

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 **2017**

* For identification purpose only

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 (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, (2) there are no other matters the omission of which would make any statement herein or this report misleading and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 and nine months ended 30 September 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 and nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Revenue	3	3,345,983	1,953,672	9,353,716	6,986,291
Cost of sales		(1,777,255)	(1,308,977)	(5,742,441)	(3,765,915)
Gross profit		1,568,728	644,695	3,611,275	3,220,376
Other income	4	16,462	63,770	104,122	169,142
Other gains and losses	5	94,118	182,997	(1,774,340)	(73,256)
Selling and administrative expenses	6	(965,174)	(766,897)	(2,663,247)	(2,310,571)
Other expenses	7	-	(21,000)	(14,000)	(100,800)
Finance costs	8	(3,284)	(3,830)	(10,650)	(8,981)
Profit (Loss) before income tax		710,850	99,735	(746,840)	895,910
Income tax expense	9	(125,000)	(31,000)	(217,605)	(254,859)
Profit (Loss) for the period		585,850	68,735	(964,445)	641,051
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value changes on available-for-sale investments		(3,651)	-	-	-
Exchange differences on translation of foreign operation		17,012	-	17,012	-
Other comprehensive income, net of tax		13,361	-	17,012	-
Total comprehensive income (loss) and profit (loss) attributable to owners of the Company		599,211	68,735	(947,433)	641,051
Earnings (Losses) per share (restated)					
Basic and diluted (S\$ cents) (Note A)	10	0.018	0.002	(0.030)	0.020

Note:

- (A) Earnings per share has been adjusted retrospectively for all periods presented to give effect to the share sub division which become 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. With effective from 13 October 2017, the principal place of business in Hong Kong registered is Unit 6, 10/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, 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 condensed consolidated financial information is presented in Singapore Dollar ("S\$" or "\$"), which is also the functional currency of the Company.

This condensed consolidated financial information was approved by the Board of Directors of the Company on 7 November 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the Annual Report 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 statements 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 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	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Public	3,011,983	1,760,195	8,682,485	6,360,285
Private	334,000	193,477	671,231	626,006
	3,345,983	1,953,672	9,353,716	6,986,291

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 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

No customer individually contributed over 10% of total revenue of the Group for the three months and nine months ended 30 September 2017 and 2016.

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 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Bank interest income	722	1,256	12,279	1,380
Government grants	4,919	37,315	55,436	61,487
Rental income under operating lease in respect of subleasing of workshop premises	–	15,000	10,000	83,000
Others, comprising mainly insurance claims received	10,821	10,199	26,407	23,275
	16,462	63,770	104,122	169,142

5. OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
(Allowance for) Reversal of doubtful debts	(3,029)	37,021	(12,827)	39,946
Bad debt recovered	–	–	10,830	–
Gain on disposal of plant and equipment	2,140	85,494	36,360	71,460
Foreign exchange (loss) gain, net	(136,206)	62,328	(390,317)	(182,816)
Gain (Loss) on disposal of available-for-sale investments	267,874	(1,846)	(386,098)	(1,846)
Impairment loss of available-for-sale investments	(36,661)	–	(1,032,288)	–
	94,118	182,997	(1,774,340)	(73,256)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

6. SELLING AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Staff costs	457,662	451,665	1,420,365	1,393,840
Audit, legal and professional fees	324,627	127,558	585,174	379,761
Depreciation and amortisation expenses	19,592	23,135	66,227	68,112
Rental expenses	42,507	37,420	133,493	91,070
Upkeep of equipment and vehicles	25,760	20,082	68,482	69,418
Others	95,026	107,037	389,506	308,370
	965,174	766,897	2,663,247	2,310,571

7. OTHER EXPENSES

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

8. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Interests on borrowings wholly repayable within five years:				
– Bank overdraft	–	30	–	30
– Obligations under finance leases	3,284	3,800	9,560	8,951
– Others	–	–	1,090	–
	3,284	3,830	10,650	8,981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

9. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Current tax – Singapore Corporate Income Tax (“CIT”)	128,000	19,000	249,000	228,000
(Over) Underprovision in prior year	–	–	(17,395)	14,859
Deferred tax	(3,000)	12,000	(14,000)	12,000
	125,000	31,000	217,605	254,859

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

9. INCOME TAX EXPENSE (CONTINUED)

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 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Profit (Loss) before tax	710,850	99,735	(746,840)	895,910
Tax at Singapore CIT of 17%	120,844	16,955	(126,963)	152,305
Tax effect of expenses not deductible for tax purpose	52,579	33,276	468,367	134,830
Tax effect of income under tax exemption and rebate	(8,981)	(6,481)	(26,944)	(34,444)
Tax effect of enhanced allowance (Note)	(32,133)	(8,325)	(81,101)	(16,092)
(Over) Underprovision in prior year	-	-	(17,395)	14,859
Others	(7,309)	(4,425)	1,641	3,401
Income tax expense for the period	125,000	31,000	217,605	254,859

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

10. EARNINGS (LOSSES) PER SHARE

The calculation of the basic earnings (losses) per share is based on the (loss) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

10. EARNINGS (LOSSES) PER SHARE (CONTINUED)

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Profit (loss) attributable to the owners of the Company	585,850	68,735	(964,445)	641,051
Weighted average number of ordinary shares in issue	3,200,000,000	3,200,000,000	3,200,000,000	3,200,000,000
Basic and diluted earnings (losses) per share (S\$ cents)	0.018	0.002	(0.030)	0.020

The diluted earnings (losses) per share is the same as the basic earnings (losses) 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 nine months ended 30 September 2017 (2016: Nil).

12. RELATED PARTY DISCLOSURES

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

Compensation of key management personnel

The remuneration of the directors who are key management of the Group was as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Short-term benefits	95,500	109,324	277,400	319,329
Post-employment benefits	9,768	8,748	27,604	26,244
Directors fees	19,593	19,800	59,876	55,469
	124,861	137,872	364,880	401,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

12. RELATED PARTY DISCLOSURES (CONTINUED)

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

13. RESERVES

The movement of reserves are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)	2017 S\$ (Unaudited)	2016 S\$ (Unaudited)
Fair value reserve				
Fair value changes on available-for-sale investments, representing total other comprehensive income, net of tax	(3,651)	–	–	–
Currency translation reserve				
Foreign currency translation	17,012	–	17,012	–

14. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

	30 September 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 and aluminium railing to customers located in Singapore.

FINANCIAL REVIEW

Revenue and Results

For the nine months ended 30 September 2017, the Group recorded an unaudited revenue of approximately S\$9,354,000 (2016: approximately S\$6,986,000) and loss of approximately S\$964,000 (2016: profit of approximately S\$641,000).

Revenue has increased by 33.9% attributable mainly to the higher revenue of approximately S\$2,322,000 from the public sector.

For the nine months ended 30 September 2017, the Group has delivered substantial quantities under few high value contracts to a few key customers which has contributed approximately S\$2,774,000 or 29.7% of the revenue. For the nine months ended 30 September 2016, the total revenue generated from the major customers have only contributed to approximately S\$1,245,000.

The gross profit and gross profit margin for the nine months ended 30 September 2017 was approximately S\$3,611,000 (2016: approximately S\$3,220,000) and approximately 39% (2016: approximately 46%) respectively. The gross profit margin has fallen by 7 percentage points to 39% as compared with the corresponding period of last year, due to lesser high margin maintenance contracts on hand during the current nine months ended 30 September 2017. In addition, the increased competition on new orders have also resulted in lower profit margin for new projects. The gross profit and gross profit margin for the three months ended 30 September 2017 was approximately S\$1,569,000 (2016: approximately S\$645,000) and 47% (2016: approximately 33%) respectively. The higher gross profit was mainly due to the higher profit margin from 2 particular projects relating to sales of signage and bus stops upon completion of these projects.

Other gains and losses included impairment loss of available-for-sale investments of approximately S\$1,032,000 and net loss on disposal of available-for-sale investments of approximately S\$386,000 after the Group disposed off the available-for-sale investments during the current three months ended 30 September 2017. The Group also recorded approximately S\$390,000 unrealised foreign exchange loss for cash and cash equivalents of which is denominated in Hong Kong dollars due to the depreciation of Hong Kong dollars against Singapore dollars.

Selling and administrative expenses for the nine months ended 30 September 2017 was approximately S\$2,663,000, (2016: approximately S\$2,311,000) representing an increase of approximately S\$352,000 or 15% mainly due to higher expenses incurred for staff cost, legal and professional fees and rental expenses.

The Group recorded a loss before tax for the nine months ended 30 September 2017 of approximately S\$747,000 (2016: profit before tax of approximately S\$896,000), representing a decrease of S\$1,643,000 or 183% as compared with the corresponding period of last year. Profit before tax for the nine months ended 30 September 2017 would have been approximately S\$671,000 assuming that the expenses such as impairment loss available-for-sale investments of approximately S\$1,032,000 and loss on disposal of available-for-sale investments of approximately S\$386,000 were excluded.

The Group recorded income tax of approximately S\$218,000 for the nine months ended 30 September 2017 despite the loss position as the expenses such as the impairment loss and loss on disposal of the available-for-sale investments are not tax deductible.

Loss for the nine months ended 30 September 2017 was approximately S\$964,000, representing a decrease of approximately S\$1,605,000 or 250% as compared with profit before tax of approximately S\$641,000 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\$9,354,000 and S\$6,986,000 for the nine months ended 30 September 2017 and 2016, respectively.

Public sector includes road signage, bus stops, education institutions, public housing flats/ compounds, public transport, 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\$9,354,000 and S\$947,000 respectively. Despite business revenue having improved by 33.9%, mainly from public sector project, this was offset by higher operating costs of approximately S\$2,328,000, impairment loss of available-for-sale investments by approximately S\$1,032,000 and loss on disposal of available-for-sale investments by approximately S\$386,000.

Prospects

Consistent with the outlook shared in the Chairman's Statement in the 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 30 September 2017, the Group had an aggregate of 83 (2016: 74) 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(s) contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S\$2,411,000 for the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately S\$2,002,000).

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 2017, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or 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 (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
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Executive Directors:

Mr. Tan Thiam Kiat Kelvin	Interest of controlled company ⁽¹⁾	983,440,000	30.73%
Mr. Tan Kwang Hwee Peter	Interest of controlled company ⁽¹⁾	983,440,000	30.73%

Note:

- (1) The entire issued share capital of Absolute Truth Investments 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 Investments Limited. Details of the interest in the Company held by Absolute Truth Investments 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 30 September 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 30 September 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 shareholders	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Absolute Truth Investments Limited	Beneficial owner	983,440,000	30.73%
Wang Ya Fei	Beneficial owner	240,000,000	7.50%
Han Dongshen	Beneficial owner	176,000,000	5.50%

Save as disclosed above, as at 30 September 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.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Vinco Capital Limited, as at 30 September 2017, save for the compliance adviser agreement dated 19 July 2015 entered into between the Company and Vinco Capital Limited, neither Vinco Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017 and has provided advice and comments thereon.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 September 2017.

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

Singapore, 7 November 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).