



KPM HOLDING LIMITED
吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability
Stock Code : 8027

THIRD
QUARTERLY
REPORT
2015

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 (the “Directors”) of KPM Holding 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, 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 original report is prepared in the English language. This report is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the "Board") of the Company (together with its subsidiaries, the "Group") is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2015, together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Revenue	3	2,584,020	3,182,031	8,215,598	8,602,851
Cost of sales		(1,439,755)	(2,017,099)	(4,613,986)	(4,763,501)
Gross profit		1,144,265	1,164,932	3,601,612	3,839,350
Other income	4	82,996	31,450	243,171	95,045
Other gains and losses	5	445,315	(11,520)	491,087	(66,972)
Selling and administrative expenses		(610,628)	(525,521)	(1,815,652)	(1,421,114)
Other expenses	6	(1,421,141)	(21,084)	(2,504,675)	(42,167)
Finance costs	7	(3,486)	(28,484)	(55,132)	(92,948)
(Loss) Profit before tax		(362,679)	609,873	(39,589)	2,311,194
Income tax credit (expense)	8	—	47,000	(230,000)	(250,996)
(Loss) Profit for the period		(362,679)	656,873	(269,589)	2,060,198
Other comprehensive loss: <i>Items that may be reclassified to profit or loss:</i>					
Available-for-sale investments					
Fair value loss on available-for-sale investments		—	—	—	(12,809)
Reclassification of cumulative gains from investment valuation reserve to profit or loss upon disposal of available-for-sale investments		—	—	—	(9,394)
Other comprehensive loss for the period, net of tax		—	—	—	(22,203)
Total comprehensive (loss) income for the period		(362,679)	656,873	(269,589)	2,037,995
(Losses) Earnings per share Basic and diluted (S\$ cents)	9	(0.092)	0.205	(0.078)	0.644

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2015*

	Note	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Non-current assets			
Property, plant and equipment	11	608,876	679,373
Available-for-sale investments		20	20
		609,896	679,393
Current assets			
Inventories		645,341	615,661
Trade and other receivables	12	3,634,404	2,441,845
Amount due from a related party	15	—	44,860
Amount due from a director		—	7,006
Pledged bank deposits		958,607	586,564
Bank and cash balances		9,525,953	5,087,491
		14,764,305	8,783,427
Current liabilities			
Trade payables	13	1,058,859	689,656
Bills payables	13	—	909,841
Other payables and accruals	14	1,391,070	1,803,726
Amounts due to related parties	15	—	348,193
Amounts due to directors		—	1,999
Obligations under finance leases		95,147	91,825
Income tax payable		195,135	448,543
		2,740,211	4,293,783
Net current assets		12,024,094	4,489,644
Total assets less current liabilities		12,632,990	5,169,037
Non-current liability			
Obligations under finance leases		142,247	155,170
NET ASSETS		12,490,743	5,013,867
Capital and reserves			
Share capital	16	689,655	500,000
Share premium		12,126,905	—
Accumulated profits		4,244,278	4,513,867
Merger reserves		(4,570,095)	—
TOTAL EQUITY		12,490,743	5,013,867

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Share capital S\$	Share premium S\$	Merger reserves (Note A) S\$	Investment valuation reserve S\$	Accumulated profits S\$	Total S\$
At 1 January 2014 (Audited)	500,000	—	—	22,203	7,320,237	7,842,440
Profit for the period	—	—	—	—	2,060,198	2,060,198
Fair value loss on available-for-sale investments	—	—	—	(12,809)	—	(12,809)
Reclassification of cumulative gains from investment valuation reserve to profit or loss upon disposal of available-for-sale investments	—	—	—	(9,394)	—	(9,394)
Total comprehensive income (loss) for the period	—	—	—	(22,203)	2,060,198	2,037,995
At 30 September 2014 (Unaudited)	500,000	—	—	—	9,380,435	9,880,435
At 1 January 2015 (Unaudited)	500,000	—	—	—	4,513,867	5,013,867
(Loss) for the period, representing total comprehensive (loss) for the period	—	—	—	—	(269,589)	(269,589)
Share issue by Signmechanic Singapore	1,500,000	—	—	—	—	1,500,000
Elimination of share capital pursuant to the re-organisation (Note 2)	(2,000,000)	—	—	—	—	(2,000,000)
Issue of 999,999 ordinary shares pursuant to the re-organisation (Note 2)	1,724	6,568,371	(4,570,095)	—	—	2,000,000
Issue of 319,000,000 ordinary shares under the capitalisation issue (Note 16)	550,000	(550,000)	—	—	—	—
Share issue of 80,000,000 under placing (Note 16)	137,931	6,758,620	—	—	—	6,896,551
Share issue expense	—	(650,086)	—	—	—	(650,086)
	189,655	12,126,905	(4,570,095)	—	—	7,746,465
At 30 September 2015 (Unaudited)	689,655	12,126,905	(4,570,095)	—	4,244,278	12,490,743

Note:

- (A) Merger reserves represents the difference between the underlying net tangible assets of the subsidiary which was acquired by the Company pursuant to the re-organisation (Note 2) and the total par value and share premium amount of the shares issued.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the nine months ended 30 September 2015*

	Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
OPERATING ACTIVITIES		
(Loss) Profit before tax	(39,589)	2,311,194
Adjustments for:		
Loss (Gain) on disposal of property, plant and equipment	(22,437)	5,020
Property, plant and equipment written off	931	7,846
Depreciation expense	195,922	136,424
Interest income	(1,152)	—
Finance costs	55,132	92,948
(Reversal of) Allowance for doubtful debts	(23,684)	63,500
Fair value gain on available-for-sale investment	—	(9,394)
Bad debts written off	1,465	—
Foreign exchange gain	(440,938)	—
Operating cash flow before movements in working capital	(274,350)	2,607,538
Trade receivables and other receivables	(1,170,340)	(948,498)
Amount due from a related party	44,860	24,401
Inventories	(29,680)	(764,208)
Trade payables	369,203	71,495
Other payables and accruals	(412,656)	881,121
Amount due to related parties	(348,193)	(209,165)
Cash (used in) generated from operations	(1,821,156)	1,662,684
Income tax (paid) refunded	(483,408)	50,260
Net cash (used in) from operating activities	(2,304,564)	1,712,944
INVESTING ACTIVITIES		
Repayment from (Advance to) a director	5,007	(7,006)
Placement of pledged bank deposits	(372,043)	(507,000)
Purchase of property, plant and equipment	(37,922)	(424,362)
Proceeds from disposal of property, plant and equipment	15,000	—
Deposit received	—	90,000
Proceeds from disposal of available-for-sale investment	—	256,676
Interest received	1,152	—
Net cash used in investing activities	(388,803)	(591,692)

	Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
FINANCING ACTIVITIES		
Issuance of share capital — net of share issue expenses	7,746,465	—
Repayment to directors	—	(27,401)
(Repayment of) raised in bills payables — net	(909,841)	559,774
Finance lease interest paid	(10,827)	(20,230)
Loan interest paid	(19,185)	(45,528)
Trade finance interest paid	(25,120)	(27,190)
Repayment of bank loan	—	(90,111)
Repayment of finance lease obligation	(90,601)	(22,055)
Net cash from financing activities	6,690,891	327,259
Net increase in cash and cash equivalents	3,997,524	1,448,511
Effect of exchange rate changes	440,938	—
Cash and cash equivalents, represented by bank and cash balances at 1 January	5,087,491	2,818,571
Cash and cash equivalents, represented by bank and cash balances at 30 September	9,525,953	4,267,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 10 March 2015 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is at 424 Tagore Industrial Avenue, Sindo Industrial Estate, Singapore 787807. The shares of the Company were listed on GEM on 10 July 2015 (the "Listing Date").

The Company is an investment holding company and the principal activities of its operating subsidiary, Signmechanic Pte Ltd ("Signmechanic Singapore") is engaged in the design, fabrication, installation and maintenance of signage and related products.

The interim financial information is presented in Singapore Dollar ("S\$" or "\$"), which is also the functional currency of the Company.

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 3 November 2015.

2. GROUP RE-ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

To effect the Group Reorganisation for the purpose of the listing of the Company's shares on GEM, on 23 June 2015, (i) Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter (together referred to as the "Controlling Shareholders"), who were the then beneficial shareholders of Signmechanic Singapore, transferred their respective shareholdings to Sino Promise Investment Limited ("Sino Promise") in consideration of the allotment and issuance of the 999,999 ordinary shares of the Company to Absolute Truth Investments Limited ("Absolute Truth") as a nominee of the Controlling Shareholders; and (ii) crediting of the one-nil paid share registered in the name of Absolute Truth. On the same date, in consideration by the Group, nominating Sino Promise to hold the entire share capital of Signmechanic Singapore, Sino Promise allotted additional 9 new shares of Sino Promise to the Company, credited as fully paid. Upon completion of the transfer, the Company became the holding company of the Group on 23 June 2015. Details of the Group Reorganisation are set out in the section headed "History and Development" in the listing prospectus of the Company dated 30 June 2015 (the "Prospectus").

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2014 and 30 September 2015 together with the three months ended 30 September 2014 and 30 September 2015 respectively have been prepared to include the results and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

These condensed consolidated financial statements for the nine months ended 30 September 2015 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosure requirements of the Chapter 18 of the Listing of Securities and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the Accountant's Report for the year ended 31 December 2014 as set out in the prospectus of the Company dated 30 June 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements and the Accountant's Report for the year ended 31 December 2014.

On 1 January 2015, the Group has adopted all the new and revised IFRS, amendments and Interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised IFRS, amendments and interpretations does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior period.

3. REVENUE AND SEGMENT INFORMATION

The Group operates in a single segment which mainly includes sale of signage, bollard, variable-message signs and aluminium railing to customers located in Singapore.

Information is reported to the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of contracts, i.e. "Public" and "Private" and profit for the year as a whole. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on products, major customers and geographical information are presented in accordance with IFRS 8 Operating Segments.

An analysis of the Group's revenue provided to the CODM for resource allocation and performance assessment is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Public	2,391,422	2,439,264	7,440,362	6,390,260
Private	192,598	742,767	775,236	2,212,591
	2,854,020	3,182,031	8,215,598	8,602,851

Entity-wide disclosures

Major products

Revenue represents sale of signage, bollard, variable-message signs and aluminium railing in Singapore.

No information in respect of revenues from external customers for each product and service was presented, as the necessary information is not available and the cost to develop it would be excessive in the opinion of the management of the Group.

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Customer A	Note	516,300	Note	1,349,299
Customer B	472,347	353,708	2,171,185	Note

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue and non-current assets of the Group are generated from external customers and located in Singapore by location of customers and non-current assets, respectively.

4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)
Bank interest income	1,140	—	1,152	—
Government grants	4,393	2,394	48,799	20,913
Rental income under operating lease in respect of subleasing of workshop premises	41,000	27,000	126,500	69,672
Recovery of deposits	28,845	—	28,845	—
Others, comprising mainly insurance claims received	7,618	2,056	37,875	4,460
	82,996	31,450	243,171	95,045

5. OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)
Reversal of (Allowance for) doubtful debts	(10,065)	(6,500)	23,684	(63,500)
Bad debts written off	—	—	(1,465)	—
Property, plant and equipment written off	—	—	(931)	(7,846)
(Loss) Gain on disposal of property, plant and equipment	14,437	(5,020)	22,437	(5,020)
Fair value gain on available-for-sale investments	—	—	—	9,394
Foreign exchange gain	440,943	—	447,362	—
	445,315	(11,520)	491,087	(66,972)

6. OTHER EXPENSES

This included listing expenses of S\$1,400,141 and S\$2,434,675 (2014: Nil and Nil) for the three months and nine months ended 30 September 2015 respectively, all unaudited.

7. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)
Interests on borrowings wholly repayable within five years:				
— Bank loan	—	15,926	19,185	45,528
— Obligations under finance leases	3,423	3,602	10,827	20,230
— Trade financing	63	8,956	25,120	27,190
	3,486	28,484	55,132	92,948

8. INCOME TAX EXPENSE (CREDIT)

	Three months ended 30 September		Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Current tax				
— Singapore Corporate Income Tax ("CIT")	—	(47,000)	200,000	238,000
Underprovision in prior year	—	—	30,000	—
Deferred tax	—	—	—	12,996
	—	(47,000)	230,000	250,996

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 30%, capped at S\$30,000 for Year of Assessment 2013 to 2015. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

The income tax expense for the year can be reconciled to the (loss) profit before tax per the statement of profit or loss and other comprehensive income as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
(Loss) Profit before tax	(362,679)	609,873	(39,589)	2,311,194
Tax at Singapore CIT of 17%	(61,655)	103,679	(6,730)	392,903
Tax effect of expenses not deductible for tax purpose	259,029	11,462	434,900	11,462
Tax effect of income not taxable	(74,960)	—	(74,960)	—
Tax effect of income under tax exemption and rebate	(13,981)	(13,982)	(41,944)	(41,945)
Tax effect of enhanced allowance (Note)	(65,668)	(134,000)	(78,936)	(134,000)
Underprovision in prior year	—	—	30,000	—
Others	(42,765)	(14,159)	(32,330)	22,576
Income tax (credit) expense for the period	—	(47,000)	230,000	250,996

Note: Being additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore.

9. (LOSSES) EARNINGS PER SHARE

The calculation of the basic (losses) earnings per share is based on the profit for the period attributable to owners of the company and the weighted average number of ordinary shares in issue. The number of shares for the purpose of basic earnings per share for the period ended 30 September 2015 is based on the assumption that 320,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 1,000,000 ordinary shares, 319,000,000 ordinary shares issuable upon capitalization of share premium, as if the Group Reorganisation was effective on 1 January 2014.

	Three months ended 30 September		Six months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Loss attributable to the owners of the Company	(362,679)	656,873	(269,584)	2,060,198
Weighted average number of ordinary shares in issue	392,173,913	320,000,000	344,322,344	320,000,000
Basic and diluted (losses) earnings per share	(0.092)	0.205	(0.078)	0.644

The diluted (losses) earnings per share is the same as the basic (losses) earnings per share as there were no unissued shares of the Company under option.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2015, the Group acquired assets with aggregate cost of approximately S\$127,000 (2014: approximately S\$572,000) of which S\$81,000 (2014: S\$179,100) was acquired under finance lease.

The Group incurred depreciation expenses for the three months ended 30 September 2015 of S\$65,374 (three months ended 30 September 2014: S\$56,864) and for the nine months ended 30 September 2015 of S\$195,922 (nine months ended 30 September 2014: \$136,424).

12. TRADE AND OTHER RECEIVABLES

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Trade receivables	2,760,121	1,620,142
Less: allowance for doubtful debts	(99,509)	(129,608)
	2,660,612	1,490,534
Retention receivables	388,623	241,017
Less: allowance for doubtful debts	(6,414)	—
	382,209	241,017
Unbilled receivables	183,602	136,335
Purchase advances paid to suppliers	25,811	143,536
Receivables from disposals of freehold property (note a)	200,000	200,000
Rental and other deposits	143,087	147,840
Other receivables and prepayments	39,083	82,583
	3,634,404	2,441,845

Note a: The amount of S\$200,000 is withheld by a lawyer as the stakeholder is pending the finalisation of transfer of a part of related common property from the Management Corporation Strata Title to increase in the gross floor area of the disposed property. The directors are of the view that the process is administrative and is confident that the finalisation will be done in due course. In addition, the Controlling Shareholders have provided an undertaking to indemnify the Group for any loss arising from non-settlement of this amount.

Trade receivables are generally granted a credit period of 30 to 60 days from the invoice date for trade receivables to all customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
1–30 days	688,846	607,134
31–60 days	493,789	238,622
61–90 days	424,172	57,261
91–180 days	791,992	306,283
181–365 days	212,765	266,187
Over 365 days	49,048	15,047
	2,660,612	1,490,534

Movement in the allowance on doubtful debts for trade receivables

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
At beginning of the period	129,608	23,210
(Decrease) Increase in allowance on doubtful debts recognised in profit or loss	(30,099)	106,398
At end of the period	99,509	129,608

Movement in allowance on doubtful debts for retention receivables

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
At beginning of period	—	—
Increase in allowance on doubtful debts recognised in profit or loss	6,414	—
At end of the period	6,414	—

13. TRADE PAYABLES/BILLS PAYABLES

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Trade payables	1,058,859	689,656
Bills payables	—	909,841

The following is an aging analysis of trade payables presented based on the purchase recognition date, that is, goods receipt date, at the end of each reporting period:

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
0–30 days	248,216	148,912
31–90 days	336,987	260,016
Over 90 days	473,656	280,728
	1,058,859	689,656

The credit period on trade payable is normally between 30 to 60 days from the purchase recognition date.

As at 31 December 2014, all bills payables of the Group are aged within 120 days and the bills payables are drawn down under the terms of the banking facilities granted by the banks to the Group. Bills payables carried interest at prime rate plus margin per annum, i.e. 5.75% per annum as at 31 December 2014, and are secured by pledged bank deposits.

14. OTHER PAYABLES AND ACCRUALS

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Advance billings to customers	899,588	589,458
Retention payable to supplier	45,685	33,370
Deposit received from customers	64,398	—
Goods and services tax payable	86,693	751,710
Accrued operating expenses	164,456	356,396
Accrued staff costs	89,858	38,899
Payable for acquisition of property, plant and equipment	—	25,064
Other payables	40,392	8,829
	1,391,070	1,803,726

15. RELATED PARTY DISCLOSURES

The Group has entered into the following significant transactions with its related parties:

Name of related parties	Nature of transactions	Three months ended 30 September		Nine months ended 30 September	
		2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
C.K. Toh Construction	Sub-contracting of installation work and supply of labour from related party	—	26,633	—	155,794
	Sales to related party	—	353	—	11,703
T3 Holdings	Rental expense of crane from related party	—	5,358	—	29,983
Signmechanic Sdn Bhd	Purchases of signages and sub-contracting of installation work from related party	—	22,646	—	56,239

The Controlling Shareholders have equity interests in these related parties with significant influence over them.

In addition, Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter had jointly and severally provided a personal guarantee in favour of Ethoz Capital Ltd ("Ethoz Capital") to secure the obligations and liabilities of Signmechanic Singapore under a loan agreement entered into between Signmechanic Singapore as the borrower and Ethoz Capital as the lender dated 31 October 2014 in relation to a loan facility of S\$1,000,000 granted by Ethoz Capital to Signmechanic Singapore.

The loan had not been utilised as at 31 December 2014. It was utilised subsequent to 2014 and fully repaid in March 2015. Ethoz Capital has subsequently released the guarantee from Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter.

At the end of the respective reporting period, the Group has the following balances with related parties:

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Amount due from a related party		
— C.K. Toh Construction	—	44,860
Amounts due to related parties		
— C.K. Toh Construction	—	339,921
— Signmechanic Sdn Bhd	—	6,811
— T3 Holdings	—	1,461
	—	348,193

Compensation of key management personnel

The remuneration of directors of Signmechanic Singapore, which represent key management of the Group during the Track Record Period was as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)	2015 S\$ (Unaudited)	2014 S\$ (Unaudited)
Short-term benefits	79,051	83,502	243,557	250,505
Post-employment benefits	7,728	7,430	23,184	22,290
	86,779	90,932	266,741	272,795

The remuneration of directors of Signmechanic Singapore and key executives is determined by having regard to the performance of individuals of the Group and market trends.

16. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balances as at 1 January 2014 and 31 December 2014 represented the share capital of Signmechanic Singapore as the Company was incorporated in Cayman Islands on 10 March 2015. As at the date of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

On 23 June 2015, the Controlling Shareholders transferred the entire issued share capital of Signmechanic Singapore to Sino Promise in the consideration of HK\$38,106,550, which was satisfied by (i) the Company allotting and issuing 999,999 new shares of the Company to the Controlling Shareholders, credited as fully paid and (ii) the crediting of the one nil-paid share of the Company.

The Company was successfully listed on the GEM board of the Stock Exchange on 10 July 2015 by way of placing of 100,000,000 Ordinary Shares (including 20,000,000 vendor shares) at the price of HK\$0.50 per Share. The net proceeds were approximately S\$3.81 million.

	Number of shares	Share capital S\$
Issued and fully paid of Signmechanic Singapore:		
At 1 January 2014 and 31 December 2014	500,000	500,000
Issued and fully paid of KPM Holding Limited:		
At date of incorporation	1	—
Issued during the period	999,999	1,724
Share issued under the capitalization issue (including 20,000,000 vendor shares to be placed out)	319,000,000	550,000
Share issued under the placing	80,000,000	137,931
At 30 September 2015	400,000,000	689,655

17. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

	30 September 2015 S\$ (Unaudited)	31 December 2014 S\$ (Audited)
Guarantee provided in respect of performance bonds in favor of customers	147,653	193,528

MANAGEMENT DISCUSSION AND ANALYSIS

General

For the financial period to date, the Group had been principally engaged in the design, fabrication, installation and maintenance of signage and related products. The Group operated in a single segment which mainly included sale of signage, bollard, variable-message signs and aluminium railing to customers located in Singapore.

FINANCIAL REVIEW

Revenue and Results

For the nine months ended 30 September 2015, the Group recorded an unaudited revenue of approximately S\$8,216,000 (2014: approximately S\$8,603,000) and loss of S\$270,000 (2014 profit of: approximately S\$2,018,000).

Revenue had decreased by 4.5% attributable to lower revenue by \$1,437,000 from the private sector. This was partly offset by higher public sector revenue by \$1,050,000 due to several high value contracts recognised during the nine months period.

The gross profit for the nine months ended 30 September 2015 was approximately S\$3,602,000 (2014: approximately S\$3,839,000). The lower gross profit of S\$237,000 was due to higher cost of materials and subcontractor and higher rental overheads.

Other gains and losses included approximately S\$447,000 relating to unrealised foreign exchange gain for the cash and bank balances which is denominated in Hong Kong Dollars.

Selling and administrative expenses for the nine months ended 30 September 2015 was approximately S\$1,816,000, (2014: approximately S\$1,421,000) representing an increase of S\$395,000 or 27.8% mainly due to higher expenses incurred for professional fees, upkeep of equipment and vehicles and rental of premises.

Other expenses for the nine months ended 30 September 2015 included approximately S\$2,435,000 listing expenses.

The Group recorded a loss before tax for the nine months ended 30 September 2015 of approximately S\$40,000 (2014: profit of approximately S\$2,311,000), representing a decrease of S\$2,351,000 as compared with the corresponding period of last year. This was mainly due to the listing expenses incurred of S\$2,435,000, lower gross profit of S\$237,000 and higher selling and administrative expenses of S\$395,000. Excluding the listing expenses, the profit before tax for the nine months ended 30 September 2015 would have been S\$2,395,000, representing an increase of S\$84,000 or 3.6%.

Loss for the nine months ended 30 September 2015 was approximately S\$270,000, representing a decrease of S\$2,330,000 as compared with profit of approximately S\$2,060,000 for the corresponding period in 2014.

Liquidity and Financial Resources

- The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts span from 1 month to 4 years and during which the amount of progress claim vary from month to month depending on the provision of signage and related products for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitor the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

For the period under review, the Group financed its operations with the net proceeds from the Placement. The net cash used in operating activities of approximately S\$2,305,000 included the listing expenses paid of approximately S\$2,435,000.

The Group had repaid the bills payable of \$909,841 outstanding as at 31 December 2014. As at 30 September 2015, the Group's borrowings comprised the obligations under finance lease of S\$237,394 (31 December 2014: S\$246,995).

At 30 September 2015, the Group had cash and cash equivalents of approximately S\$9,526,000 (31 December 2014: approximately S\$5,087,000) which were placed with major banks in Singapore and Hong Kong.

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. However, the Group retains the proceeds from Placement in Hong Kong Dollars which contributed to an unrealised foreign exchange gain of approximately S\$440,000 as Hong Kong Dollars appreciated against the Singapore Dollars.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, nor were there any material acquisitions and disposals of subsidiaries during the period under review. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

Charges on Group's Assets

The Group has total present value of minimum lease payments in relation to finance lease, which are secured by the relevant leased motor vehicles amounting to S\$256,704.

Contingent liabilities

As at 30 September 2015, the guarantees in respect of performance bonds in favor of our customers of S\$147,653, which is secured by pledged bank deposits.

BUSINESS REVIEW

Revenue comprised of revenue from the sales of signage and related products in both the public and private sectors in Singapore, which amounted to approximately S\$8,603,000 and S\$8,216,000 for the nine months period ended 30 September 2014 and 2015, respectively.

Public sector includes road signage, signage and related products for education institutions, public housing flats/ compounds, defence compound, airport and national parks, amongst others.

Private sector includes signage and related products for commercial buildings, industrial buildings, private residential buildings, hospital and fast food chains.

During the current financial period, the business revenue and net loss was approximately S\$8,216,000 and S\$270,000 respectively. The public sector revenue has increased by S\$1,050,000 mainly due to the contribution of 2 significant contracts which only commenced around mid 2014. However, the revenue for private sector is lower due to the absence of major contracts in the first nine months of 2015. The contracts and orders on hand are mainly for the public sector during the current nine months period.

Prospects

Based on advance estimates published by the Ministry of Trade and Industry on 14 October 2015, the Singapore economy grew by 1.4 per cent on a year-on-year basis in the third quarter of 2015, easing from the 2.0 per cent growth in the previous quarter. The construction sector expanded by 1.6 per cent on a year-on-year basis in the third quarter, moderating from the 2.0 per cent growth recorded in the previous quarter. The slowdown was mainly due to weaker private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 0.8 per cent, a reversal from the 12.4 per cent expansion in the preceding quarter.

The Group has experienced a slowdown in the business activity level and an increase in the competition for new business opportunities. At the same time, the local government has extended the existing contracts for the maintenance of road signage and related products for 6 months as it has not awarded new maintenance contracts which expired during second quarter 2015.

In view of the continued headwind in the private sector construction industry, the Group continues to focus on the public sector in Singapore by participating in these private invitation and open tender opportunities.

Our corporate objective is to achieve sustainable growth in our business and financial performance so as to create long-term shareholders' value. We intend to achieve this by implementing the following corporate strategies:

- Expand and strengthen our market position in the public sector in Singapore
- Expand our business portfolio through the formation of new companies and/or acquisitions
- Expand our range of product offering to target and secure more non-road infrastructure related projects

Employee Information

As at 30 September 2015, the Group had an aggregate of 68 (2014: 65) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are employed on one or two year contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S\$1,869,000 for the nine months ended 30 September 2015 (nine months ended 30 September 2014: approximately S\$1,656,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 September 2015, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares and underlying shares of the Company

Name of Director/chief executive	Nature of interest	Number of shares held (in thousands)	Approximate percentage of issued share capital ⁽²⁾
Executive Directors:			
Mr. Tan Thiam Kiat Kelvin	Interest of controlled company ⁽¹⁾	300,000	75%
Mr. Tan Kwang Hwee Peter	Interest of controlled company ⁽¹⁾	300,000	75%

Notes:

(1) The entire issued share capital of Absolute Truth Investment Limited is beneficially owned as to 50% by Mr. Tan Thiam Kiat Kelvin and as to 50% by Mr. Tan Kwang Hwee Peter. Under the SFO, each of Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter is deemed to be interested in all the shares held by Absolute Truth Investment Limited. Details of the interest in the Company held by Absolute Truth Investment Limited are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.

(2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 11 August 2015 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 September 2015, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2015, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2015, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Absolute Truth Investment Limited	Beneficial owner	300,000,000	75%

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 September 2015.

SHARE OPTIONS

There were no unissued shares of the Company or the subsidiaries under option.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had any interests in any businesses which competed with or might compete with the business of the Group.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme and has not issued any option since the date of its incorporation pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board strives to uphold the principles of corporate governance as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create values and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

In the opinion of the Directors, the Company has complied with the CG Code since the Listing Date and up to 30 September 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to 30 September 2015.

AUDIT COMMITTEE

Our Group established an audit committee on 23 June 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The audit committee consists of three independent non-executive Directors namely Mdm. Kow Yuen-Ting, Mr. Tan Kiang Hua and Mr. Oh Eng Bin. Mdm. Kow Yuen-Ting, a Director with the appropriate professional qualifications, serves as the chairman of the audit committee.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited results for the nine months ended 30 September 2015 and has provided advice and comments thereon.

By order of the Board
KPM Holding Limited
Tan Thiam Kiat Kelvin
Executive Director

Hong Kong, 3 November 2015

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Tan Thiam Kiat Kelvin (Chairman) and Mr. Tan Kwang Hwee Peter; and three independent non-executive Directors, namely, Mr. Tan Kiang Hua, Mr. Oh Eng Bin and Mdm. Kow Yuen-Ting.