

KPM HOLDING LIMITED
吉輝控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8027)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 announcement, 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 announcement 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 announcement misleading.

The original announcement is prepared in the English language. This announcement is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

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 six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>	<i>S\$</i>	<i>S\$</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	2,426,491	2,694,141	5,032,619	5,631,578
Cost of sales		(1,137,979)	(1,517,520)	(2,456,938)	(3,174,231)
Gross profit		1,288,512	1,176,621	2,575,681	2,457,347
Other income	4	50,136	84,466	105,372	160,175
Other gains and (losses)	5	(19,550)	29,406	(256,253)	45,772
Selling and administrative expenses	6	(879,588)	(652,613)	(1,543,674)	(1,205,025)
Other expenses	7	(33,600)	(700,486)	(79,800)	(1,083,533)
Finance costs	8	(2,425)	(13,865)	(5,151)	(51,646)
Profit (Loss) before tax		403,485	(76,471)	796,175	323,090
Income tax expense	9	(91,859)	(105,000)	(223,859)	(230,000)
Profit (Loss) for the period, representing total comprehensive income for the period		311,626	(181,471)	572,316	93,090
Earnings (Losses) per share					
Basic and diluted (<i>S\$ cents</i>)	10	0.078	(0.057)	0.143	0.029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
	Note		
Non-current assets			
Plant and equipment	12	472,885	583,725
Available-for-sale investments		20	20
Total non-current assets		472,905	583,745
Current assets			
Inventories		765,247	526,393
Trade and other receivables	13	2,546,787	3,757,569
Pledged bank deposits		958,945	958,607
Bank and cash balances		11,299,348	9,838,862
Total current assets		15,570,327	15,081,431
Current liabilities			
Trade payables	14	735,805	1,044,626
Other payables and accruals	15	1,393,022	1,142,392
Obligations under finance leases		82,158	88,371
Income tax payable		209,035	297,238
Total current liabilities		2,420,020	2,572,627
Net current assets		13,150,307	12,508,804
Total assets less current liabilities		13,623,212	13,092,549
Non-current liability			
Obligations under finance leases		80,200	121,853
Deferred tax liability		40,000	40,000
Total non-current liabilities		120,200	161,853
NET ASSETS		13,503,012	12,930,696
Capital and reserves			
Share capital	17	689,655	689,655
Share premium		12,126,905	12,126,905
Merger reserves		(4,570,095)	(4,570,095)
Accumulated profits		5,256,547	4,684,231
TOTAL EQUITY		13,503,012	12,930,696

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital S\$	Share premium S\$	Merger reserves S\$	Accumulated profits S\$	Total S\$
At 1 January 2015 (Unaudited)	500,000	—	—	4,513,867	5,013,867
Profit for the period, representing total comprehensive income for the period	—	—	—	93,090	93,090
Share issue by Signmechanic Singapore	1,500,000	—	—	—	1,500,000
Elimination of share capital pursuant to the re-organisation (<i>Note 2</i>)	(2,000,000)	—	—	—	(2,000,000)
Issue of 999,999 ordinary shares pursuant to the re-organisation (<i>Note 2</i>)	1,724	6,568,371	(4,570,095)	—	2,000,000
	(498,276)	6,568,371	(4,570,095)	—	1,500,000
At 30 June 2015 (Unaudited)	<u>1,724</u>	<u>6,568,371</u>	<u>(4,570,095)</u>	<u>4,606,957</u>	<u>6,606,957</u>
At 1 January 2016 (Unaudited)	689,655	12,126,905	(4,570,095)	4,684,231	12,930,696
Profit for the period, representing total comprehensive income for the period	—	—	—	572,316	572,316
At 30 June 2016 (Unaudited)	<u>689,655</u>	<u>12,126,905</u>	<u>(4,570,095)</u>	<u>5,256,547</u>	<u>13,503,012</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	S\$	S\$
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	796,175	323,090
Adjustments for:		
Loss (Gain) on disposal of plant and equipment	14,034	(8,000)
Plant and equipment written off	—	931
Depreciation expense	98,154	130,548
Interest income	(124)	(12)
Finance costs	5,151	51,646
(Reversal of) Allowance for doubtful debts	(2,925)	(33,749)
Bad debts written off	—	1,465
Foreign exchange loss (gain)	245,144	—
Operating cash flow before movements in working capital	1,155,609	465,919
Trade receivables and other receivables	1,213,707	(1,404,711)
Amount due from a related party	—	44,860
Inventories	(238,854)	71,948
Trade payables	(308,821)	288,952
Other payables and accruals	250,630	(527,789)
Amount due to related parties	—	(348,193)
Cash generated from (used in) operations	2,072,271	(1,409,014)
Income tax paid	(312,062)	(483,408)
Net cash from (used in) operating activities	1,760,209	(1,892,422)
INVESTING ACTIVITIES		
Repayment from (Advance to) a director	—	5,007
Placement of pledged bank deposits	(338)	(370,436)
Purchase of property, plant and equipment	(23,227)	(45,924)
Proceeds from disposal of plant and equipment	21,879	8,000
Interest received	124	12
Net cash used in investing activities	(1,562)	(403,341)

	Six months ended 30 June	
	2016	2015
	S\$	S\$
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Issuance of share capital	—	1,500,000
Repayment of bills payables	—	(909,841)
Finance lease interest paid	(5,151)	(7,404)
Loan interest paid	—	(19,185)
Trade finance interest paid	—	(25,057)
Drawdown of bank loan	—	1,000,000
Repayment of bank loan	—	(1,000,000)
Repayment of finance lease obligation	(47,866)	(60,977)
	<u>(53,017)</u>	<u>477,536</u>
Net cash (used in) from financing activities		
	<u>(53,017)</u>	<u>477,536</u>
Net increase (decrease) in cash and cash equivalents	1,705,630	(1,818,227)
Cash and cash equivalents, represented by bank and cash balances at 1 January	9,838,862	5,087,491
	<u>9,838,862</u>	<u>5,087,491</u>
Effect of exchange rate changes	(245,144)	—
	<u>(245,144)</u>	<u>—</u>
Cash and cash equivalents, represented by bank and cash balances at 30 June	<u>11,299,348</u>	<u>3,269,264</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 10 March 2015 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The 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 19th Floor, Prosperity Tower, 39 Queen’s Road Central, 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 Company is a subsidiary of Absolute Truth Investment Limited, incorporated in British Virgin Island, which is also the Company’s ultimate holding company.

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

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

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 26 July 2016.

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

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

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

These condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure required by the Rules Governing the Listing of Securities and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the Annual Report for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited financial statements included in the annual report for the year ended 31 December 2015 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for accounts period beginning on 1 January 2015 and are relevant to its operations. The adoption of these new/revised IFRS, amendments and interpretations does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior period.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Public	2,224,051	2,457,801	4,600,090	5,048,940
Private	202,040	236,340	432,529	582,638
	<u>2,426,491</u>	<u>2,694,141</u>	<u>5,032,619</u>	<u>5,631,578</u>

Entity-wide disclosures

Major products

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

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

Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	Note	802,470	Note	1,698,838
Customer B	Note	Note	525,568	Note

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

Geographical information

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

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	—	6	124	12
Government grants	18,462	19,455	24,172	44,406
Rental income under operating lease in respect of subleasing of workshop premises	24,500	43,500	68,000	85,500
Others, comprising mainly insurance claims received	7,174	21,505	13,076	30,257
	<u>50,136</u>	<u>84,466</u>	<u>105,372</u>	<u>160,175</u>

5. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reversal of (Allowance for) doubtful debts	1,925	25,383	2,925	33,749
Bad debts written off	—	(1,465)	—	(1,465)
Plant and equipment written off	—	(931)	—	(931)
(Loss) Gain on disposal of plant and equipment	(4,580)	—	(14,034)	8,000
Foreign exchange (loss) gain	(16,895)	6,419	(245,144)	6,419
	<u>(19,550)</u>	<u>29,406</u>	<u>(256,253)</u>	<u>45,772</u>

6. SELLING AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Audit fee	65,000	90,000	65,000	90,000
Staff costs	512,608	417,952	942,175	738,258
Legal and professional fees	107,996	(8,800)	187,203	25,400
Depreciation	22,369	22,661	44,977	45,109
Rental expenses	25,317	15,945	53,650	35,068
Upkeep of equipment and vehicles	25,562	(2,479)	49,336	55,801
Others	120,736	117,334	201,333	215,389
	<u>879,588</u>	<u>652,613</u>	<u>1,543,674</u>	<u>1,205,025</u>

7. OTHER EXPENSES

This included listing expenses of \$679,486 and \$1,034,533 for the three months and six months ended 30 June 2015 respectively, all unaudited.

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on borrowings wholly repayable within five years:				
— Bank loan	—	—	—	19,185
— Obligations under finance leases	2,425	3,205	5,151	7,404
— Trade financing	—	10,660	—	25,057
	<u>2,425</u>	<u>13,865</u>	<u>5,151</u>	<u>51,646</u>

9. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
— Singapore Corporate Income Tax (“CIT”)	92,000	105,000	209,000	200,000
(Over) Underprovision in prior year	(141)	—	14,859	30,000
	<u>91,859</u>	<u>105,000</u>	<u>223,859</u>	<u>230,000</u>

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

The income tax expense for the year 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 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (Loss) before tax	403,485	(76,471)	796,175	323,090
Tax at Singapore CIT of 17%	68,593	(13,000)	135,350	54,925
Tax effect of expenses not deductible for tax purpose	41,100	115,513	103,939	175,871
Tax effect of income not taxable	(779)	—	(2,386)	—
Tax effect of income under tax exemption and rebate	(13,981)	(13,981)	(27,963)	(27,963)
Tax effect of enhanced allowance (<i>Note</i>)	(5,174)	—	(7,767)	(13,268)
(Over) Underprovision in prior year	(141)	—	14,859	30,000
Others	2,241	16,468	7,827	10,435
Income tax expense for the period	<u>91,859</u>	<u>105,000</u>	<u>223,859</u>	<u>230,000</u>

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

The diluted earnings (losses) per share is the same as the basic (losses) 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 six months ended 30 June 2016.

12. PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with aggregate cost of approximately \$23,227 (2015: approximately \$126,924) of which \$Nil (2015: \$81,000) was acquired under finance lease.

The Group incurred depreciation expenses for the three months ended 30 June 2016 of \$48,957 (three months ended 30 June 2015: \$68,094) and for the six months ended 30 June 2016 of \$98,154 (six months ended 30 June 2015: \$130,548).

13. TRADE AND OTHER RECEIVABLES

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
Trade receivables	1,741,181	2,997,576
Less: allowance for doubtful debts	(118,683)	(136,867)
	<u>1,622,498</u>	<u>2,860,709</u>
Retention receivables	347,665	374,896
Less: allowance for doubtful debts	(6,414)	(6,414)
	<u>341,251</u>	<u>368,482</u>
Unbilled receivables	—	60,096
Purchase advances paid to suppliers	78,705	36,863
Receivables from disposals of freehold property (note a)	200,000	200,000
Rental and other deposits	151,670	151,302
Prepayments	152,190	79,431
Other receivables	473	686
	<u>2,546,787</u>	<u>3,757,569</u>

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

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

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
1–30 days	701,026	934,725
31–60 days	277,938	671,082
61–90 days	330,549	366,565
91–180 days	233,798	421,899
181–365 days	64,107	420,784
Over 365 days	15,080	45,654
	1,622,498	2,860,709

Movement in the allowance on doubtful debts for trade receivables

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
At beginning of the period	136,867	129,608
Amounts recovered during the year	(2,925)	(38,948)
Increase in allowance on doubtful debts recognised in profit or loss	—	46,207
Write-off	(15,259)	—
At end of the period	118,683	136,867

Movement in the allowance on doubtful debts for retention receivables:

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
At beginning of the period	6,414	—
Increase in allowance on doubtful debts recognised in profit and loss	—	6,414
	6,414	6,414

14. TRADE PAYABLES

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

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
0–30 days	339,579	289,267
31–90 days	168,825	358,210
Over 90 days	227,401	397,149
	735,805	1,044,626

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
Advance billings to customers	753,657	560,150
Retention payable to supplier	40,380	48,910
Goods and services tax payable	122,278	140,012
Accrued operating expenses	256,015	288,556
Accrued staff bonus/commission	34,298	39,428
Rental deposits received	43,500	43,500
Deposit received from customers	114,177	15,732
Other payables	28,717	6,104
	1,393,022	1,142,392

16. RELATED PARTY DISCLOSURES

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

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

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

Compensation of key management personnel

The remuneration of the key management of the Group was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term benefits	74,186	63,600	143,436	133,606
Post-employment benefits	6,120	5,100	12,240	10,200
	<u>80,306</u>	<u>68,700</u>	<u>155,676</u>	<u>143,806</u>

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

17. SHARE CAPITAL

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

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

	Number of shares	Share capital S\$
Issued and fully paid of Signmechanic Singapore:		
At 1 January 2015	<u>500,000</u>	<u>500,000</u>
Issued and fully paid of KPM Holding Limited:		
At date of incorporation	1	—
Issued during the period	999,999	1,724
Share issued under the capitalization issue (including 20,000,000 vendor shares to be placed out)	319,000,000	550,000
Share issued under the placing	<u>80,000,000</u>	<u>137,931</u>
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	<u>400,000,000</u>	<u>689,655</u>

18. CONTINGENT LIABILITIES (SECURED)

The Group has following contingent liabilities:

	30 June 2016 S\$ (Unaudited)	31 December 2015 S\$ (Audited)
Guarantee provided in respect of performance bonds in favor of customers	<u>135,135</u>	<u>143,930</u>

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

FINANCIAL REVIEW

Revenue and Results

For the six months ended 30 June 2016, the Group recorded an unaudited revenue of approximately S\$5,033,000 (2015: approximately S\$5,632,000) and profit of S\$572,000 (2015: approximately S\$93,000).

Revenue has decreased by 10.6% attributable mainly to the lower contribution by approximately \$449,000 from the public sector and by approximately \$150,000 from the private sector. Several high value public sector contracts have contributed lower revenue as work volume has decreased in 2016.

The gross profit for the six months ended 30 June 2016 was approximately S\$2,576,000 (2015: approximately S\$2,457,000). The higher gross profit of S\$119,000 is due to the recognition of additional revenue for certain contract upon completion.

Other gains and losses included approximately \$245,000 relating to unrealized foreign exchange loss for cash and bank balances which are denominated in Hong Kong dollars.

Selling and administrative expenses for the six months ended 30 June 2016 was approximately S\$1,544,000, (2015: approximately S\$1,205,000) representing an increase of S\$339,000 or 28.1% mainly due to higher expenses incurred for higher staff cost and legal and professional fees.

Other expenses for the six months ended 30 June 2015 included approximately S\$1,035,000 listing expenses.

The Group recorded a profit before tax for the six months ended 30 June 2016 of approximately S\$796,000 (2015: approximately S\$323,000), representing an increase of S\$473,000 or 146.4% as compared with the corresponding period of last year. Excluding the listing expenses of approximately \$1,035,000, the net profit before tax for the six months ended 30 June 2015 would have been S\$1,358,000, representing a decrease of profit before tax of S\$562,000 or 41.4%. This is mainly due to higher selling and administrative expenses and the foreign exchange loss incurred.

Profit for the six months ended 30 June 2016 was approximately S\$572,000, representing an increase of S\$479,000 or 515.1% as compared with approximately S\$93,000 for the corresponding period in 2015.

Liquidity and Financial Resources

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts span from 1 month to 4 years and during which the amount of progress claim vary from month to month depending on the provision of signage and related products for the month. The supply and installation schedule is as directed by the customer,

in accordance with the main contractor's schedule. As such, the Group actively manage our customers' credit limits, aging, and repayment of retention monies and monitor the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

For the period under review, the cash and cash equivalents of the Group has increased by approximately S\$1,460,000. This was mainly generated from the Group's operating activities.

As at 30 June 2016, the Group's borrowings comprised the obligations under finance lease of S\$162,000 (31 December 2015: approximately S\$210,000).

At 30 June 2016, the Group had cash and cash equivalents of approximately S\$11,299,000 (31 December 2015: approximately S\$9,839,000) which were placed with major banks in Singapore and Hong Kong.

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. However, the Group retains the proceeds from Placement in Hong Kong Dollars which contributed to an unrealised foreign exchange loss of approximately S\$245,000 as Hong Kong Dollars depreciated against the Singapore Dollars.

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

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

Charges on Group's Assets

The Group has total present value of minimum lease payments in relation to finance lease, which are secured by the relevant leased motor vehicles amounting to approximately S\$186,000.

Contingent liabilities

As at 30 June 2016, the guarantees in respect of performance bonds in favor of our customers of approximately S\$135,000, which is secured by pledged bank deposits.

BUSINESS REVIEW

Revenue comprised of revenue from the sales of signage and related products in both the public and private sectors in Singapore, which amounted to approximately S\$5,033,000 and S\$5,632,000 for the six months period ended 30 June 2016 and 2015, respectively.

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

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

During the current financial period, the business revenue and net profit was approximately S\$5,033,000 and S\$572,000 respectively. The public sector revenue has decreased by S\$449,000 mainly due to the lower contribution of 2 significant contracts as work volume has decreased.

Prospects

In the Group's last quarter announcement, the Group had announced that the Group was expecting to benefit from anticipated public sector demand based on the Building and Construction Authority's ("BCA") press release of 15 January 2016 projecting construction demand to be between S\$27 billion and S\$34 billion.

Based on the Group's observation of roll-out of public sector projects to date and with the Group being involved in the later stages of such projects when signage installation works are typically underway, the benefit that the Group was expecting from such demand may not materialise within the current year.

Having regard to the above, and with economic and construction industry environment continuing to be challenging coupled with overall slow-down in demand for the Group's services, the Group expects its revenue to continue on a decline.

Employee Information

As at 30 June 2016, the Group had an aggregate of 77 (2015: 68) employees.

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

Total staff costs, including Directors' emoluments, amounted to approximately S\$1,421,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately S\$1,246,000).

Event After The Reporting Period

According to the Company's announcement dated 22 July 2016, the Directors proposed to implement the share subdivision on the basis that every one (1) issued and unissued share of par value of HK\$0.01 each will be subdivided into eight (8) subdivided shares of par value of HK\$0.00125 each ("Share Subdivision"). Further announcements in respect of the Share Subdivision will be made by the Company.

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 June 2016, 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 or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director/ chief executive	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Executive Directors:			
Mr. Tan Thiam Kiat Kelvin	Interest of controlled company ⁽¹⁾	263,000,000	65.75%
Mr. Tan Kwang Hwee Peter	Interest of controlled company ⁽¹⁾	263,000,000	65.75%

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' Interests and Short Positions in the Shares, Debentures and Underlying Shares of the Company" below.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2016, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2016, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

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

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Absolute Truth Investment Limited	Beneficial owner	Corporate interest	263,000,000	65.75%

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 June 2016.

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 an interest in a business 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 six months ended 30 June 2016.

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 six months ended 30 June 2016.

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 Corporate Governance 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 six months ended 30 June 2016 and has provided advice and comments thereon.

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

Hong Kong, 26 July 2016

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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the Company's website at www.kpmholding.com.