
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in KPM Holding Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

KPM HOLDING LIMITED

吉輝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8027)

(I) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 20 of this circular.

A notice dated 16 April 2021 convening the EGM to be held on Tuesday, 4 May 2021 at 3:00 p.m. at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for seven days from the date of its publication and on the website of the Company at www.kpmholding.com.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of shareholders and to prevent the spreading of the coronavirus disease (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM:

1. All participants shall be subject to compulsory body temperature check at the entrance of the venue and anyone with a body temperature of over 37.4 degree Celsius may be denied entry to the EGM venue;
2. All participants are required to wear facial surgical masks appropriately in the EGM venue at all times and particularly during the whole process of the EGM;
3. All participants are required to complete and submit Health Declaration Form – anyone who is subject to quarantine, has any flu-like symptoms, has travelled overseas within 14 days immediately before the EGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM;
4. Appropriate distancing and spacing will be maintained;
5. No souvenir or gift will be distributed; and
6. No refreshments or drinks will be served.

Attendees who do not comply with the precautionary measures referred to in (1) to (4) above may be denied entry to the EGM venue. For the health and safety of shareholders, the Company strongly recommends shareholders NOT to attend the EGM in person, and advises shareholders to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.

* For identification purposes only

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Announcement”	the announcement of the Company dated 8 February 2021 in relation to the Placing
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday, public holiday or any day on which tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	KPM Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8027)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 4 May 2021 at 3:00 p.m. at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	13 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Placees”	any individuals, corporate, institutional investors or other investors to be procured by or through the Placing Agent under the Placing
“Placing”	the proposed offer by way of private placing of the Placing Shares by or through the Placing Agent to the Placee(s), on a best endeavour basis, on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Astrum Capital Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the proposed conditional placing agreement entered into between the Company and the Placing Agent dated 8 February 2021 in relation to the Placing under the Specific Mandate
“Placing Price”	HK\$0.15 per Placing Share
“Placing Shares”	a maximum of 96,000,000 new Shares proposed to be placed pursuant to the Placing Agreement and each a “Placing Share”
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.03125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of up to a maximum number of 96,000,000 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	the Singapore dollars, the lawful currency of Singapore
“%”	per cent.

For the purpose of this circular, amounts denominated in S\$ have been translated into HK\$ at an exchange rate of S\$1.0 = HK\$5.8. No representation is made that any amounts in S\$ and HK\$ can be or could have been converted at the relevant dates at the above rate or at any other rates at all.

LETTER FROM THE BOARD

KPM HOLDING LIMITED

吉輝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8027)

Executive Directors:

Mr. Tan Thiam Kiat Kelvin (*Chairman*)

Ms. Kong Weishan

Independent non-executive Directors:

Mr. Lau Muk Kan

Mr. Lock Kiu Yin

Mr. Xiao Laiwen

Registered office:

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head office and principal place
of business:*

14 Loyang Way 4

Singapore 507601

Principal place of business in

Hong Kong:

Unit 1104A, 11/F

Kai Tak Commercial Building

317-319 Des Voeux Road Central

Hong Kong

16 April 2021

To the Shareholders

Dear Sir or Madam,

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement in relation to the Placing.

* *For identification purposes only*

LETTER FROM THE BOARD

On 8 February 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 96,000,000 Placing Shares, to not less than six Placees who and whose beneficial owners are Independent Third Parties at a price of HK\$0.15 per Placing Share. The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be obtained at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM.

THE PLACING AGREEMENT

Date	:	8 February 2021 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Astrum Capital Management Limited

The Placing Agent has conditionally agreed to place up to 96,000,000 Placing Shares, on a best endeavour basis, to the Placees. The Placing Agent will receive a placing commission of 1.5% of the aggregate Placing Price of the Placing Shares successfully placed by or on behalf of the Placing Agent pursuant to its obligations under the Placing Agreement. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market condition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees:

The Placing Shares will be placed to not less than six Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. The Placing Agent undertook that none of the Placees, their respective associates nor their respective ultimate beneficial owners would, immediately upon completion of the Placing, become a substantial shareholder of the Company.

LETTER FROM THE BOARD

Notwithstanding the fact that the book-building process will only commence after obtaining the Specific Mandate from the Shareholders at the EGM and no Placees had been identified as at the Latest Practicable Date, it is believed by the Company that (i) save for the customer relationship, there is no other relationship between the Placing Agent and each of the Placees; (ii) each of the Placees is not party acting in concert with each other; (iii) no person (including but not limited to the Company, its connected persons and/or the Placing Agent) has any agreement, arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied) to procure the Placees to acquire, dispose of, vote or conduct other disposition of the Shares after completion of the Placing; (iv) none of the Company, its connected persons and the Placing Agent is aware of any parties who will finance the Placees directly or indirectly to subscribe for the Placing Shares, save and except for any margin financing which might be provided by the Placing Agent to the Placees; and (v) none of the Placees is related to the Subcontracting Business (as defined below).

Placing Price:

The Placing Price of HK\$0.15 per Placing Share represents:

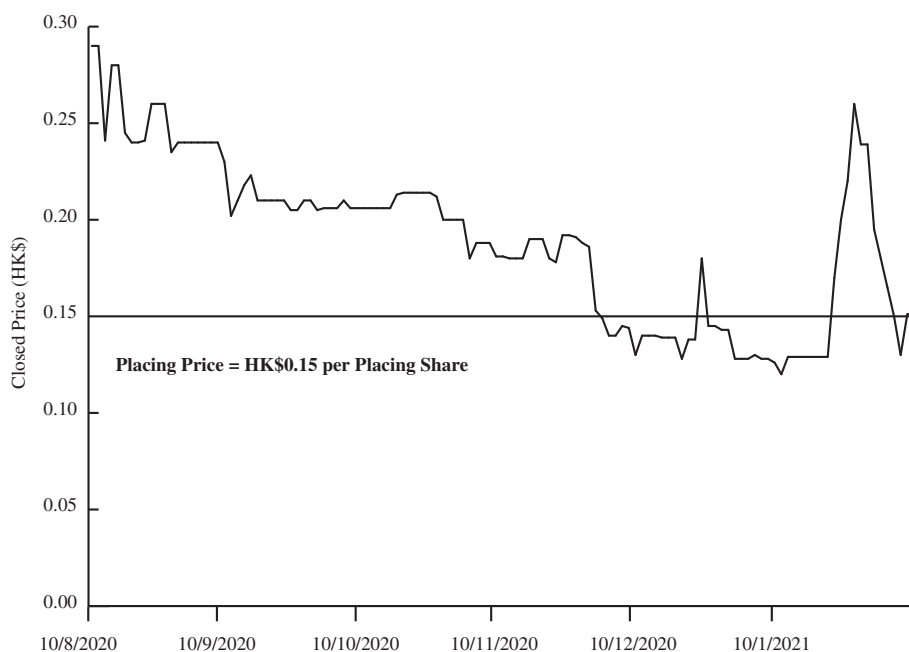
- (i) a discount of approximately 1.3% to the closing price of HK\$0.152 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 3.4% to the average closing price of HK\$0.1552 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement; and
- (iii) a discount of approximately 48.3% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and the capital requirement for the future development of the Group.

LETTER FROM THE BOARD

In determining the Placing Price, the Directors have reviewed the closing prices of the Shares during the period from 10 August 2020 and up to and including the date of the Placing Agreement (being the six-month period immediately prior to the date of the Placing Agreement) (the “**Review Period**”). The Directors consider that the Review Period could reflect the most recent trend of the prevailing market price of the Shares. The following chart depicts the closing prices of the Shares during the Review Period:

Chart 1: Share price performance during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

As shown in the chart above, the closing prices of the Shares fluctuated within the range from HK\$0.120 per Share to HK\$0.290 per Share. The average closing price of the Shares was approximately HK\$0.189 during the Review Period. The Placing Price of HK\$0.15 per Placing Share represents a discount of approximately 20.8% to the average closing price of the Shares during the Review Period.

LETTER FROM THE BOARD

In addition, the Directors have also reviewed the trading liquidity of the Shares during the Review Period in determining the Placing Price. The following table sets out the trading volume of the Shares during the Review Period:

Table 1: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume <i>(No. of Shares)</i>	Number of trading days	Average trading volume of the Shares <i>(No. of Shares)</i>	Average daily trading volume as a percentage of the total number of Shares in issue <i>(Note)</i> <i>(%)</i>
August 2020 <i>(From 10 August 2020)</i>	200,400	16	12,525	0.010%
September 2020	576,200	22	26,191	0.020%
October 2020	506,200	18	28,122	0.022%
November 2020	959,800	21	45,705	0.036%
December 2020	1,789,200	22	81,327	0.064%
January 2021	2,175,200	20	108,760	0.085%
February 2021 <i>(up to 8 February 2021)</i>	288,800	6	48,133	0.038%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 128,000,000 Shares).

As illustrated in Table 1 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 12,525 Shares to approximately 108,760 Shares, representing approximately 0.010% to approximately 0.085% of the total number of issued Shares as at the Latest Practicable Date. The Directors noted that the average daily trading volume during the Review Period of approximately 51,966 Shares was thin and represented merely approximately 0.041% of the total number of issued Shares as at the Latest Practicable Date.

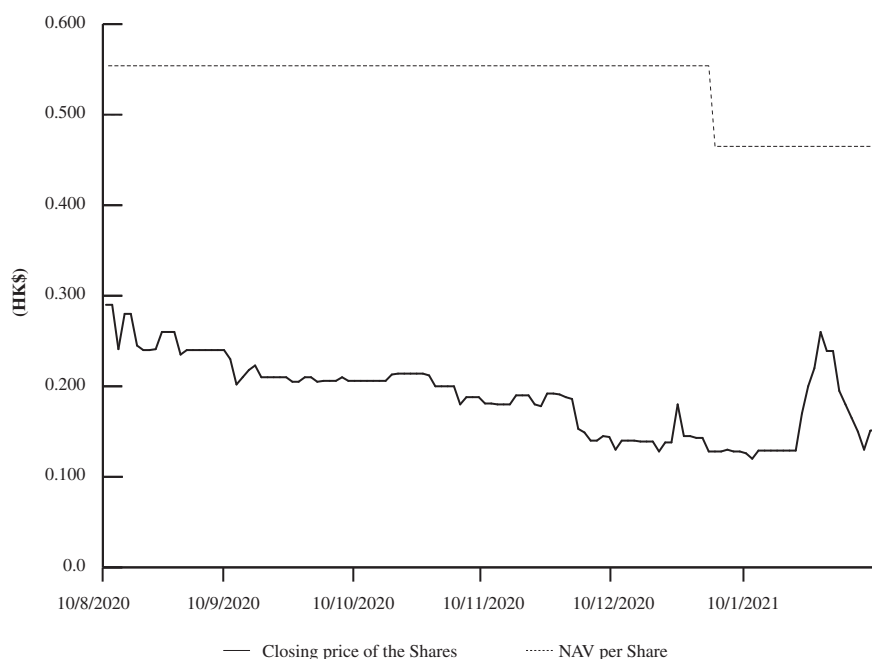
LETTER FROM THE BOARD

Taking into account (i) the consecutive loss-making position of the Group for the two years ended 31 December 2019 and 31 December 2020; (ii) the low trading volume of the Shares during the Review Period; and (iii) the impact from the outbreak of coronavirus disease (“COVID-19”), the Directors consider that it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the Placing.

After the publication of the Announcement, the Directors noted that the closing price of the Shares significantly increased to HK\$0.181 per Share on 9 February 2021 (being the first trading day after the publication of the Announcement) as compared to that of HK\$0.152 per Share on the date of the Placing Agreement. During the period commencing from 9 February 2021 to the Latest Practicable Date (the “**Post-announcement Period**”), the Shares increased from HK\$0.181 per Shares on 9 February 2021 to HK\$0.290 per Shares on the Latest Practicable Date. Save for the announcement of the Placing, the Directors were not aware of any other reasons that led to the increase in the Share price within a short period of time during the Post-announcement Period.

The Directors noted that the Placing Price represents a discount of approximately 67.7% to the unaudited equity attributable to owners of the Company (the “NAV”) per Share as at 31 December 2020. The following chart depicts the closing prices of the Shares and the NAV per Share during the Review Period:

Chart 2: Closing price of the Share versus NAV per Share during the Review Period



Source: the website of the Stock Exchange

LETTER FROM THE BOARD

Given that (i) the Shares were traded at a deep discount to the NAV per Share throughout the Review Period; and (ii) the market price of the Shares have already reflected the expectation of the investors to the Company (such as its financial results and corporate actions) and the recent market sentiment, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Placing Price and that the discount of the Placing Price to the NAV per Share is justifiable.

Notwithstanding that the Placing Price of HK\$0.15 per Placing Share represents a discount of 48.3% to the closing price of HK\$0.29 per Share as at the Latest Practicable Date, after taking into consideration the facts that it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the Placing in view of (i) the consecutive loss-making position of the Group for the two years ended 31 December 2019 and 31 December 2020; (ii) the thin trading volume of the Shares during the Review Period; and (iii) the impact from the outbreak of COVID-19, the Directors consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming the Placing Shares are fully placed, the gross proceeds and the net proceeds (after deduction of commission and other expenses of the Placing) from the Placing will be HK\$14.4 million and approximately HK\$14.0 million, respectively. On such basis, the net issue price will be approximately HK\$0.146 per Placing Share.

Placing Shares:

The maximum number of 96,000,000 Placing Shares represent (i) 75.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 42.86% of the issued share capital of the Company as enlarged by the issue of the maximum number of 96,000,000 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares is HK\$3,000,000.

Ranking:

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

LETTER FROM THE BOARD

Conditions of the Placing:

Completion of the Placing is conditional upon:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares to be placed pursuant to the Placing Agreement; and
- (ii) the Specific Mandate being obtained at the EGM.

As at the Latest Practicable Date, none of the conditions had been satisfied.

Each of the Company and the Placing Agent shall use their respective best endeavours to procure satisfaction of the above conditions prior to the date falling on one (1) month after the EGM and in any event not later than six months after the date of the Placing Agreement (the “**Initial Long Stop Date**”) or such later date as the Company and the Placing Agent may agree in writing (the “**Long Stop Date**”). If the above conditions are not satisfied on or before the Long Stop Date, all obligations of the Placing Agent and the Company under the Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of any antecedent breaches of any obligation thereunder).

Notwithstanding the Initial Long Stop Date is determined as 7 August 2021 (being six months after the date of the Placing Agreement), it is the intention of the Board to complete the Placing as soon as practicable after taking into account the reasons for the Placing as discussed in the section headed “REASONS FOR THE PLACING AND USE OF PROCEEDS” below (in particular, the intended use of proceeds from the Placing). Subject to the Shareholders approval to be obtained at the EGM, the Company will procure the completion of the Placing under the Placing Agreement to take place within one month after the date of EGM.

The Specific Mandate will only remain valid up to the Initial Long Stop Date. The Company will re-comply with all the applicable GEM Listing Rules requirements (including but not limited to obtaining Shareholders’ approval as required under Rule 17.39 of the GEM Listing Rules) in the event of extension of the Long Stop Date beyond the Initial Long Stop Date.

Completion:

Completion of the Placing shall take place within five Business Days after the fulfillment of all the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

LETTER FROM THE BOARD

Mandate to issue the Placing Shares:

The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be obtained at the EGM.

Force majeure:

If any of the following events occur at any time prior to 10:00 a.m. on the date of completion of the Placing (the “**Placing Completion Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the Placing Completion Date provided that such notice is received prior to 6:00 p.m. on the day immediately preceding the Placing Completion Date, rescind the Placing Agreement without liability to the other parties thereto, and the Placing Agreement shall thereupon cease to have effect and none of the parties thereto shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties of the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

LETTER FROM THE BOARD

The Directors were not aware of the occurrence of any of such events as at the Latest Practicable Date.

Since completion of the Placing is subject to the fulfilment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

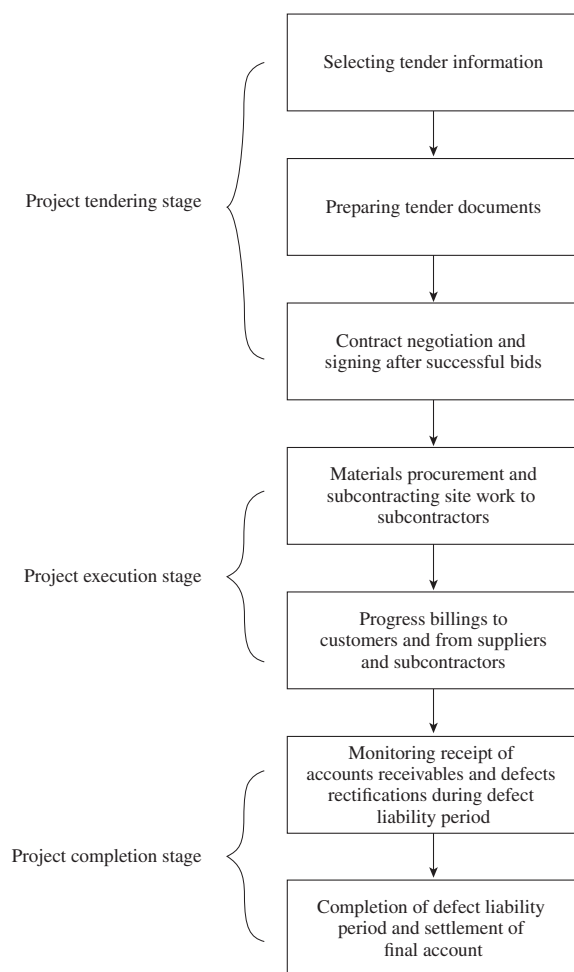
REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the design, fabrication, installation and maintenance of signage and related products in Singapore (the “**Signage Business**”).

Since April 2020, the Government of Singapore has implemented measures to reduce the risk of further transmission of coronavirus disease (the “**COVID-19**”) in Singapore. The prolonged effect of COVID-19 and the public health measures implemented by the Government of Singapore has adversely affected the Group’s business and operations. According to the third quarterly report of the Company for the nine months ended 30 September 2020, the Group’s revenue decreased significantly from approximately S\$6.3 million for the nine months ended 30 September 2019 to approximately S\$3.2 million for the nine months ended 30 September 2020. Due to the outbreak of COVID-19, coupled with the fierce competition in bidding prices and the increase in material costs, it is expected that the construction business of the Group in Singapore will remain challenging.

LETTER FROM THE BOARD

In order to diversify the Group's existing business portfolio and broaden its source of income, the Group has commenced the business of provision of subcontracting services for fitting-out work of commercial premises and residential developments and renovation work of premises (the “**Subcontracting Business**”) in Hong Kong, which is not closely related to the Signage Business in Singapore, in the fourth quarter of 2020. The Group's Subcontracting Business involves the provision of subcontracting services for fitting-out work of commercial premises and residential developments and renovation work of premises in Hong Kong. The Group will coordinate, monitor and supervise the whole progress until completion of the contracted projects and may also provide design services upon clients' request. The Group generally engages subcontractors to carry out most of the site works of the projects in order to reduce the Group's fixed labour costs and enable the Group to undertake multiple projects at the same time. All of the subcontractors are managed and supervised by the Group so as to manage the time, costs and quality of the projects. Each project can be generally divided into three stages, namely the project tendering stage, the project execution stage and the project completion stage. The following diagram illustrates the business model of the Group's Subcontracting Business on each stage:



LETTER FROM THE BOARD

At the project tendering stage, the Group performs tender assessment to determine whether to pursue the project, which involves sourcing preliminary quotations from the material suppliers and subcontractors to facilitate our cost estimation and pricing decisions and assessment on customers and availability of resources. No material costs are required at this stage.

Once the Group awards a tender, the Group will sign a contract with the clients and go into the project execution stage. At this stage, 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. Generally, the Group is required to pay the upfront costs of approximately 10% of the contract sum to the subcontractors and approximately 50% of the contract sum to material suppliers in advance before receiving any payment from its clients. The Group does not receive any deposit or advance payment from clients. Progress payment applications are made to clients based on the amount of work completed and such application is subject to examination by clients which generally completes within 30 days. In addition, a credit period of 60-120 days is offered to its clients so as to increase the Group's competitive advantage. Yet, credit terms offered by the Group's suppliers generally range from payment upon delivery of goods or within 30 days of presentation of invoices. Thus, the Group has a net cash outflows at the early stage of the projects and the progress payments from clients would not be sufficient to cover the upfront costs until the later phase of project execution stage or project completion stage. Based on current estimation of the Group, a total of approximately HK\$10.6 million will be payable to the suppliers while a total of approximately HK\$4.0 million will be received from the clients during the three months ending 30 June 2021.

At the project completion stage, the clients conduct inspection to check whether the works are satisfactorily completed. The Group is responsible for rectifying the defects of work during the defect liability period. The costs required at this stage are minimal.

On average, the Group shall spare working capital of approximately HK\$6.6 million for each project, depending on the size of the project, the costs of materials and the proportion of site works subcontracted to subcontractor(s).

LETTER FROM THE BOARD

The Group's Subcontracting Business is led and supervised by Ms. Kong Weishan (“**Ms. Kong**”), an executive Director, and supported by a project team that currently comprises four construction specialists with over 10 years of practical experience in the construction industry in Hong Kong, and they developed and maintained strong relationships with numerous material suppliers and subcontractors in Hong Kong. Ms. Kong has around 5 years of experience in the construction industry and she has acted as project manager for numbers of projects that mainly involves fitting-out works for the past three years, in which she gained the experience and knowledge in the rundown and management of construction projects. The Group secures new projects either through business networks and referrals or open tender. As at the Latest Practicable Date, the Group was undertaking four subcontracting projects. Details of the existing projects are set out below:

	Date of engagement	Nature of project	Contract sum <i>(Note 1)</i>	Estimated time required for completion	Remark
1.	October 2020	Fitting out works for office buildings in Chek Lap Kok	Approximately HK\$10.2 million	16 months	See Note 2 below
2.	October 2020	Fitting out works for office buildings in Chek Lap Kok	Approximately HK\$10.1 million	16 months	See Note 3 below
3.	October 2020	Fitting out works for a private residential property in Sai Ying Pun	Approximately HK\$8.5 million	9 months	See Note 4 below
4.	November 2020	Fitting out works for a private residential property in Ma On Shan	Approximately HK\$5.4 million	6 months	See Note 5 below

Notes:

- Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.
- In November 2020, Top Construction Limited (“**Top Construction**”), a wholly-owned subsidiary of the Company, entered into a subcontract with Company A, an independent construction company, pursuant to which Top Construction has subcontracted the site works of the project to Company A.
- In November 2020, Top Construction entered into a subcontract with Company B, an independent construction company, pursuant to which Top Construction has subcontracted the site works of the project to Company B.

LETTER FROM THE BOARD

4. In October 2020, Top Construction entered into a subcontract with Company C, an independent construction company, pursuant to which Top Construction has subcontracted the site works of the project to Company C.
5. In December 2020, Top Construction entered into a subcontract with Company D, an independent interior design and construction company, pursuant to which Top Construction has subcontracted the site works of the project to Company D.

It is expected that the Group's Subcontracting Business will commence to generate revenue in 2021. Based on the Company's current estimation, the Subcontracting Business will contribute revenue of approximately HK\$27 million to the Group for the year ending 31 December 2021, representing approximately 40% of the Group's revenue, while the remaining 60% Group's revenue will be contributed by the Signage Business. However, as mentioned above, the Group would usually incur cash outflow at the early stage of the projects due to the mismatch in the timing between the receipt of payment from the customers and payment to subcontractors and material suppliers. Based on the current project schedule and budget planning, the Group shall incur net cash outflow of approximately HK\$6.6 million for the existing four projects in the second quarter of 2021. As at 28 February 2021, the Group's cash and bank balance amounted to approximately S\$2.7 million (equivalent to approximately HK\$15.7 million), which was principally composed of the cash balance of a wholly-owned subsidiary of the Company (namely, Signmechanic Pte Ltd ("Signmechanic")), a company incorporated in Singapore and the sole operating subsidiary of the Group's Signage Business, of approximately S\$1.8 million (equivalent to approximately HK\$10.4 million) for the operation and development and the Signage Business. Furthermore, the Group requires approximately HK\$0.5 million per month for general administrative expenses of Hong Kong office. The Directors anticipated that the current available cash and bank balance of approximately HK\$5.3 million (after deducting cash balance of Signmechanic of approximately HK\$10.4 million) might not be sufficient for financing the operation of the Group's Subcontracting Business and the Group's general working capital for the next twelve months. Accordingly, the Directors are of the view that the Company has imminent need to raise fund through the Placing to meet the capital requirement for the expansion and operation of the Subcontracting Business.

Save for the Placing, the Directors have also considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as rights issue and open offer. As for debt financing, the Group has approached two banks for the possible bank loan in the amount of HK\$15 million. However, no positive feedback was received from such banks. The Directors are of the view that debt financing will increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company, and will increase the Group's gearing ratio. As to rights issue and open offer, the Group has approached three securities firms about the possibility and feasibility of acting as underwriter for rights issue or open offer with the fund-raising size of HK\$15 million. All securities firms expressed that they are not prepared, under the current market sentiment, to act as underwriter for rights issue or open offer of the fund-raising size desirable by the Group. In view of the above, the Directors consider that the Placing is currently the most feasible financing method to the Company to raise sufficient fund.

LETTER FROM THE BOARD

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide working capital to the Group to meet capital requirement for the development and operation of the Subcontracting Business. The Placing also represents a good opportunity to broaden the shareholders' base and the capital base of the Company. The Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

As disclosed above, the maximum net proceeds from the Placing are estimated to be approximately HK\$14.0 million. The Company intends to apply all the net proceeds from the Placing for the expansion and operation of the Subcontracting Business.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any fund-raising activities in the past twelve months immediately preceding the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Placing (assuming the Placing Shares were placed in full and assuming there is no other change in the issued share capital of the Company between the Latest Practicable Date and the date of completion of the Placing):

	As at the Latest Practicable Date		Immediately upon completion of the Placing	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Absolute Truth Investments Limited (<i>Note</i>)	39,337,600	30.73	39,337,600	17.56
Public Shareholders				
Placees	–	–	96,000,000	42.86
Other public Shareholders	<u>88,662,400</u>	<u>69.27</u>	<u>88,662,400</u>	<u>39.58</u>
Sub-total for public Shareholders	<u>88,662,400</u>	<u>69.27</u>	<u>184,662,400</u>	<u>82.44</u>
Total	<u>128,000,000</u>	<u>100.00</u>	<u>224,000,000</u>	<u>100.00</u>

Note: The entire issued share capital of Absolute Truth Investments Limited is beneficially owned (i) as to 50% by Mr. Tan Thiam Kiat Kelvin, an executive Director and the chairman of the Board; and (ii) as to 50% by Mr. Tan Kwang Hwee Peter. For the purpose of 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.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

The Placing Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore the Placing will be subject to the Shareholders' approval. To the best knowledge of the Directors, as none of the Shareholders or their respective associates would have any material interest in the Placing, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Placing does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Placing is in compliance with Rule 10.44A of the GEM Listing Rules.

EGM

The EGM is convened to be held on Tuesday, 4 May 2021 at 3:00 p.m. at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong for the purposes of considering and, if thought fit, approving the Placing and granting the Specific Mandate to allot and issue the Placing Shares proposed to be placed under the Placing.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Placing Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolution at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

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

NOTICE OF EGM

KPM HOLDING LIMITED

吉輝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8027)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of KPM Holding Limited (the “Company”) will be held on Tuesday, 4 May 2021 at 3:00 p.m. at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the placing agreement dated 8 February 2021 (the “**Placing Agreement**”, a copy of which has been produced to this meeting marked “A” and signed by the chairman of the EGM for the identification purpose) entered into between the Company and Astrum Capital Management Limited (the “**Placing Agent**”) in relation to the placing (the “**Placing**”) of up to 96,000,000 new ordinary share(s) of HK\$0.03125 each in the share capital of the Company (the “**Placing Shares**”, each a “**Placing Share**”), on a best endeavour basis, at the placing price of HK\$0.15 per Placing Share, and all transactions contemplated thereunder and all other matters thereof and incidental thereto and in connected therewith, be and are hereby generally and unconditionally approved, confirmed and ratified in all respects;
- (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares to be allotted and issued, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and deal with the Placing Shares on the term and subject to the conditions of the Placing Agreement, provided that such Specific Mandate being additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

* For identification purposes only

NOTICE OF EGM

- (c) any one Directors be and are hereby generally and unconditionally authorised to do all such acts or things and execute (including under common seal where applicable) and deliver all such documents, instruments and agreements which they consider necessary, desirable or expedient to give effect to or otherwise in connection with the Placing Agreement and the transactions contemplated thereunder, and the allotment and issue of the Placing Shares under the Specific Mandate, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company.”

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

Hong Kong, 16 April 2021

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business:

14 Loyang Way 4
Singapore 507601

Principal place of business in Hong Kong:

Unit 1104A, 11/F
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy needs not be a member of the Company.
2. In the case of joint holders of shares in the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF EGM

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.
4. For the purpose of ascertaining the right of shareholders of the Company to attend and vote at the EGM, all transfers documents accompanied by the relevant share certificates must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 29 April 2021.
5. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the EGM convened by this notice will be voted on by way of poll.
7. If Typhoon Signal No. 8 or above is hoisted, or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 11:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will post an announcement on the website of the Company at www.kpmholding.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, 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 notice, for which the Directors 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 of Hong Kong Limited 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 notice 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 notice misleading.

This notice 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.