KK CULTURE HOLDINGS LIMITED
KK 文化控股有限公司

(Continued in Bermuda with limited liability)
(Stock code: 550)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

AUDITED RESULTS

The board of directors (the "Board") of KK Culture Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Turnover	*3*	**98,534**	96,527
Direct operating costs		**(17,350)**	(18,396)
Gross profit		**81,184**	78,131
Other income		**6,336**	380
Selling and distribution costs		**(17,224)**	(16,540)
Administrative and other operating expenses		**(143,559)**	(77,578)
Other expenses		**(6,049)**	(4)
Finance costs		**(2,213)**	(602)
Loss before income tax	*5*	**(81,525)**	(16,213)
Income tax credit	*6*	**6,051**	1,978
Loss for the year		**(75,474)**	(14,235)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		–	(590)
Release of exchange reserve upon disposal of a subsidiary		**940**	–
Fair value gain on available-for-sale financial assets		**978**	5,756
Other comprehensive income for the year, net of tax		**1,918**	5,166
Total comprehensive income for the year		**(73,556)**	(9,069)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Continued)

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
Equity shareholders of the Company		**(57,834)**	(12,115)
Non-controlling interests		**(17,640)**	(2,120)
		(75,474)	(14,235)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(55,916)**	(6,949)
Non-controlling interests		**(17,640)**	(2,120)
		(73,556)	(9,069)
Loss per share	*8*		
Basic and diluted		**(HK15.62 cents)**	(HK3.55 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,514**	3,734
Prepaid land lease payments		**–**	4,752
Investment properties		**27,066**	27,946
Goodwill		**3,211**	3,211
Other intangible assets	*9*	**157,913**	153,862
Available-for-sale financial assets		**17,369**	44,979
Loan receivables		**4,000**	–
Deposit for acquisition of property, plant and equipment		**3,988**	–
		215,061	238,484
Current assets			
Trade and other receivables and deposits	*10*	**52,661**	41,382
Tax recoverable		**32**	332
Cash and cash equivalents		**28,472**	83,373
		81,165	125,087
Non-current assets classified as held for sales		**28,588**	–
		109,753	125,087
Current liabilities			
Other payables and accruals		**12,413**	8,996
Amounts due to non-controlling interests of a subsidiary		**6,750**	6,750
Amount due to a shareholder		**–**	13,950
Bank borrowings, secured		**5,896**	–
Current portion of license right fees payables		**66,935**	31,730
Provision for taxation		**1,519**	–
		93,513	61,426
Net current assets		**16,240**	63,661
Total assets less current liabilities		**231,301**	302,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Continued)

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Non-current portion of license right fees payables		**41,706**	76,570
Loans from a shareholder		**40,312**	–
Deferred tax liabilities		–	7,869
		82,018	84,439
Net assets		**149,283**	217,706
EQUITY			
Share capital	*11*	**74,523**	74,007
Reserves		**76,660**	127,959
Equity attributable to equity shareholders of the Company		**151,183**	201,966
Non-controlling interests		**(1,900)**	15,740
Total equity		**149,283**	217,706

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Investment revaluation 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*	*HK$'000*
Balance at 1 January 2016	66,757	547	–	–	(350)	(43,897)	95,402	12,249	130,708	–	130,708
Issue of shares upon placing	7,000	64,750	–	–	–	–	–	–	71,750	–	71,750
Share issue expenses	–	(717)	–	–	–	–	–	–	(717)	–	(717)
Share option granted	–	–	4,687	–	–	–	–	–	4,687	–	4,687
Exercise of share option	250	3,117	(880)	–	–	–	–	–	2,487	–	2,487
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	17,860	17,860
Transactions with equity shareholders	7,250	67,150	3,807	–	–	–	–	–	78,207	17,860	96,067
Loss for the year	–	–	–	–	–	–	–	(12,115)	(12,115)	(2,120)	(14,235)
Other comprehensive income											
Currency translation	–	–	–	–	(590)	–	–	–	(590)	–	(590)
Fair value gain on available-for-sale financial assets	–	–	–	5,756	–	–	–	–	5,756	–	5,756
Total comprehensive income for the year	–	–	–	5,756	(590)	–	–	(12,115)	(6,949)	(2,120)	(9,069)
Balance at 31 December 2016	74,007	67,697	3,807	5,756	(940)	(43,897)	95,402	134	201,966	15,740	217,706

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 (Continued)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Investment revaluation reserve	Exchange reserve	Merger reserve	Contributed surplus	Retained earnings/ (accumulated losses)	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	74,007	67,697	3,807	5,756	(940)	(43,897)	95,402	134	201,966	15,740	217,706
Exercise of share option	516	6,433	(1,816)	–	–	–	–	–	5,133	–	5,133
Transactions with equity shareholders	516	6,433	(1,816)	–	–	–	–	–	5,133	–	5,133
Loss for the year	–	–	–	–	–	–	–	(57,834)	(57,834)	(17,640)	(75,474)
Other comprehensive income											
Release of exchange reserve upon disposal of a subsidiary	–	–	–	–	940	–	–	–	940	–	940
Fair value gain on available-for-sale financial assets	–	–	–	978	–	–	–	–	978	–	978
Total comprehensive income for the year	–	–	–	978	940	–	–	(57,834)	(55,916)	(17,640)	(73,556)
Balance at 31 December 2017	74,523	74,130	1,991	6,734	–	(43,897)	95,402	(57,700)	151,183	(1,900)	149,283

Merger reserve of the Group arose as a result of the Group's reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited. Contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

1. GENERAL INFORMATION

KK Culture Holdings Limited (formerly known as Cinderella Media Group Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

Pursuant to the special resolution by the shareholders passed on 2 June 2017, the Certificate of Incorporation of Change of Name was issued by the Registrar of Companies in Bermuda on 6 July 2017. Hence, the English name of the Company has been changed from "Cinderella Media Group Limited" to "KK Culture Holdings Limited" and the Chinese name "先傳媒集團有限公司" has been adopted in place of "KK文化控股有限公司" with effect from 31 August 2017.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Group are property investment, provision of advertising service and provision of website development and information technology services. There were no significant changes in the Group's operation during the year.

The financial statements have been prepared in accordance with 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 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. The adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

At the date of this results announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

This amendment is effective for accounting periods beginning on or after 1 January 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised costs. However, management expects the effect would not be significant.

2. **ADOPTION OF NEW OR AMENDED HKFRSs** *(Continued)*

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

This amendment is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 15 – Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

This amendment is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 16 – Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

This amendment is effective for accounting periods beginning on or after 1 January 2018. The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

This Interpretation is effective for accounting periods beginning on or after 1 January 2018. The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. TURNOVER

Turnover represents the revenue from the Group's principal activities as analysed below:

	2017	2016
	HK$'000	*HK$'000*
Advertising income	**97,810**	95,829
Rental income	**724**	698
	98,534	96,527

4. SEGMENT INFORMATION

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

	Advertising		Property investment		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
– External sales	**97,810**	95,829	**724**	698	**98,534**	96,527
Reportable segment (loss)/profit	**(50,049)**	6,531	**(170)**	49	**(50,219)**	6,580
Amortisation of other intangible assets	**90,436**	41,037	**–**	–	**90,436**	41,037
Depreciation	**26**	122	**343**	343	**369**	465
Impairment of trade receivables	**4,557**	4	**162**	–	**4,719**	4
Gain on disposal of property, plant and equipment	**(45)**	–	**–**	–	**(45)**	–
Reportable segment assets	**201,590**	206,529	**27,656**	28,470	**229,246**	234,999
Additions to non-current segment assets during the year	**99,192**	112,480	**–**	–	**99,192**	112,480
Reportable segment liabilities	**117,189**	123,337	**212**	253	**117,401**	123,590

4. **SEGMENT INFORMATION** *(Continued)*

	2017	2016
	HK$'000	*HK$'000*
Total reportable segments' (loss)/profit	**(50,219)**	6,580
Equity-settled share-based payment expenses	**–**	(4,687)
Unallocated corporate income	**2,976**	179
Unallocated corporate expenses *	**(32,181)**	(17,683)
Finance costs	**(2,101)**	(602)
Loss before income tax	**(81,525)**	(16,213)
Total reportable segments' assets	**229,246**	234,999
Available-for-sale financial assets	**17,369**	44,979
Non-current assets classified as held for sales	**28,588**	–
Loan receivables	**4,000**	–
Deposit for acquisition of property, plant and equipment	**3,988**	–
Cash and cash equivalents	**16,812**	73,640
Other corporate assets	**24,811**	9,953
Group's assets	**324,814**	363,571
Total reportable segment's liabilities	**117,401**	123,590
Amount due to a shareholder	**–**	13,950
Bank borrowings	**5,896**	–
Deferred tax liabilities	**–**	7,869
Loans from a shareholder	**40,312**	–
Other corporate liabilities	**11,922**	456
Group's liabilities	**175,531**	145,865

* Unallocated corporate expenses mainly included staff costs and legal and professional expenses incurred by the Company.

4. **SEGMENT INFORMATION** *(Continued)*

The Group's revenues from external customers and its non-current assets other than financial instruments are divided into the following geographical areas.

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**36,652**	28,342	**157,913**	7,133
Hong Kong (domicile)	**61,882**	68,185	**57,148**	231,351
	98,534	96,527	**215,061**	238,484

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on the physical location of the assets.

5. **LOSS BEFORE INCOME TAX**

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	**101**	136
Amortisation of other intangible assets*	**90,436**	41,037
Auditor's remuneration	**600**	580
Depreciation of property, plant and equipment*	**591**	818
Depreciation of investment properties	**880**	880
Employee benefit expense (including directors emoluments)	**33,719**	26,943
Impairment of trade receivables#	**4,718**	4
Minimum lease payments paid under operating leases in respect of:		
– Rented premises and production facilities	**5,870**	4,304
– Internet access line	**48**	155
– Office equipment	**91**	89
Direct operating expenses arising from investment properties that generated rental income	**184**	101
Loss on disposal of a subsidiary#	**1,331**	–

* Included in administrative and other operating expenses

Included in other expenses

During the year, auditor's remuneration for other services amounted to HK$150,000 (2016: HK$150,000).

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operate.

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current year	**1,818**	1,419
Over provision in prior years	**–**	(28)
	1,818	1,391
Deferred tax		
Current year	**(7,869)**	(3,369)
	(6,051)	(1,978)

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2017 and 2016.

8. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to equity shareholders of the Company	**(57,834)**	(12,115)

	Number of shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**370,246**	341,149
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**370,246**	341,149

In 2017 and 2016, diluted loss per share attributable to owners of the Company are the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

9. OTHER INTANGIBLE ASSETS

	Advertising agency license rights	
	2017	2016
	HK$'000	*HK$'000*
At 1 January		
Gross carrying amount	**194,899**	–
Accumulated amortisation	**(41,037)**	–
Net carrying amount	**153,862**	–
Year ended 31 December		
Opening net carrying amount	**153,862**	–
Acquired through business combination *(Note a)*	**–**	88,638
Additions *(Note b)*	**94,487**	106,261
Amortisation	**(90,436)**	(41,037)
Closing net carrying amount	**157,913**	153,862
At 31 December		
Gross carrying amount	**289,386**	194,899
Accumulated amortisation	**(131,473)**	(41,037)
Net carrying amount	**157,913**	153,862

Note:

(a) This represented an advertising agency license right obtained by the Group through the acquisition of Hong Kong Made (Media) Limited ("Hong Kong Made") in 31 December 2016. Hong Kong Made, a company incorporated in Hong Kong, is the exclusive advertising agent of 廣州聲煜金線廣告有限公司 ("Shengyu"), a company established in the PRC in providing advertising agency services and related production services in respect of 20 trains of Guangzhou-Shenzhen Railway-China Railway High Speed ("China Railway High Speed") under the exclusive advertising agency agreement entered into between Hong Kong Made and Shengyu on 24 June 2014. According to the agreement, Hong Kong Made can place advertisements for its customers at display boards, LED displays at both ends of the compartments and outside the train, both sides of the train doors, tray tables and head rests.

9. OTHER INTANGIBLE ASSETS *(Continued)*

Note: (Continued)

(b) On 1 August 2017, Star Prestige Investments Limited ("Star Prestige"), a subsidiary of the Group incorporated in Hong Kong, entered into a Wi-Fi advertising media lease agreement (the "Wi-Fi agreement") with Shengyu for obtaining the exclusive advertisement rights in the wireless networking system at train stations operated by Guangzhou Railway Group. The Wi-Fi agreement will be expired on 30 November 2020.

In April 2016, Hong Kong Made entered into an additional exclusive advertising agency agreement with Shengyu for compartments of further 2 trains of China Railway High Speed. This agreement required the Group to pay to Shengyu an amount of Renminbi ("RMB") 2,200,000 (equivalent to approximately HK$2,640,000) and has already been expired on in 2017.

In April 2016, Hong Kong Made entered into an exclusive advertising agency agreement with Shengyu to renew the exclusive advertising agency license rights (the "renewal agreement") for compartments of 22 trains of China Railway High Speed for further 3 years. The renewal agreement required the Group to pay to Shengyu an amount of RMB72,600,000 (equivalent to approximately HK$82,233,000) and will be expired on 30 June 2020.

In April 2016, Ample Success Limited ("ASL"), a subsidiary of the Group incorporated in Hong Kong, entered into a new exclusive advertising agency agreement with Shengyu for the body of 22 trains of China Railway High Speed. The agreement required the Group to pay to Shengyu an amount of RMB19,800,000 (equivalent to approximately HK$21,387,000) and will be expired on 30 March 2019.

Advertising agency license rights acquired in a business combination are recognised at fair value at the acquisition date. The fair values of other intangible assets as at the date of acquisition were valued by an independent valuer, Graval Consulting Limited, and were determined using multi-period excess earnings method, whereby the asset was valued after deducting a fair return on all other assets that are part of creating the related cash flows. Advertising agency license rights have finite useful lives and are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using straight-line method over their expected lives.

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

Ageing analysis of trade receivables, net of provision as at 31 December 2017, based on invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**7,736**	18,639
31 – 60 days	**638**	4,379
61 – 90 days	**272**	176
91 – 120 days	**8,414**	905
121 – 150 days	**3**	749
Over 150 days	**9,457**	515
Total trade receivables	**26,520**	25,363
Other receivables and deposits	**26,141**	16,019
	52,661	41,382

The Group allows a credit period from 7 to 120 days (2016: 7 to 120 days) to its customers.

11. SHARE CAPITAL

	2017		2016	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.20 each	**5,000,000**	**1,000,000**	5,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January	**370,034**	**74,007**	333,784	66,757
Shares issued upon exercise of share options	**2,580**	**516**	1,250	250
Shares issued upon placing in December 2016	**–**	**–**	35,000	7,000
At 31 December	**372,614**	**74,523**	370,034	74,007

On 2 December 2016, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 35,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$2.05 per placing share with the independent investors. The Company issued 35,000,000 new ordinary shares at HK$2.05 per share on 16 December 2016. As a result, there was an increase in share capital and share premium of HK$7,000,000 and HK$64,750,000 respectively. Details of the placing are set out in the Company's announcements dated 2 December 2016 and 16 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Train Media

Development in 2017

Reference is made on the sale and purchase agreement dated 29 January 2016 in relation to, among other things, the acquisition of 60% equity interest in Hong Kong Made (Media) Limited for a consideration of HK$30 million and a loan assignment of HK$6.6 million, with a total of HK$36.6 million. The vendors, Silver Golden Limited, Ms. Chau Lan Sze, being the sole beneficial owner of Silver Golden Limited and Mr. Sui Chok Lee, warranted the Group that the audited net profit after taxation of Hong Kong Made for each of the year ended on 31 March 2017 (the "2016 Profits") and 31 March 2018 (the "2017 Profits") should be at least HK$5 million (the "Profit Guarantee"). The 2016 Profits was audited and more than HK$5 million profits was recorded. Accordingly, the Profit Guarantee for the first financial year was satisfied.

During the year, there were 22 trains travelling between Guangzhou and Shenzhen. The revenue from train media business recorded for the year ended 31 December 2017 was approximately HK$36.7 million (2016: HK$39.3 million) while the profit was approximately HK$4.1 million (2016: HK$17.7 million). The decrease was due to more rules imposed to limit the number of industries that can place advertisement on the trains that existing customers could not further display their advertisement and some potential customers had to terminate negotiation.

On the other hand, Star Prestige Investments Limited ("Star Prestige"), a wholly owned subsidiary of the Company, entered into an Wi-Fi advertising media lease agreement on 1 August 2017 with Guangzhou Shengyu Golden Line Advertising Company Limited ("Shengyu", 廣州聲煜金線廣告有限公司), pursuant to which Shengyu shall lease Wi-Fi network system, its installation, facilities, Wi-Fi network coverage (collectively referred to as "Wi-Fi Venue") and its digital advertising media ("Wi-Fi Media") to Star Prestige for a period of 41 months from 30 June 2017 to 30 November 2017 (the first five months being rent-free period) for a consideration of RMB80 million (equivalent to approximately HK$94.5 million). As at 31 December 2017, installation of all necessary hard and softwares was in progress in some pilot train station.

BUSINESS REVIEW *(Continued)*

Recruit Magazine

Development in 2017

Turnover for the recruitment advertising business registered a 8% increase from approximately HK$56.5 million in 2016 to approximately HK$61.2 million in 2017. The increase was mainly attributed to the recruitment advertisement through the print and online platform. The gross profit increased by 2% since the direct operating costs, such as papers and printing, were relatively stable.

Property Investment

Development in 2017

Apart from advertising business, the Group is also engaged in property investment business. Express Ocean Investment Limited is a wholly owned subsidiary of the Company which owns several office premises in Hong Kong. This business contributes a steady stream of rental income of approximately HK$724,000 (2016: HK$698,000) to the Group. The increase was mainly attributed to an increase in occupancy rate. However, there was a default of rental payment of a tenant to a total of HK$162,000. Appropriate legal actions have been taken to recover the outstanding rent. For the sake of prudence, such amount has been provided during the year. The Company will source a new tenant once the office premises is re-posessed.

Principal risk and uncertainties

In general, the Company's businesses are subject to several factors: (i) the overall macroeconomic condition in the People Republic of China ("PRC"); (ii) changes in consumption trends; (iii). economic and employment condition in Hong Kong; and (iv) property market condition in Hong Kong.

These factors may or may not have material impact on the Group's financial conditions and results of its operation. The Company will continue to implement prudential, operational and financial policies in seeking to address the impact of these uncertain factors.

PROSPECTS

Over the past year, China's economic condition has been improved, the GDP grows steadily while overcapacity has been relieved conspicuously. Of course, the high indebtedness in both public and private sectors remains to be a huge challenge to everyone. In addition, the implementation of the tax cuts in the United States of reducting corporate tax rate and changing corporate income tax system from global to territorial basis is anticipated that a flood of US Dollars will move back from overseas to the country. It is not clear how much effect on China's economy as well as its currency and that would constitute a major systematic risk.

Even so, the management is still optimistic to the Train Media business, given its mass scale of passengers that can translate into a powerful promotion effect. The Group has formulated a new strategy to accommodate the latest regulations and has strengthen its marketing force in order to realise the market potential of the business. Meanwhile, the Group will still consider any quality investment opportunities with a view to maximizing return to our shareholders.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2017 was approximately HK$98.5 million (2016: HK$96.5 million) and represented an increase of 2.0% from the previous corresponding year which was mainly due to the rise in revenue from recruit magazine business. The gross profit margin improved from 80.9% in 2016 to 82.4% in 2017.

Other income increased by 1567.4% to approximately HK$6.3 million (2016: HK$380,000) in 2017 mainly due to the exchange gain of approximately HK$3.6 million (2016: nil) and imputed interest income on non-current interest-free loans from to a shareholder of approximately HK$1.3 million (2016: nil).

The administrative and other operating expenses increased by 85.1% to approximately HK$143.6 million (2016: HK$77.6 million) mainly due to the increase in the amortisation of other intangible assets from approximately HK$41.0 million in 2016 to approximately HK$90.4 million in 2017 and the increase of employee benefit expenses from approximately HK$26.9 million in 2016 to approximately HK$33.7 million in 2017. As at 31 December 2017, certain receivables from several customers have been aged over the credit period granted by the Company. As a result, they were considered not probable to be collected and a loss of approximately HK$4.7 million (2016: HK$4,000) has been recognised. As at the date of this announcement, approximately HK$2.5 million of the provided amount has been recovered.

FINANCIAL KEY PERFORMANCE

The above financial data were chosen to present in this announcement as they represent a material financial impact on the financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had net current assets of approximately HK$16.2 million (2016: HK$63.7 million). The Group's current ratio as at 31 December 2017, which is defined as current assets over current liabilities, was 1.2 (2016: 2.0). As at 31 December 2017 the Group had a total cash and bank balance of approximately HK$28.5 million (2016: HK$83.4 million).

The Group's gearing ratio as at 31 December 2017 was 3.9% (2016: 0%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. Total bank loan as at 31 December 2017 was approximately HK$5.9 million (2016: nil).

The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised efficiently. Conservative approach is adopted on monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading and capital expenditure when it was considered appropriate.

CAPITAL STRUCTURE

As at 31 December 2017, the total issued shares of the Company ("Shares") was 372,614,000 (31 December 2016: 370,034,000 Shares) at HK$0.2 each.

Share Options

On 5 April 2016, a total of 3,330,000 share options of the Company were granted to each of Mr. Tsang Hing Bun, Executive Director and Mr. Yiu Yu Cheung, Non-executive Director at an exercise price of HK$1.99. As at 31 December 2017, a total of 3,830,000 share options have been exercised and 2,830,000 share options were outstanding. No options were cancelled or lapsed during the year.

CAPITAL STRUCTURE *(Continued)*

Fund Raising Activity

There was no fund raising activity taken place during the financial year 2017.

On 2 December 2016, the Company entered into a placing agreement with Great Roc Capital Securities Limited ("Great Roc", the "Placing Agent") pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best-effort basis, a maximum of 35,000,000 Shares under the general mandate granted by the shareholders of the Company at the annual general meeting held on 2 June 2016 to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons as defined in the Rules Governing the Securities Listed on the Stock Exchange of Hong Kong Limited at a price of HK$2.05 per share. The gross and net proceeds raised from the placing of a total of 35,000,000 Shares were approximately HK$71,750,000 and HK$71,000,000 respectively where the intended use of proceeds for (i) repayment of shareholder's loan; (ii) development of Company's existing business; and (iii) general working capital of the Company and potential investments to be identified. As at 31 December 2017, approximately HK$14 million has been repaid to the shareholder and its associates, approximately HK$17 million has been applied to the development of Company's businesses and approximately HK$40 million has been applied for general working capital.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any significant capital commitments (2016: nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contingent liabilities (2016: nil).

EVENT AFTER REPORT DATE

There is no significant event subsequent to the end of reporting period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries during the year under review.

INVESTMENTS IN SECURITIES

No significant securities investments were made during the year ended 31 December 2017.

CHARGES ON GROUP ASSETS

The Group has held several office premises as investment properties under Express Ocean Investment Limited ("Express Ocean"), a wholly owned subsidiary of the Company. On 22 February 2017, Express Ocean entered into a loan agreement with Industrial and Commercial Bank of China (Asia) Limited ("ICBC") pursuant to which Express Ocean borrowed HK$6.1 million from ICBC by pledging all the office premises under its name with the Company as corporate guarantor (2016: nil). As at 31 December 2017, the outstanding loan balance was approximately HK$5.9 million.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group had 64 employees (2016: 55). 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 employees benefits include provident fund, insurance and medical cover.

DIVIDENDS

The Directors did not recommend any final dividend for the year ended 31 December 2017 (2016: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company did not purchase, redeem or sell any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report for the year (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

In the opinion of the Board, the Company has complied with the Code for the year.

AUDIT COMMITTEE

The audit committee has four members comprising three independent non-executive directors, namely, Mr. Chan Siu Lun (Chairman), Mr. William Keith Jacobsen, Mr. Chan Chiu Hung, Alex and one non-executive director, namely, Mr. Yiu Yu Cheung with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2017.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017.

By order of the Board
KK CULTURE HOLDINGS LIMITED
Chen Jiarong
Chairman

Hong Kong, 26 March 2018

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) and Mr. Yiu Yu Cheung as Non-executive Directors; and Mr. Chan Siu Lun, Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex, as Independent non-executive Directors.