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## **KK CULTURE HOLDINGS LIMITED**

### **KK 文化控股有限公司**

*(formerly known as Cinderella Media Group Limited)*

*(continued in Bermuda with limited liability)*

**(Stock code: 550)**

### **ANNOUNCEMENT OF INTERIM RESULTS**

### **FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The Board of Directors (the “**Board**”) of KK Culture Holdings Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2017*

		<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>
Turnover	3	<b>50,244</b>	42,103
Direct operating costs		<b>(10,003)</b>	(14,509)
<b>Gross profit</b>		<b>40,241</b>	27,594
Other revenue and net income		<b>101</b>	140
Selling and distribution costs		<b>(8,746)</b>	(8,912)
Administrative and other operating expenses		<b>(61,313)</b>	(33,722)
Other expenses		<b>(91)</b>	(86)
Finance costs	4	<b>(353)</b>	–
<b>Loss before income tax</b>	5	<b>(30,161)</b>	(14,986)
Income tax credit	6	<b>3,342</b>	675
<b>Loss for the period</b>		<b>(26,819)</b>	(14,311)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME** *(Continued)*

*For the six months ended 30 June 2017*

		<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(restated)</b>
Loss for the period		<b>(26,819)</b>	<b>(14,311)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified</i>			
<i>subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		<b>(259)</b>	<b>(85)</b>
Fair value loss on available-for-sale financial assets		<b>(1,006)</b>	<b>(2,920)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,265)</b>	<b>(3,005)</b>
<b>Total comprehensive income for the period</b>		<b>(28,084)</b>	<b>(17,316)</b>
<b>Loss for the period attributable to</b>			
Equity shareholders of the Company		<b>(20,290)</b>	<b>(10,995)</b>
Non-controlling interests		<b>(6,529)</b>	<b>(3,316)</b>
		<b>(26,819)</b>	<b>(14,311)</b>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>(21,555)</b>	<b>(14,000)</b>
Non-controlling interests		<b>(6,529)</b>	<b>(3,316)</b>
		<b>(28,084)</b>	<b>(17,316)</b>
<b>Loss per share for loss attributable to the equity shareholders of the Company during the period</b>	<b>7</b>		
– Basic		<b>HK(5.48) cents</b>	<b>HK(3.29)cents</b>
– Diluted		<b>HK(5.48) cents</b>	<b>HK(3.29)cents</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		(Unaudited) At 30 June 2017 HK\$'000	(Audited) At 31 December 2016 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	3,516	3,734
Prepaid land lease payments	8	4,825	4,752
Investment properties	8	27,504	27,946
Goodwill		3,211	3,211
Other intangible assets	9	118,553	153,862
Available-for-sale financial assets		43,973	44,979
		<b>201,582</b>	<b>238,484</b>
<b>Current assets</b>			
Trade and other receivables and deposits	10	72,106	41,382
Tax recoverable		32	332
Cash and cash equivalents		42,272	83,373
		<b>114,410</b>	<b>125,087</b>
<b>Current liabilities</b>			
Other payables and accruals		16,162	8,996
Bank borrowings		6,018	–
Amount due to non-controlling interests of a subsidiary		6,750	6,750
Amount due to a shareholder		–	13,950
Current portion of license right fees payables		34,717	31,730
Provision for taxation		292	–
		<b>63,939</b>	<b>61,426</b>
<b>Net current assets</b>		<b>50,471</b>	<b>63,661</b>
<b>Total assets less current liabilities</b>		<b>252,053</b>	<b>302,145</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)**As at 30 June 2017*

		(Unaudited) At 30 June 2017 <i>HK\$'000</i>	(Audited) At 31 December 2016 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Non-current portion of license right fees payables		58,496	76,570
Deferred tax liabilities		3,935	7,869
		<u>62,431</u>	<u>84,439</u>
<b>Net assets</b>		<u><b>189,622</b></u>	<u><b>217,706</b></u>
<b>EQUITY</b>			
Share capital	<i>11</i>	74,007	74,007
Reserves		<u>106,404</u>	<u>127,959</u>
<b>Equity attributable to equity shareholders of the Company</b>		<b>180,411</b>	<b>201,966</b>
<b>Non-controlling interests</b>		<u><b>9,211</b></u>	<u><b>15,740</b></u>
<b>Total equity</b>		<u><b>189,622</b></u>	<u><b>217,706</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		(Unaudited) For the six months ended 30 June	
	Notes	2017 HK\$'000	2016 HK\$'000
Net cash used in operating activities		(47,090)	(5,774)
Investing activities			
Interest received		34	—
Purchase of available-for-sale financial assets		—	(39,223)
Acquisition of a subsidiary	16	—	(36,598)
Purchase of property, plant and equipment		(18)	—
Net cash generated from/(used in) investing activities		16	(75,821)
Financing activities			
Bank borrowings raised		6,100	—
Repayment of bank borrowings		(82)	—
Interest on bank borrowings paid		(45)	—
Net cash generated from financing activities		5,973	—
Net decrease in cash and cash equivalents		(41,101)	(81,595)
Cash and cash equivalents at the beginning of the period		83,373	90,858
Cash and cash equivalents at the end of the period		42,272	9,263
Analysis of balances of cash and cash equivalents			
Bank and cash balances		42,110	9,263
Cash at broker		162	—
		42,272	9,263

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Investment revaluation reserve	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Retained earnings	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017 (Audited)	74,007	67,697	5,756	3,807	(940)	(43,897)	95,402	134	201,966	15,740
<b>Loss and total comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	-	(20,290)	(20,290)	(6,529)
<b>Other comprehensive income:</b>										
Exchange difference	-	-	-	-	(259)	-	-	-	(259)	-
Fair value loss on available-for-sale financial assets	-	-	(1,006)	-	-	-	-	-	(1,006)	-
	-	-	(1,006)	-	(259)	-	-	(20,290)	(21,555)	(6,529)
<b>Balance at 30 June 2017 (Unaudited)</b>	<b>74,007</b>	<b>67,697</b>	<b>4,750</b>	<b>3,807</b>	<b>(1,199)</b>	<b>(43,897)</b>	<b>95,402</b>	<b>(20,156)</b>	<b>180,411</b>	<b>9,211</b>

  

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Investment revaluation reserve	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Retained earnings	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016 (Audited)	66,757	547	-	-	(350)	(43,897)	95,402	12,249	130,708	-
Share options granted	-	-	-	4,687	-	-	-	-	4,687	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	17,860
<b>Transactions with equity shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>17,860</b>
<b>Loss and total comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	-	(10,995)	(10,995)	(3,316)
<b>Other comprehensive income:</b>										
Exchange difference	-	-	-	-	(85)	-	-	-	(85)	-
Fair value loss on available-for-sale financial assets	-	-	(2,920)	-	-	-	-	-	(2,920)	-
	-	-	(2,920)	-	(85)	-	-	(10,995)	(14,000)	(3,316)
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>66,757</b>	<b>547</b>	<b>(2,920)</b>	<b>4,687</b>	<b>(435)</b>	<b>(43,897)</b>	<b>95,402</b>	<b>1,254</b>	<b>121,395</b>	<b>14,544</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values. The condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in preparing the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's results of operations and financial position.

### 3. SEGMENT INFORMATION

The executive directors have identified the Group's two service lines as operating segments: advertising and property investment. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Advertising Six months ended 30 June		Property investment Six months ended 30 June		Total Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue						
– External sales	<u>49,816</u>	<u>41,835</u>	<u>428</u>	<u>268</u>	<u>50,244</u>	<u>42,103</u>
Reportable segment results	<u>(12,789)</u>	<u>(5,427)</u>	<u>(226)</u>	<u>47</u>	<u>(13,015)</u>	<u>(5,380)</u>
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Reportable segment assets	<u>177,717</u>	<u>206,529</u>	<u>16,994</u>	<u>28,470</u>	<u>194,711</u>	<u>234,999</u>
Reportable segment liabilities	<u>110,515</u>	<u>123,337</u>	<u>5,751</u>	<u>253</u>	<u>116,266</u>	<u>123,590</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Reportable segment revenue (Turnover)	<u>50,244</u>	<u>42,103</u>
Group revenue	<u>50,244</u>	<u>42,103</u>
Reportable segment results	(13,015)	(5,380)
Unallocated corporate income	97	4
Unallocated corporate expenses	(16,890)	(9,610)
Finance costs	<u>(353)</u>	<u>–</u>
Loss before income tax	<u>(30,161)</u>	<u>(14,986)</u>



#### 4. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within twenty years	45	—
Imputed interest expenses arising from license right fees payables	308	—
	<u>353</u>	<u>—</u>
	<u><b>353</b></u>	<u><b>—</b></u>

#### 5. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of prepaid land lease payments	66	98
Amortisation of other intangible assets	35,309	15,500
Depreciation	748	696
Employee benefit expense	16,576	14,861
Minimum lease payments paid under operating leases in respect of		
– Rented premises and production facilities	1,912	1,912
– Internet access line	76	79
Net foreign exchange loss/(gain)	122	(7)
Interest income	(34)	(3)
	<u><b>(34)</b></u>	<u><b>(3)</b></u>

## 6. INCOME TAX CREDIT

The amount of income tax credit credited to the condensed consolidated statement of profit and loss and other comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
– Current period	<b>592</b>	447
Deferred tax		
– Current period	<b>(3,934)</b>	(1,122)
Income tax credit	<b>(3,342)</b>	<b>(675)</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

## 7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity shareholders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to the equity shareholders of the Company	<b>(20,290)</b>	(10,995)
	<b>Number of shares</b>	
	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>370,034</b>	333,784

Dilutive loss per share is the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

## 8. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND INVESTMENT PROPERTIES

The movement during the period are:

	Property, plant and equipment <i>HK\$'000</i>	Prepaid land lease payments <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book amount as at				
1 January 2017 (Audited)	3,734	4,752	27,946	36,432
Additions	18	—	—	18
Depreciation/amortisation	(306)	(66)	(442)	(814)
Exchange differences	70	139	—	209
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book amount as at</b>				
<b>30 June 2017 (Unaudited)</b>	<b>3,516</b>	<b>4,825</b>	<b>27,504</b>	<b>35,845</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 9. OTHER INTANGIBLE ASSETS

	Advertising agency license rights <i>HK\$'000</i>
At 1 January 2017	
Cost	194,899
Accumulated amortisation	<u>(41,037)</u>
<b>Net carrying amount (Audited)</b>	<b><u>153,862</u></b>
Opening net carrying amount	153,862
Amortisation	<u>(35,309)</u>
<b>Closing net carrying amount (Unaudited)</b>	<b><u>118,553</u></b>
At 30 June 2017	
Cost	194,899
Accumulated amortisation	<u>(76,346)</u>
<b>Net carrying amount (Unaudited)</b>	<b><u>118,553</u></b>

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group allows a credit period from 7 days to 120 days to its trade customers.

Aging analysis of trade receivables as at 30 June 2017, based on invoice date and net of provisions, is as follows:

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	<b>At 31 December 2016 (Audited) HK\$'000</b>
0 – 30 days	<b>17,911</b>	18,639
31 – 60 days	<b>292</b>	4,379
61 – 90 days	<b>46</b>	176
91 – 120 days	<b>975</b>	905
121 – 150 days	<b>7,755</b>	749
Over 150 days	<b>337</b>	515
	<hr/>	<hr/>
Total trade receivables	<b>27,316</b>	25,363
Other receivables and deposits	<b>44,790</b>	16,019
	<hr/>	<hr/>
	<b>72,106</b>	41,382
	<hr/> <hr/>	<hr/> <hr/>

## 11. SHARE CAPITAL

	<b>No. of shares ( '000)</b>	<b>HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.20 each		
At 1 January 2017 and 30 June 2017	<b>5,000,000</b>	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 1 January 2017 and 30 June 2017	<b>370,034</b>	74,007
	<hr/> <hr/>	<hr/> <hr/>

## 12. DIVIDENDS

No interim dividend was declared in respect of the six months ended 30 June 2017 and 2016.

## 13. CAPITAL COMMITMENTS

As at 30 June 2017, there were no capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2016: Nil).

## 14. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	<u>1,272</u>	<u>941</u>

## 15. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

## 16. ACQUISITION OF A SUBSIDIARY

On 1 April 2016, the Group acquired 60% equity interests of Hong Kong Made (Media) Limited, a limited liability company incorporated in Hong Kong, and the shareholders' loan of HK\$6.6 million for a cash consideration of HK\$36.6 million. The company was principally engaged in the development and operation of out-of-home advertising media in the PRC and is the exclusive advertising agent of Guangzhou Shengyu Jinxian Advertising Limited ("Guangzhou Shengyu", 廣州聲煜金線廣告有限公司) in providing advertising agency services and related production services in respect of Guangzhou-Shenzhen Railway-China Railway High Speed under the exclusive advertising agency agreement.

Assets and liabilities arising from this acquisition were as follows:

	HK\$'000
Other intangible assets	88,638
Trade and other receivables	3,749
Cash and cash equivalents	2
Other payables	(4,492)
Shareholders' loans	(11,000)
License rights fee payables	(21,010)
Deferred tax liabilities	(11,238)
Net assets acquired	44,649
Less: non-controlling interests	(17,860)
	26,789
Assignment of shareholders' loans	6,600
Goodwill	3,211
Total cash consideration	<u>36,600</u>
Purchase consideration settled in cash	(36,600)
Cash and cash equivalents acquired	2
Cash outflow on acquisition of a subsidiary	<u>(36,598)</u>

## 17. EVENTS AFTER REPORT DATE

- (i) On 5 April 2017, Star Prestige Investments Limited (“**Star Prestige**”), the Company’s wholly-owned subsidiary, entered into a non-legal binding memorandum of understanding with Guangzhou Shengyu in relation to, among other things, obtaining the exclusive advertisement rights in the wireless networking system at train stations operated by Guangzhou Railway Group for a consideration of RMB80,000,000. Subsequently, the formal Wi-Fi advertising media lease agreement was signed on 1 August 2017 for a terms of 41 months from 30 June 2017 to 30 November 2020 (the first five months from 30 June 2017 to 30 November 2017 is rent-free period) where Guangzhou Shengyu shall lease the Wi-Fi network system, its installation, facilities, Wi-Fi network coverage and its digital advertising media (“**Wi-Fi Media**”) to Star Prestige. Guangzhou Shengyu shall also grant an exclusive right to Star Prestige for the operation of the Wi-Fi Media.
- (ii) Further to the passage of special resolution in the previous annual general meeting held on 2 June 2017. The Company has obtained the Certificate of Incorporation on Change of Name which was issued by the Registrar of Companies in Bermuda and the Certificate of Registration of Change of Corporation Name of Non-Hong Kong Company which was issued by the Registrar of Companies in Hong Kong. The Company has, thus, successfully changed its name from “Cinderella Media Group Limited” to “KK Culture Holdings Limited”, and adopted the Chinese name “KK文化控股有限公司” as the secondary name of the Company to replace the previous Chinese name “先傳媒集團有限公司” which was for identification purpose only. The English stock short name of the Company for trading in the Shares on the Stock Exchange will be changed from “CINMEDIA” to “KK CULTURE” and the Chinese stock short name of the Company for trading in the Shares on the Stock Exchange will be changed from “先傳媒” to “KK文化” with effect from 9:00 a.m. on 31 August 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Train Media

Since the completion of acquisition of Hong Kong Made (Media) Limited in April 2016, the train media is growing steadily. The enormous network of target audience in South China region has lured more brands to place advertisements in the 22 trains of Guangzhou-Shenzhen Railway-China Railway High Speed (廣深線和諧號) either on the train body or in the train compartments (including display boards, LED displays at both ends of compartments, both sides of the train doors, tray tables and head rests).

On 5 April 2017, Star Prestige Investments Limited (“**Star Prestige**”), the Company’s wholly-owned subsidiary, entered into a non-legal binding memorandum of understanding with Guangzhou Shengyu in relation to, among other things, obtaining the exclusive advertisement rights in the wireless networking system at train stations operated by Guangzhou Railway Group for a consideration of RMB80,000,000. Subsequently, the formal Wi-Fi advertising media lease agreement (“**Wi-Fi Agreement**”) was signed on 1 August 2017 for a terms of 41 months from 30 June 2017 to 30 November 2020 (the first five months from 30 June 2017 to 30 November 2017 is rent-free period) where Guangzhou Shengyu shall lease the Wi-Fi network system, its installation, facilities, Wi-Fi network coverage and its digital advertising media (“**Wi-Fi Media**”) to Star Prestige. Guangzhou Shengyu shall also grant an exclusive right to Star Prestige for the operation of the Wi-Fi Media.

The Directors believe that the entering into of the Wi-Fi Agreement may allow the Group to become an integrated train media service provider and further expand its train media business in the PRC and consider that the terms and conditions of the Wi-Fi Agreement are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

#### Recruit Magazine and website

Turnover for the recruitment advertising business registered a 7.6% increase from HK\$27.6 million in the first half of 2016 to HK\$29.7 million in the first half of 2017. The growth in revenue was contributed by the price rise for subscription of service on-line by about 6% and an additional job fair was organised which helped earn more orders from customers.

## **Property Investment**

For the six months ended 30 June 2017, the rental income increased to approximately HK\$428,000, compared with that of last year's approximately HK\$268,000. The increase reflected the fact that all office premises were rented out compared with some vacancies in last year's same period.

## **PROSPECTS**

### **Train Media**

With several reputable brands having placed advertisement on the Guangzhou-Shenzhen Railway-China Railway High Speed, the Train Media business is building up its brand and continuing to realise its market potential as an effective and powerful mass media. Moreover, the signing of the Wi-Fi Agreement can foster the leading advertising position of the Company at South China region.

### **Recruit magazine and website**

As mentioned in previous report, Recruit's growth potential is highly restricted by its nature as paper media which is subject to fierce competition of internet and the labour market, uncontrollable direct costs such as printing and paper as well as macroeconomic conditions.

### **Property Investment**

As all office premises have been rented out, it is expected that the property can contribute stable rental income to the Group.

### **Others**

As the Group is poised to become a cultural enterprise, it is in discussion of several projects. Appropriate disclosures and announcements will be made in due course.



## FINANCIAL REVIEW

For the six months ended 30 June 2017, turnover, from Train Media business, was approximately HK\$20.1 million (2016: HK\$14.2 million), representing an increase of 41.5%. The increase in turnover was mainly due to the six months' turnover recorded for Train Media business for the period from 1 January 2017 to 30 June 2017 compared with only three months in the same period in 2016 after the acquisition of the business completed in April 2016 and more advertisement was placed by customers, promoting the utilisation of the advertising space of the trains. Together with turnover contributed by Recruits amounting to approximately HK\$29.7 million (2016: HK\$27.6 million) and rental income of HK\$428,000 (2016: HK\$268,000), the Group recorded a turnover of approximately HK\$50.2 million.

Selling and distribution expenses remain stable and slightly decreased from approximately HK\$8.9 million in the first half of 2016 to HK\$8.7 million in the first half of 2017.

Other expenses, which mainly represented bad debt provision made during the period, maintained at approximately HK\$91,000 (2016: HK\$86,000).

For the six months ended 30 June 2017, the Group recorded approximately HK\$35.3 million (2016: HK\$15.5 million) of non-cash amortisation expenses in relation to the amortisation of other intangible assets relating to exclusive advertising licenses rights of both the train body and train compartments of 22 Guangzhou-Shenzhen Railway-China Railway High Speed trains.

Income tax credit of HK\$3.3 million (2016: HK\$675,000), was mainly attributable to the deferred tax impact on the amortisation of other intangible assets during the period.

As a result of the above, for the six months ended 30 June 2017, the Group recorded a net loss of approximately HK\$26.8 million, compared with a loss of approximately HK\$14.3 million for the same period last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2017, the Group had net current assets of approximately HK\$50.4 million (31 December 2016: HK\$63.7 million). The Group's current ratio was approximately 1.8 (31 December 2016: 2.0) while the Group's net assets was approximately HK\$189.6 million compared with those of approximately HK\$217.7 million as at 31 December 2016. Total cash and bank deposits was approximately HK\$42.3 million (31 December 2016: HK\$83.4 million).

As at 30 June 2017, the Company had securities investments classified as available-for-sale financial assets with market value of approximately HK\$44.0 million (31 December 2016: HK\$45.0 million).

The Group generally finance its operations mainly with internally generated cashflow. The Group has a bank borrowing as at 30 June 2017 of approximately HK\$6.0 million (31 December 2016: nil).

The Group adopts centralised financing and treasury policies in order to ensure the group funding is utilised efficiently. Conservative approach is adopted on monitoring interest rate risk. The Group does not have material exposure to currency risk as most of the Group's transactions are carried out in HK\$ and RMB, which is the functional currency of the corresponding group entities.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITY**

As at 30 June 2017, the Group had no significant capital commitments (31 December 2016: nil). The Group had no significant contingent liabilities as at 30 June 2017.

## OTHER DISCLOSURES

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of the directors and chief executives 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”)) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

#### Long Position in the shares of the Company

Name	Nature of Interest	Number of Shares	Approximate Percentage in the Issued Share Capital of the Company
Mr. CHEN Jiarong ( <i>Note 1</i> )	Controlled corporation	95,037,657	25.68%
Mr. LIU Gary Wei ( <i>Note 2</i> )	Controlled corporation	50,248,828	13.58%
Mr. YIU Yu Cheung	Beneficial owner	750,000	0.20%
Mr. TSANG Hing Bun	Beneficial owner	500,000	0.14%

*Note 1:* Under the SFO, Mr. Chen is deemed to be interested in 95,037,657 Shares which are held by Upsky Global Limited, a company wholly owned by Mr. Chen.

*Note 2:* Under the SFO, Mr. Liu is deemed to be interested in 50,248,828 Shares which are held by Polaris Investment Management Limited, a company wholly owned by Mr. Liu.

## Long position in underlying shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate	Approximate
			Percentage in the Issued Share Capital of the Company Assuming all Options are Exercised	Percentage in the Issued Share Capital of the Company
Mr. YIU Yu Cheung	Beneficial owner	2,580,000	0.70%	0.69%
Mr. TSANG Hing Bun	Beneficial owner	2,830,000	0.76%	0.75%

Save as disclosed above, as at 30 June 2017, neither of the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme approved by a resolution passed by the shareholders of the Company on 29 December 2015, under which it may grant options to directors, employees, any advisors and service providers of any member of the Group to subscribe for shares in the Company.

On 5 April 2016, a total of 6,660,000 share options to subscribe for ordinary shares of par value HK\$0.2 each of the Company were granted to Mr. Tsang Hing Bun, Executive Director and Mr. Yiu Yu Cheung, Non-executive Director where each of them was granted 3,330,000 share options at the exercise price of HK\$1.99 each. Each share option was eligible for subscription of one share of the Company. The share options were exercisable from 5 April 2016 to 4 April 2019 and had no vesting period.

As at 30 June 2017, a total of 5,410,000 share options were outstanding. During the period, no options were granted, exercised, cancelled or lapsed.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as was known to the directors and chief executive of the Company the following persons (other than a director or chief executive of the Company) had or were deemed to have, interests or short positions in the shares or underlying shares of the Company being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long position in shares of the Company

Name	Nature of Interest	Number of shares	Approximate percentage to the issued share capital of the Company
Upsky Global Limited ( <i>Note 1</i> )	Beneficial owner	95,037,657	25.68%
Polaris Investment Management Limited ( <i>Note 2</i> )	Beneficial owner	50,248,828	13.58%
FMR LLC	Beneficial owner	19,120,000	5.17%

*Notes:*

1. Upsky Global Limited is wholly and beneficially owned by Mr. Chen Jiarong, the Chairman of the Company. Mr. Chen is also the sole director of Upsky Global Limited.
2. Polaris Investment Management Limited is wholly and beneficially owned by Mr. Liu Gary Wei, Executive Director and Chief Executive Officer of the Company. Mr. Liu is also the sole director of Polaris Investment Management Limited.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**Code Provision**”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2017.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2017, the Group had 55 full-time employees (30 June 2016: 53). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. Share options was granted to certain full-time employees and directors pursuant to the Company's share option scheme.

## AUDIT COMMITTEE

The audit committee has four members comprising one Non-executive Director, Mr. Yiu Yu Cheung and three independent Non-executive Directors, namely, Mr. Chan Siu Lun (Chairman), Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex, with terms of reference in compliance with the Listing Rules. The audit committee review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The audit committee have reviewed the Company's interim report for the six months ended 30 June 2017 and are in the opinion that such report has complied with the applicable accounting standards and adequate disclosures have been made.

By Order of the Board  
**KK CULTURE HOLDINGS LIMITED**  
**Chen Jiarong**  
*Chairman*

Hong Kong, 30 August 2017

*As at the date of this announcement, the Board comprises Mr. Liu Gary Wei (Chief Executive Officer) and Mr. Tsang Hing Bun as executive Directors; Mr. Chen Jiarong (Chairman), Mr. Yiu Yu Cheung and Mr. Leung Siu Kee as non-executive Directors; and Mr. Chan Siu Lun, Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex as independent non-executive Directors.*