

KPM HOLDING LIMITED

吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8027

2019

FIRST QUARTERLY REPORT



* For identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 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 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months 31 March 2019

	Note	Three months ended 31 March	
		2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Revenue	3	1,967,596	2,506,535
Cost of sales		(1,397,888)	(1,304,178)
Gross profit		569,708	1,202,357
Other income	4	37,331	32,257
Other gains and losses	5	(69,953)	(164,699)
Selling and administrative expenses		(795,219)	(757,160)
Finance costs	6	(7,832)	(4,121)
(Loss) Profit before tax		(265,965)	308,634
Income tax expense	7	(32,286)	(163,841)
(Loss) Profit for the period		(298,251)	144,793
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		13,453	32,639
Other comprehensive income, net of tax		13,453	32,639
Total comprehensive (loss) income and (loss) profit attributable to owners of the Company		(284,798)	177,432
(Losses) Earnings per share (restated) Basic and diluted (S\$ cents)	8	(0.009)	0.005

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 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 Company is an investment holding company and the principal activities of its operating subsidiary is 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.

The unaudited condensed consolidated financial information was approved by the Board of the Company on 7 May 2019.

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 2018, 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 2018 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for financial period beginning on 1 January 2019 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, except below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exception) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Group elected the modified retrospective approach for the application of IFRS 16 as lessee and recognized the cumulative effect of initial application without restating comparative information.

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	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Public	1,794,492	2,358,416
Private	173,104	148,119
	1,967,596	2,506,535

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures (Continued)

Major customers

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

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Customer A	281,710	356,668
Customer B	257,441	Note
Customer C	207,616	Note
Customer D	Note	252,610

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 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Bank interest income	17,272	823
Government grants	15,160	21,111
Unclaimed payables	–	7,209
Others	4,899	3,114
	37,331	32,257

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

5. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Allowance of doubtful debts	(3,381)	(33,247)
Foreign exchange losses	(66,572)	(131,452)
	(69,953)	(164,699)

6. FINANCE COSTS

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Interests on:		
– Obligations under finance leases	4,239	4,121
– Lease liability	3,593	–
	7,832	4,121

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Current tax		
– Singapore Corporate Income Tax (“CIT”)	19,100	113,900
Under (Over) provision in prior year	13,186	49,941
	32,286	163,841

Singapore CIT is calculated at 17% of the estimated assessable profit. Singapore incorporated companies are eligible for CIT rebate of 20%, capped at S\$10,000 for Year of Assessment 2019. 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 and S\$190,000 of normal chargeable income for Year of Assessment 2019 and 2020 respectively.

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	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
(Loss) profit before tax	(265,965)	308,634
Tax at Singapore CIT of 17%	(45,214)	52,468
Tax effect of expenses not deductible for tax purpose	66,109	65,047
Tax effect of income not taxable	–	(3,589)
Under provision in prior year	13,186	49,941
Others	(1,795)	(26)
Income tax expense for the period	32,286	163,841

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

8. (LOSSES) EARNINGS PER SHARE

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
(Loss) Profit attributable to the owners of the Company	(298,251)	144,793
Weighted average number of ordinary shares in issue	3,200,000,000	3,200,000,000
Basic and diluted (losses) earnings per share (S\$ cents)	(0.009)	0.005

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

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2019 (2018: Nil).

10. 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 executive directors of the Group was as follows:

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Short-term benefits	73,922	73,752
Post-employment benefits	6,120	6,120
	80,042	79,872

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

11. RESERVES

The movement of reserve is as follows:

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Currency translation reserve		
Foreign currency translation	13,453	32,639

12. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

	31 March 2019 S\$ (Unaudited)	31 December 2018 S\$ (Audited)
Guarantee provided in respect of performance bonds in favor of customers	35,381	23,271

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 2019, the Group recorded an unaudited revenue of approximately S\$1,968,000 (2018: S\$2,507,000) and loss of approximately S\$298,000 (2018: profit of S\$145,000).

Revenue had decreased by approximately 21.5% or S\$539,000. The gross profit and gross profit margin for the three months ended 31 March 2019 was approximately S\$570,000 (2018: S\$1,202,000) and approximately 29.0% (2018: 48.0%) respectively. Decrease of revenue and gross profit are mainly due to decline of the demand in construction sector activities, fierce competition in bidding prices and higher material costs.

Other gains and losses for the three months ended 31 March 2019 included approximately S\$67,000 of foreign exchange loss which was mainly arise from cash and cash equivalents denominated in Hong Kong dollars which was depreciating against Singapore dollars.

Selling and administrative expenses for the three months ended 31 March 2019 was approximately S\$795,000 (2018: S\$757,000), representing an increase of S\$38,000 or 5.0%.

The Group recorded a loss before tax for the three months ended 31 March 2019 of approximately S\$266,000 (2018: profit of S\$309,000), representing a decrease of S\$575,000 as compared with the corresponding period of last year.

Loss for the three months ended 31 March 2019 was approximately S\$298,000, representing a decrease of S\$443,000 as compared with profit of approximately S\$145,000 for the corresponding period in 2018.

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\$1,968,000 and S\$2,507,000 for the three months period ended 31 March 2019 and 2018, 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 decreased by approximately S\$564,000 mainly due to decline of the demand in construction sector activities and fierce competition in the market.

PROSPECTS

Consistent with the outlook shared at the chairman's statement in 2018 annual report, the demand in construction sector activities has declined which would adversely affect the Group's revenue. Looking forward, due to fierce competition in bidding prices and higher material costs, both revenue and gross profit of the local construction market is expected to be decreased. 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 2019, the Group had an aggregate of 80 (2018: 76) 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\$779,000 for the three months ended 31 March 2019 (three months ended 31 March 2018: approximately S\$694,000).

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 2019, 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
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 31 March 2019, 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 2019, the following substantial shareholders' and other persons' interests 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 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 31 March 2019, 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.

DIRECTOR'S 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 OPTIONS

The Company has adopted a share option scheme (the "Share Option Scheme") on 21 September 2018.

No share option has been granted under the Share Option Scheme since its adoption and there were no outstanding share options under the Share Option Scheme as at 31 March 2019.

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 2019.

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"). Having been made specific enquiry, all the Directors 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 2019.

AUDIT COMMITTEE

The Company 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. The audit committee consists of three independent non-executive Directors namely Mr. Lock Kiu Yin, Mr. Tan Kiang Hua and Mr. Lau Muk Kan. Mr. Lock Kiu Yin, 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 Group's unaudited condensed consolidated results for the three months ended 31 March 2019 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

EVENTS AFTER THE REPORTING PERIOD

No significant events have been taken place subsequent to 31 March 2019.

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

Singapore, 7 May 2019

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. Lau Muk Kan and Mr. Lock Kiu Yin.