

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

2021

* 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.

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 announcement 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.

RESULTS

The board (the "Board") of Directors (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 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months 31 March 2021

	Note	Three months ended 31 March	
		2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Revenue	3	4,918,573	1,831,297
Cost of sales		(3,873,859)	(1,419,960)
Gross profit		1,044,714	411,337
Other income		180,561	72,471
Other gains and losses		123,418	573,401
Selling and administrative expenses		(769,102)	(1,081,421)
Finance costs	4	(7,701)	(19,370)
Profit/(loss) before tax		571,890	(43,582)
Income tax (expense)/credit	5	(97,400)	20,200
Profit/(loss) for the period		474,490	(23,382)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(27,237)	(94,905)
Other comprehensive loss, net of tax		27,237	(94,905)
Total comprehensive income/(loss) attributable to owners of the Company		447,253	(118,287)
Earnings/(losses) per share			(restated)
Basic and diluted (<i>S\$ cents</i>)	6	0.371	(0.018)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. GENERAL

The Company was a public limited company incorporated and registered as an exempted company in the Cayman Islands with limited liability on 10 March 2015 and its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited. Its parent is Absolute Truth Investments Limited (incorporated in the British Virgin Islands). Its ultimate controlling parties are Mr. Tan Thiam Kiat Kelvin, who is also the Chairman and Executive Directors of the Company, and Mr. Tan Kwang Hwee Peter. 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. The principal place of business in Hong Kong registered is Unit 1104A, 11F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong. The head office and principal place of business of the Group is at 14 Loyang Way 4, Singapore 507601.

The Company is an investment holding company and the operating subsidiaries are principally engaged in the design, fabrication, installation and maintenance of signage and related products and the provision of fitting-out and renovation services for commercial premises and residential developments.

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 12 May 2021.

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 2020, 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 2020 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for financial period beginning on 1 January 2021 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's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

(i) Signage business

Sale of signage, bollard, variable-message signs, bus stops, linkways and aluminium railing to customers.

(ii) Fitting-out and renovation services

Provision of fitting-out and renovation services for commercial premises and residential developments.

An analysis of the Group's revenue recognised during the three months ended 31 March 2021 and 2020 is as follows:

	Three months ended 31 March	
	2021	2020
	S\$	S\$
	(Unaudited)	(Unaudited)
Over-time of revenue recognition:		
– Signage business	2,315,818	1,831,297
– Fitting-out and renovation services	2,602,755	–
	4,918,573	1,831,297

Geographical information

In presenting the geographical information, revenue is based on the locations of the customers.

	Revenue from external customers	
	2021	2020
	S\$	S\$
	(Unaudited)	(Unaudited)
Singapore	2,315,818	1,831,297
Hong Kong	2,602,755	–
	4,918,573	1,831,297

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (Continued)

4. FINANCE COSTS

	Three months ended 31 March	
	2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Interest expenses on:		
– Term loan	6,565	16,502
– Lease liabilities	1,136	2,868
	7,701	19,370

5. INCOME TAX EXPENSE/(CREDIT)

	Three months ended 31 March	
	2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Current tax		
– Singapore Corporate Income Tax (“CIT”)	97,400	(20,200)
	97,400	(20,200)

Singapore CIT is calculated at 17% of the estimated assessable profit. 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\$190,000 of normal chargeable income from Year of Assessment 2020 onwards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (Continued)

5. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	Three months ended 31 March	
	2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Profit/(Loss) before tax	571,890	(43,582)
Tax at Singapore CIT of 17%	97,221	(7,409)
Tax effect of expenses not deductible for tax purpose	33,291	33,340
Tax effect of income not taxable	(31,030)	(46,087)
Others	(2,082)	(44)
Income tax expense/(credit) for the period	97,400	(20,200)

No provision for Hong Kong Profit Tax has been made as the Group had no assessable profit in Hong Kong during the three months ended 31 March 2021 and 2020.

6. EARNINGS/(LOSSES) PER SHARE

	Three months ended 31 March	
	2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Profit/(loss) attributable to the owners of the Company	474,490	(23,382)
Weighted average number of ordinary shares in issue	128,000,000	(restated) 128,000,000
Basic and diluted earnings/(losses) per share (S\$ cents)	0.371	(0.018)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (Continued)

6. EARNINGS/(LOSSES) PER SHARE (CONTINUED)

An extraordinary general meeting was held on 17 July 2020 in which the resolution to approve the proposed share consolidation of every twenty-five (25) issued and unissued shares of par value of HK\$0.00125 each be consolidated into one (1) consolidated share of par value of HK\$0.03125 each (the "Share Consolidation") was passed by the shareholders of the Company. The Share Consolidation became effective on 21 July 2020. Please refer to the announcements and circular of the Company dated 10 June 2020, 29 June 2020 and 17 July 2020 for details of the Share Consolidation.

The weighted average number of ordinary shares during the three months ended 31 March 2020 have been adjusted for the Share Consolidation.

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share as there were no dilutive potential ordinary shares outstanding for the period ended 31 March 2021. The effect of the exercise of share options was not included in the calculation of diluted losses per share as they are anti-dilutive during the period ended 31 March 2021.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2021 (2020: Nil).

8. 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	
	2021 S\$ (Unaudited)	2020 S\$ (Unaudited)
Short-term benefits	46,800	52,822
Post-employment benefits	3,910	4,760
	50,710	57,582

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)

9. RESERVES

The movement of reserve is as follows:

	Three months ended 31 March	
	2021	2020
	S\$	S\$
	(Unaudited)	(Unaudited)
Currency translation reserve		
Foreign currency translation	(27,237)	(94,905)

10. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

	31 March 2021	31 December 2020
	S\$	S\$
	(Unaudited)	(Audited)
Guarantee provided in respect of performance bonds in favor of customers	21,200	21,200

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

During the three months ended 31 March 2021, the Group had been principally engaged in the design, fabrication, installation and maintenance of signage and related products and provision of fitting-out and renovation services for commercial premises and residential developments.

FINANCIAL REVIEW

For the three months ended 31 March 2021, the Group recorded an unaudited revenue of approximately S\$4,919,000 (2020: S\$1,831,000) and profit of approximately S\$474,000 (2020: loss of approximately S\$23,000).

Revenue had increased by approximately 168.6% or S\$3,088,000. The gross profit and gross profit margin for the three months ended 31 March 2021 was approximately S\$1,045,000 (2020: S\$411,000) and approximately 21.2% (2020: 22.5%) respectively. Increase of revenue is mainly due to the revenue generated for the fitting-out and renovation services business during the three months ended 31 March 2021 and the improvement in construction demand during the ongoing COVID-19 pandemic.

Other income for the three months ended 31 March 2021 included government grants of approximately S\$107,000 which is mainly in respect of COVID-19 related subsidies. The Group also recorded approximately S\$68,000 interest income which was mainly arise from loan receivables.

Other gains and losses for the three months ended 31 March 2021 included approximately S\$133,000 of foreign exchange gain which was mainly arise from loan receivables and cash and cash equivalents denominated in Hong Kong dollars which was appreciating against Singapore dollars.

Selling and administrative expenses for the three months ended 31 March 2021 was approximately S\$769,000 (2020: S\$1,081,000) representing an decrease of S\$312,000 or 28.9% mainly due to lesser staff costs, advertisement expenses and legal and professional fees incurred.

The Group recorded a profit before tax for the three months ended 31 March 2021 of approximately S\$572,000, compared to loss before tax of S\$44,000 for the corresponding period in 2020.

Profit for the three months ended 31 March 2021 was approximately S\$475,000, compared to loss of S\$23,000 for the corresponding period in 2020.

BUSINESS REVIEW

Revenue from the sale of signage, bollard, variable-message signs, bus stops and aluminium railing in the public and private sectors in Singapore was amounted to approximately S\$2,220,000 and S\$96,000 for the three months period ended 31 March 2021 and 2020, 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\$156,000 mainly due to improvement in construction demand during COVID-19 pandemic.

The Group commenced the business of provision of fitting-out and renovation services for commercial premises and residential developments in the forth quarter of 2020. The Group is responsible for the overall management of the contracted projects which involves sourcing, procurement and quality control of materials, arrangement of subcontractors, and supervision and inspection of the project progress until completion and may also provide design services upon clients' request. Revenue from this segment was amounted to approximately S\$2,603,000 during the three months ended 31 March 2021.

On 8 February 2021, the Company and the placing agent entered into the placing agreement to place up to 96,000,000 placing shares at HK\$0.15 per share. Assuming the placing shares are fully placed, the gross proceeds from the placing are approximately HK\$14,400,000 and the net proceeds from the placing are approximately HK\$14,000,000 after deducted the transaction expenses. The Company intends to apply all the net proceeds for the expansion and operation of the business of provision of fitting-out and renovation services. For details, please refer to the Company's announcements dated 8 February 2021, 19 March 2021 and 4 May 2021 and the circular dated 16 April 2021.

PROSPECTS

Looking forward, the demand in the construction sector activities in Singapore will slowly recover, yet the construction industry in Singapore will remain challenging due to the ongoing COVID-19 pandemic which led to the fierce competition in bidding prices and higher material costs. The Group will dedicate more efforts in the business of provision of fitting-out and renovation services so as to diversify the business portfolio and broaden its source of income. 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 2021, the Group had an aggregate of 71 (2020: 80) 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\$865,000 for the three months ended 31 March 2021 (2020: approximately S\$865,000).

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 2021, 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 Directors	Nature of interest	Number of shares held	Number of underlying shares held ⁽²⁾	Approximate percentage of issued share capital
Executive Directors:				
Tan Thiam Kiat Kelvin	Interest of controlled company ⁽¹⁾	39,337,600	-	30.73%
Kong Weishan	Beneficial owner	-	1,280,000	1.00%
Independent non-executive Directors:				
Lau Muk Kan	Beneficial owner	-	1,280,000	1.00%
Lock Kiu Yin	Beneficial owner	-	1,280,000	1.00%
Xiao Laiwen	Beneficial owner	-	1,280,000	1.00%

Note:

- 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, Mr. Tan Thiam Kiat Kelvin is deemed to be interested in all the shares held by Absolute Truth Investments Limited.
- On 9 April 2020, the Company granted share options to Ms. Kong Weishan, Mr. Lau Muk Kan, Mr. Lock Kiu Yin and Mr. Xiao Laiwen under the share option scheme of the Company at an exercise price of HK\$0.45 per share (adjusted) with a validity period of two years from 9 April 2020 to 8 April 2022 (both days inclusive).

Save as disclosed above, as at 31 March 2021, 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 2021, 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 Company's issued share capital
Absolute Truth Investments Limited	Beneficial owner	39,337,600	30.73%
Tan Kwang Hwee Peter	Interest of controlled company ⁽¹⁾	39,337,600	30.73%
Wang Ya Fei	Beneficial owner	9,600,000	7.50%
Han Dongshen	Beneficial owner	7,040,000	5.50%

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.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other 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 shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the three months ended 31 March 2021.

SHARE OPTIONS

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

On 9 April 2020, the Company granted a total of 12,800,000 share options (adjusted) to Directors and employees of the Group under the Share Option Scheme at an exercise price of HK\$0.45 per share (adjusted) with a validity period of two years from 9 April 2020 to 8 April 2022 (both days inclusive). The closing price of the Company's shares immediately before the date of grant is HK\$0.45 (adjusted).

Save as disclosed above, during the three months ended 31 March 2021, no share options was granted, exercised, lapsed or cancelled under the Share Option Scheme. As at 31 March 2021, there were 12,800,000 outstanding share options.

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 three months ended 31 March 2021.

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 2021.

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 2021.

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. Lau Muk Kan, Mr. Xiao Laiwen and Mr. Lock Kiu Yin. Mr. Lock Kiu Yin, a Director with the appropriate professional qualifications, serves as the chairman of the audit committee.

Among other things, 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 2021 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

An extraordinary general meeting was held on 4 May 2021 in which the resolution to approve the placing agreement entered into between the Company and the placing agent and the allotment and issue of a maximum of 96,000,000 placing shares pursuant to the specific mandate was passed by the shareholders of the Company. The placing has not been completed up to the date of this report. For details, please refer to the Company's announcements dated 8 February 2021, 19 March 2021 and 4 May 2021 and the circular dated 16 April 2021.

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

Singapore, 12 May 2021

As at the date of this report, the executive Directors are Mr. Tan Thiam Kiat Kelvin and Ms. Kong Weishan and the independent non-executive Directors are Mr. Lau Muk Kan, Mr. Xiao Laiwen and Mr. Lock Kiu Yin.

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the Company's website at www.kpmholding.com.