



KPM HOLDING LIMITED
吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8027

**First Quarterly
Report
2017**

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 RESULTS

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 three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months 31 March 2017

| | Note | Three months ended 31 March | |
|---|------|--------------------------------|----------------------------|
| | | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Revenue | 3 | 3,145,950 | 2,606,128 |
| Cost of sales | | (2,177,201) | (1,318,959) |
| Gross profit | | 968,749 | 1,287,169 |
| Other income | 4 | 61,480 | 55,236 |
| Other gains and losses | 5 | (137,356) | (236,703) |
| Selling and administrative expenses | 6 | (778,379) | (664,086) |
| Other expenses | 7 | (19,750) | (46,200) |
| Finance costs | 8 | (4,887) | (2,726) |
| Profit before tax | | 89,857 | 392,690 |
| Income tax expense | 9 | (39,605) | (132,000) |
| Profit for the period, representing total comprehensive income for the period | | 50,252 | 260,690 |
| Earnings per share (restated) | | | |
| Basic and diluted (S\$ cents) (Note A) | 10 | 0.002 | 0.008 |

Note:

- (A) Earnings per share has been adjusted retrospectively for all periods presented to give effect to the share subdivision which became effect on 19 August 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

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 Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") on 30 March 2015 and the principal place of business in Hong Kong registered is Room A2, 15/F, Chun Wo Commercial Centre, 23-29 Wing Wo Street, Central, Hong Kong. The head office and principal place of business of the Group 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 Company is an investment holding company and the principal activities of its operating subsidiary 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.

The unaudited condensed consolidated interim results of the Group for the three months ended 31 March 2017 were approved by the Board of the Company on 9 May 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial results should be read in conjunction with the audited financial statements for the year ended 31 December 2016, 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 results are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for financial period beginning on 1 January 2017 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION

The Group operates in a single segment which mainly includes sale of signage, bollard, variable-message signs, bus stops, linkways 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 31 March | |
|---------|--|-------------|
| | 2017 | 2016 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Public | 2,976,161 | 2,377,041 |
| Private | 169,789 | 229,087 |
| | 3,145,950 | 2,606,128 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures

Major products

Revenue represents sale of signage, bollard, variable-message signs, bus stops, linkways 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 31 March | |
|------------|--|-------------|
| | 2017 | 2016 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Customer A | 740,144 | Note |
| Customer B | Note | 305,037 |
| Customer C | Note | 287,863 |

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

4. OTHER INCOME

| | Three months ended 31 March | |
|--|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Bank interest income | – | 124 |
| Government grants | 44,036 | 5,710 |
| Rental income under operating lease in respect of subleasing of workshop premises | 10,000 | 43,500 |
| Others | 7,444 | 5,902 |
| | 61,480 | 55,236 |

5. OTHER GAINS AND LOSSES

| | Three months ended 31 March | |
|--|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| (Allowance) Reversal of doubtful debts | (10,061) | 1,000 |
| Bad debts recovered | 2,317 | – |
| Gain (Loss) on disposal of property, plant and equipment | 34,220 | (9,454) |
| Foreign exchange losses | (163,832) | (228,249) |
| | (137,356) | (236,703) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

6. SELLING AND ADMINISTRATIVE EXPENSES

| | Three months ended 31 March | |
|--|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Staff costs | 474,349 | 429,567 |
| Audit, legal and professional fees | 132,319 | 93,895 |
| Depreciation and amortisation expenses | 23,318 | 22,608 |
| Rental expenses | 44,594 | 28,333 |
| Upkeep of equipment and vehicles | 19,509 | 23,774 |
| Others | 84,290 | 65,909 |
| | 778,379 | 664,086 |

7. OTHER EXPENSES

Other expenses related to direct attributable expenses in respect of subletting workshop premises.

8. FINANCE COSTS

| | Three months ended 31 March | |
|---|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Interests on borrowings wholly repayable within five years: | | |
| – Obligations under finance leases | 3,807 | 2,726 |
| – Others | 1,080 | – |
| | 4,887 | 2,726 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

9. INCOME TAX EXPENSE

| | Three months ended 31 March | |
|--|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Current tax | | |
| – Singapore Corporate Income Tax (“CIT”) | 65,000 | 117,000 |
| (Over) Underprovision in prior year | (17,395) | 15,000 |
| Deferred tax | (8,000) | – |
| | 39,605 | 132,000 |

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 50%, capped at S\$25,000 and 20%, capped at S\$10,000 for Year of Assessment 2017 and 2018 respectively. 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 profit before tax per the statement of profit or loss and other comprehensive income as follows:

| | Three months ended 31 March | |
|---|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Profit before tax | 89,857 | 392,690 |
| Tax at Singapore CIT of 17% | 15,276 | 66,757 |
| Tax effect of expenses not deductible for tax purpose | 63,650 | 62,839 |
| Tax effect of income not taxable | – | (1,607) |
| Tax effect of income under tax exemption and rebate | (8,981) | (13,982) |
| Tax effect of enhanced allowance (Note) | (20,129) | (2,593) |
| (Over) Underprovision in prior year | (17,395) | 15,000 |
| Others | 7,184 | 5,586 |
| Income tax expense for the period | 39,605 | 132,000 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

10. EARNINGS PER SHARE

The calculation of the basic 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 as adjusted retrospectively to reflect as if the share subdivision of one issued share into eight subdivided share, which became effective on 19 August 2016, had occurred at the start of the earliest period for which earnings per share information is presented.

| | Three months ended 31 March | |
|---|--------------------------------|--|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Restated) (Unaudited) |
| Profit attributable to the owners of the Company | 50,252 | 260,690 |
| Weighted average number of ordinary shares in issue | 3,200,000,000 | 3,200,000,000 |
| Basic and diluted earnings per share (S\$ cents) | 0.002 | 0.008 |

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

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

12. RELATED PARTY DISCLOSURES

The Group has not entered into any related party transaction during the period under review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

12. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

The remuneration of executive directors of the Group was as follows:

| | Three months ended 31 March | |
|--------------------------|--------------------------------|----------------------------|
| | 2017 S\$ (Unaudited) | 2016 S\$ (Unaudited) |
| Short-term benefits | 74,704 | 69,250 |
| Post-employment benefits | 6,120 | 6,120 |
| | 80,824 | 75,370 |

The remuneration of the executive directors of the Group is determined by having regard to the performance of individuals of the Group and market trends.

13. RESERVES

During the period under review, there was no movement to and from any reserves other than the profit for the three months period ended 31 March 2017.

14. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

| | 31 March 2017 S\$ (Unaudited) | 31 December 2016 S\$ (Audited) |
|--|--|---|
| Guarantee provided in respect of performance bonds in favor of customers | 67,056 | 82,260 |

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, bus stops, linkways and aluminium railing to customers located in Singapore.

FINANCIAL REVIEW

Revenue and Results

For the three months ended 31 March 2017, the Group recorded an unaudited revenue of approximately S\$3,146,000 (2016: S\$2,606,000) and profit of approximately S\$50,000 (2016: S\$261,000).

Revenue had increased by 20.7% or \$540,000. For the three months ended 31 March 2017, the Group has delivered substantial quantities under a high value contract to a key customer which has contributed approximately S\$740,000 or 23.5% of the revenue. For the three months ended 31 March 2016, the total revenue generated from the two major customers have only contributed to approximately S\$593,000.

The gross profit for the three months ended 31 March 2017 was approximately S\$969,000 (2016: S\$1,287,000). Despite higher revenue, the gross profit has decreased by S\$318,000 due to lesser high margin maintenance contracts on hand during the current three months ended 31 March 2017. In addition, the increased competition on new orders have also resulted in lower profit margin for new projects.

Other gains and losses for the three months ended 31 March 2017 included approximately S\$164,000 relating to unrealised foreign exchange loss for the cash and bank balances which is denominated in Hong Kong Dollars. The lower foreign exchange losses of approximately S\$64,000 and higher net gain on disposal of plant and equipment of approximately S\$44,000 have contributed to the lower net losses included in the other gains and losses.

Selling and administrative expenses for the three months ended 31 March 2017 was approximately S\$778,000, (2016: S\$664,000) representing an increase of S\$114,000 or 17% mainly due to higher expenses incurred for staff cost, professional fees and rental expenses.

The Group recorded a profit before tax for the three months ended 31 March 2017 of approximately S\$90,000 (2016: S\$393,000), representing a decrease of S\$303,000 as compared with the corresponding period of last year.

Profit for the three months ended 31 March 2017 was approximately S\$50,000, representing a decrease of S\$210,000 as compared with profit of approximately S\$261,000 for the corresponding period in 2016.

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\$3,146,000 and S\$2,606,000 for the three months period ended 31 March 2017 and 2016, 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.

The public sector revenue has increased by approximately S\$599,000 mainly due to the contribution of a significant contract with a major customer where the Group has delivered substantial quantities during the three months ended 31 March 2017. However, the revenue for private sector has decreased by approximately S\$59,000 due to lesser projects on hand. The contracts and orders on hand are mainly for the public sector during the current three months period.

Prospects

Consistent with the outlook shared at the Chairman's Statement in 2016 Annual Report, the demand in private sector construction activities has declined which would adversely affect the Group's revenue, yet the increased demand in public sector construction, in particular in road infrastructure, is anticipated to present more business opportunity for the Group in due course. The Group will continue to manage its expenditures, review the business strategy constantly and look for other business opportunities to cope with existing market environment in a cautious and prudent manner.

Employee Information

As at 31 March 2017, the Group had an aggregate of 78 (2016: 70) 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\$814,000 for the three months ended 31 March 2017 (three months ended 31 March 2016: approximately S\$692,000).

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 31 March 2017, 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 (Chapter 571 of the Laws of Hong Kong) (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 have taken or deemed to have taken 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, 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 | Approximate percentage of issued share capital |
|--------------------------------------|--------------------|--------------------------|---|
|--------------------------------------|--------------------|--------------------------|---|

Executive Directors:

| | | | |
|---------------------------|---|---------------|--------|
| Mr. Tan Thiam Kiat Kelvin | Interest of controlled company ⁽¹⁾ | 1,831,440,000 | 57.23% |
| Mr. Tan Kwang Hwee Peter | Interest of controlled company ⁽¹⁾ | 1,831,440,000 | 57.23% |

Note:

- (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.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company had 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 taken 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, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2017, the following substantial shareholders' and other persons' interest and short positions of 5% or more of the issued share capital of the Company were recorded in the register required to be kept under section 336 of Part XV of the SFO:

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 | 1,831,440,000 | 57.23% |

Save as disclosed above, as at 31 March 2017, 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, whose interests are disclosed above) who had an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange.

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 for the three months ended 31 March 2017.

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 for the three months ended 31 March 2017.

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 (Gao Yun Ting), Mr. Tan Kiang Hua and Mr. Oh Eng Bin (Hu Rongming). Mdm. Kow Yuen-Ting (Gao Yun 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 three months ended 31 March 2017 and has provided advice and comments thereon.

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

Singapore, 9 May 2017

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