, gross profit margin for design and procurement of furnishings and materials was approximately 15.8%, which was lower than that for the year ended 31 March 2014, due to the reassessment of the cost budget of a major project during the three months ended 31 December 2014 led to the recognition of a lower gross profit margin than previously anticipated; and the gross profit margin of additional projects during the three months ended 31 December 2014 had not been able to compensate for the difference as anticipated at the material time, which in turn, resulted in an overall lower gross profit margin.

Profit for the nine months ended 31 December 2014 was approximately HK\$1.3 million, representing a decrease of approximately 85.1% as compared to the corresponding period in 2013 mainly due to the following reasons:

- The staff cost during the nine months ended 31 December 2014 have increased by approximately HK\$4.9 million as compared to the corresponding period in 2013. Such increase in administrative expenses was due to the additional hiring in accordance with the Group's expansion plan had exceeded the previous anticipated cost and had yet to lead to bringing in new additional projects.
- In addition, the listing expenses of approximately HK\$5.5 million (2013: HK\$3.0 million) was incurred during the nine months ended 31 December 2014 which are not tax deductible.

If the increase in staff cost of approximately HK\$4.9 million and the listing expenses of approximately HK\$5.5 million were added back to profit before taxation of the Group for the nine months ended 31 December 2014, the Group's adjusted profit before taxation would have been approximately HK\$13.6 million, which is slightly lower than the adjusted profit before taxation of the Group of HK\$13.9 million for the corresponding period in 2013 (being the sum of listing expenses of approximately HK\$3.0 million and profit before taxation of approximately HK\$10.9 million).



## OUTLOOK

Looking forward, the Group will continue to focus on its core business and utilise our available resources to engage in its current business. As described in the Company's announcement dated 19 December 2014, the Group expects that the entering into a Cooperative Agreement among the Group, RT Management Limited and Mr. Lui Chung Tak Mark will strengthen the brand recognition of the Group and broaden the Group's customer base and in turn enhance the development of its business as a whole. In addition to this, the Group will also continue to explore 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. Subsequent to 31 December 2014, the Group has established an online sales system on the website of Hotel Sourcing International Limited, being a wholly-owned subsidiary of the Company, at <http://www.hsihk.com/>.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the nine months ended 31 December 2014, the Group financed its operations by its internal resources. As at 31 December 2014, the Group had net current assets of approximately HK\$64.6 million (2013: HK\$22.5 million), including cash of approximately HK\$23.4 million (31 March 2014: HK\$5.1 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.7 times as at 31 December 2014 (2013: 1.9 times). The increase in the current ratio was partly attributable to the net proceeds raised through successful listing of the Company in July 2014 and the fluctuation between periods was due to the Group's business model which is on a 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\$65.5 million as at 31 December 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 set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Up to 31 December 2014, the net proceeds had been applied as follows:

- (a) approximately HK\$0.5 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 nine months ended 31 December 2014 (including directors' emoluments and salaries to staff and directors including MPF contributions) was approximately HK\$8.5 million (2013: HK\$3.6 million). Such increase was mainly due to the increase in number of staff and staff salaries as well as the bonus of approximately HK\$2.7 million paid during the period. As at 31 December 2014, the Group had 33 employees (31 December 2013: 23 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 of Any Associated Corporation

As at 31 December 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 Shares held</b>	<b>Approximate percentage of the issued Shares</b>
Mr. Chan Tat Wah (Note)	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 31 December 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

As at 31 December 2014, so far as the Directors and the Chief Executive are aware 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:

<b>Name of Shareholders</b>	<b>Capacity/Nature of interests capital</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued Shares</b>
Genius Idea Holdings Limited ( <i>Note 1</i> )	Beneficial interest	225,000,000	75%
Ms. Lee Yuk Pui Kawina ( <i>Note 2</i> )	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 31 December 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 the Directors are aware, there was no other person who had interest or short positions in the Shares and underlying Shares that is discloseable under section 336 of the SFO.



## Share Option Scheme

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

As at 31 December 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' Rights to Acquire Shares**

Save as disclosed above, at no time during the nine months ended 31 December 2014 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 2014 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, as applicable) of the Company and its associated corporations (within the meaning of the SFO).

## **Competing Interests**

As at 31 December 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 31 December 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 31 December 2014.



## Purchase, Sale of Redemption of Shares

During the nine months ended 31 December 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 Listing Date.

## 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 10 November 2014 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 include the review of the Group's financial reporting process and the internal control systems of the Group.



The Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed financial matters, including a review of the unaudited consolidated results of the Group for the nine months ended 31 December 2014.

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

Hong Kong, 9 February 2015

*As at the date of this report, the executive Director 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.*