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

(continued in Bermuda with limited liability)

(Stock code: 550)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		(Unaudited)	
		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**38,404**	50,244
Direct operating costs		**(7,587)**	(10,003)
Gross profit		**30,817**	40,241
Other revenue and net income		**623**	101
Selling and distribution costs		**(10,435)**	(8,746)
Administrative and other operating expenses		**(61,296)**	(61,313)
Other expenses		**(101)**	(91)
Finance costs	*6*	**(1,250)**	(353)
Loss before income tax	*7*	**(41,642)**	(30,161)
Income tax (expense)/credit	*8*	**(619)**	3,342
Loss for the period		**(42,261)**	(26,819)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2018

		(Unaudited) Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**–**	(259)
Realised loss on disposal of financial assets at fair value through other comprehensive income		**(1,842)**	–
Fair value loss on financial assets at fair value through other comprehensive income		**(2,315)**	(1,006)
Other comprehensive income for the period, net of tax		**(4,157)**	(1,265)
Total comprehensive income for the period		**(46,418)**	(28,084)
Loss for the period attributable to			
Equity shareholders of the Company		**(35,832)**	(20,290)
Non-controlling interests		**(6,429)**	(6,529)
		(42,261)	(26,819)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(39,989)**	(21,555)
Non-controlling interests		**(6,429)**	(6,529)
		(46,418)	(28,084)
Loss per share for loss attributable to the equity shareholders of the Company during the period			
– Basic and diluted	*9*	**HK(9.62) cents**	HK(5.48) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		(Unaudited)	(Audited)
		At 30 June 2018	At 31 December 2017
	Notes	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**9,926**	1,514
Investment properties	*10*	**23,184**	27,066
Goodwill		**3,211**	3,211
Other intangible assets	*11*	**126,076**	157,913
Financial assets at fair value through other comprehensive income		**–**	17,369
Loan receivables		**4,000**	4,000
Deposit for acquisition of property, plant and equipment		**–**	3,988
		166,397	215,061
Current assets			
Trade and other receivables and deposits	*12*	**53,892**	52,661
Tax recoverable		**–**	32
Cash and cash equivalents		**28,649**	28,472
		82,541	81,165
Non-current assets classified as held for sales		**26,273**	28,588
		108,814	109,753

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2018

	Notes	(Unaudited) At 30 June 2018 HK$'000	(Audited) At 31 December 2017 HK$'000
Current liabilities			
Other payables and accruals		**47,326**	12,413
Amount due to non-controlling interests of a subsidiary		**14,250**	6,750
Amounts due to directors		**1,500**	–
Bank and other borrowings		**23,121**	5,896
Current portion of license right fees payables		**29,050**	66,935
Provision for taxation		**1,003**	1,519
		116,250	93,513
Net current (liabilities)/assets		**(7,436)**	16,240
Total assets less current liabilities		**158,961**	231,301
Non-current liabilities			
Non-current portion of license right fees payables		**27,566**	41,706
Loans from a shareholder		**24,937**	40,312
Amounts due to directors		**3,593**	–
		56,096	82,018
Net assets		**102,865**	149,283
EQUITY			
Share capital	*13*	**74,523**	74,523
Reserves		**36,671**	76,660
Equity attributable to equity shareholders of the Company		**111,194**	151,183
Non-controlling interests		**(8,329)**	(1,900)
Total equity		**102,865**	149,283

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(Unaudited) For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net cash used in operating activities	**(36,737)**	(47,090)
Investing activities		
Interest received	**166**	34
Proceed from sales of financial assets at fair value through other comprehensive income	**15,527**	–
Proceed from disposal of an investment property	**3,980**	–
Purchase of property, plant and equipment	**(5,012)**	(18)
Net cash generated from investing activities	**14,661**	16
Financing activities		
Bank and other borrowings raised	**18,000**	6,100
Repayment of bank borrowings	**(775)**	(82)
Interest on bank borrowings paid	**(65)**	(45)
Increase in amounts due to directors	**5,093**	–
Net cash generated from financing activities	**22,253**	5,973
Net increase/(decrease) in cash and cash equivalents	**177**	(41,101)
Cash and cash equivalents at the beginning of the period	**28,472**	83,373
Cash and cash equivalents at the end of the period	**28,649**	42,272
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**28,649**	42,110
Cash at broker	**–**	162
	28,649	42,272

SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended 30 June 2018, the Group has utilised the deposits of HK$3,988,000 in relation to additions of property, plant and equipment. These additions have no cash flow impact to the Group.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Employee compensation reserve *HK$'000*	Merger reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018 (Audited)	**74,523**	**74,130**	**6,734**	**1,991**	**(43,897)**	**95,402**	**(57,700)**	**151,183**	**(1,900)**	**149,283**
Loss and total comprehensive income										
Loss for the period	–	–	–	–	–	–	(35,832)	(35,832)	(6,429)	(42,261)
Other comprehensive income:										
Realised loss on disposal of financial assets at fair value through other comprehensive income	–	–	(3,142)	–	–	–	1,300	(1,842)	–	(1,842)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	(2,315)	–	–	–	–	(2,315)	–	(2,315)
	–	–	(5,457)	–	–	–	(34,532)	(39,989)	(6,429)	(46,418)
Balance at 30 June 2018 (Unaudited)	**74,523**	**74,130**	**1,277**	**1,991**	**(43,897)**	**95,402**	**(92,232)**	**111,194**	**(8,329)**	**102,865**

	Attributable to equity shareholders of the Company									Non–controlling interests	Total equity
	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Employee compensation reserve *HK$'000*	Exchange reserve *HK$'000*	Merger reserve *HK$'000*	Contributed surplus *HK$'000*	Retained earnings/ accumulated losses *HK$'000*	Total *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	217,706
Loss and total comprehensive income											
Loss for the period	–	–	–	–	–	–	–	(20,290)	(20,290)	(6,529)	(26,819)
Other comprehensive income:											
Exchange difference	–	–	–	–	(259)	–	–	–	(259)	–	(259)
Fair value loss on available-for–sale financial assets	–	–	(1,006)	–	–	–	–	–	(1,006)	–	(1,006)
	–	–	(1,006)	–	(259)	–	–	(20,290)	(21,555)	(6,529)	(28,084)
Balance at 30 June 2017 (Unaudited)	74,007	67,697	4,750	3,807	(1,199)	(43,897)	95,402	(20,156)	180,411	9,211	189,622

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 2018 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" ("HKAS 34") 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.

For the six months ended 30 June 2018, the Group has incurred a loss of HK$42,261,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$7,436,000. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in note 18(ii), on 31 July 2018, the Company entered into the placing agreement, pursuant to which the placing agent has conditionally agreed to procure placees, on a best effort basis, to subscribe up to 74,000,000 new shares at the placing price of HK$1.40 per placing share. Net proceeds to be raised from the placing will be HK$102.9 million. Accordingly, the directors considers that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future and believe that the Group will continue as a going concern and consequently have prepared the condensed consolidated financial statements on a going concern basis.

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 2017 except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. Save as disclosed in the changes in accounting policies in note 3, the application of other new and revised Hong Kong Financial Reporting Standards ("HKFRSs") in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited 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. CHANGE IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii)

FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised costs	Financial assets at amortised cost are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

a) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of HK$45,957,000 were reclassified from available-for-sale financial assets at fair value to FVOCI on 1 January 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9
			HK$000	*HK$000*
Available-for-sale financial assets	Available-for-sale (at fair value)	FVOCI	45,957	45,957
Loan receivables	Loans and receivables	Amortised cost	4,000	4,000
Trade and other receivables	Loans and receivables	Amortised cost	44,698	44,698
Cash and cash equivalents	Loans and receivables	Amortised cost	28,472	28,472

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade and other receivables, financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12-months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are determined based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12-months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since there was no recent history of default.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

The Group concluded that the impact of ECLs on financial assets is insignificant as at 1 January 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application (the "DIA") of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The adoption does not have an impact on the recognition of the Group's main revenue streams. Since the number of "open" contracts for advertising income at 31 December 2017 is immaterial, there was no material impact for the Group's result and financial position. Rental income from lease agreements is specifically excluded from the scope of the new standard.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

5. 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	
	2018	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
– External sales	**38,139**	49,816	**265**	428	**38,404**	50,244
Reportable segment results	**(22,244)**	(12,789)	**22**	(226)	**(22,222)**	(13,015)

	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**196,698**	201,590	**26,857**	27,656	**223,555**	229,246
Reportable segment liabilities	**118,596**	117,189	**166**	212	**118,762**	117,401

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue (Turnover)	**38,404**	50,244
Group revenue	**38,404**	50,244
Reportable segment results	**(22,222)**	(13,015)
Unallocated corporate income	**197**	97
Unallocated corporate expenses	**(18,367)**	(16,890)
Finance costs	**(1,250)**	(353)
Loss before income tax	**(41,642)**	(30,161)

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within twenty years	**65**	45
Interest charges on other borrowings, which wholly repayable within one year	**312**	–
Imputed interest expenses arising from license right fees payables	**873**	308
	1,250	353

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**–**	66
Amortisation of other intangible assets	**31,837**	35,309
Depreciation	**969**	748
Employee benefit expense	**14,771**	16,576
Minimum lease payments paid under operating leases in respect of		
– Rented premises and production facilities	**4,830**	1,912
– Internet access line	**70**	76
Net foreign exchange loss	**626**	122
Interest income	**(166)**	(34)

8. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charge/(credit) to the condensed consolidated statement of profit and loss and other comprehensive income represents:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Current period	**619**	592
Deferred tax		
– Current period	**–**	(3,934)
Income tax expense/(credit)	**619**	(3,342)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

9. 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:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to the equity shareholders of the Company	**(35,832)**	(20,290)

	Number of shares	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**372,614**	370,034

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

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The movement during the period are:

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Total *HK$'000*
Net book amount as at 1 January 2018 (Audited)	1,514	27,066	28,580
Additions	9,000	–	9,000
Disposal	–	(3,501)	(3,501)
Depreciation	(588)	(381)	(969)
Net book amount as at 30 June 2018 (Unaudited)	9,926	23,184	33,110

11. OTHER INTANGIBLE ASSETS

	Advertising agency license rights *HK$'000*
At 1 January 2018	
Cost	289,386
Accumulated amortisation	(131,473)
Net carrying amount (Audited)	**157,913**
Opening net carrying amount	157,913
Amortisation	(31,837)
Closing net carrying amount (Unaudited)	**126,076**
At 30 June 2018	
Cost	289,386
Accumulated amortisation	(163,310)
Net carrying amount (Unaudited)	**126,076**

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group allows a credit period from 7 days to 120 days (31 December 2017: 7 days to 120 days) to its trade customers.

Aging analysis of trade receivables as at 30 June 2018, based on invoice date and net of provisions, is as follows:

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
0 – 30 days	**9,032**	7,736
31 – 60 days	**1,286**	638
61 – 90 days	**228**	272
91 – 120 days	**1,177**	8,414
121 – 150 days	**8**	3
Over 150 days	**7,629**	9,457
Total trade receivables	**19,360**	26,520
Other receivables and deposits	**34,532**	26,141
	53,892	52,661

13. SHARE CAPITAL

	No of shares ***('000)***	*HK$'000*
Authorised:		
Ordinary shares of HK$0.20 each		
At 1 January 2018 and 30 June 2018	**5,000,000**	1,000,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	**372,614**	74,523

14. DIVIDENDS

No interim dividend was declared in respect of the six months ended 30 June 2018 and 2017.

15. CAPITAL COMMITMENTS

As at 30 June 2018, there were no capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2017: Nil).

16. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**1,157**	1,272

17. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

18. EVENTS AFTER REPORT DATE

(i) On 9 July 2018, Fullmoon Global Limited ("the Vendor"), a wholly-owned subsidiary of the Company, and the purchaser entered into the sale and purchase agreement, pursuant to which the Vendor agreed to sell, and the purchaser agreed to acquire the sale share, representing the entire issued share capital of Star Prestige Investments Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK$80 million. The Vendor shall waive the loan due from Star Prestige Investments Limited to the Vendor upon the completion of the transaction.

(ii) On 31 July 2018, the Company entered into the placing agreement, pursuant to which the placing agent has conditionally agreed to procure placees, on a best effort basis, to subscribe up to 74,000,000 new shares at the placing price of HK$1.40 per placing share. The aggregate nominal value of the maximum number of 74,000,000 placing shares is HK$14,800,000.

(iii) Subsequent to the reporting period, Express Ocean Investment Limited, a wholly-owned subsidiary of the Company has entered into sales and purchase agreements with two independent third parties through different property agents to dispose three office premises at an aggregate consideration of approximately HK$16 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Train Media

The train media business, overall speaking, was less satisfactory because (i) these new orders were not able to make up the loss of certain large customers last year; (ii) the ongoing trade dispute between mainland China and the United States since the second quarter posts severe potential threats on many potential customers' businesses; and (iii) the deterioration of mainland China's economy evidenced by default of debts and increased difficulty in financing leads our customers to be more conservative when placing advertising orders or even back down.

Regarding the Wi-Fi advertising media lease agreement ("Wi-Fi Media Lease Agreement") entered into between Star Prestige Investments Limited ("Star Prestige"), an indirect wholly owned subsidiary of the Group, and 廣州聲煜金線廣告有限公司 ("Shengyu", "Guangzhou Shengyu Golden Line Advertising Company Limited" for identification purpose only) on 1 August 2017 where Shengyu has leased the Wi-Fi network system, its installation, facilities, Wi-Fi network coverage and its digital advertising media to Star Prestige, and granted an exclusive rights to Star Prestige for the operation of the digital advertising media (the "Wi-Fi Media Advertising Business"). The Company realised that the Wi-Fi operation was difficult to integrate with the Train Advertising Business and after repeated efforts, no favourable response was received by the Group from its customers. In light of the loss-making position due to amortisation of the license rights under the Wi-Fi Media Lease Agreement, the Company subsequently on 9 July 2018 disposed Star Prestige together with the Wi-Fi Media Advertising Business to an independent third party, Sonic Pace Global Limited, at a consideration of HK$80 million. The Company expected the disposal would generate a disposal gain of HK$10.9 million which were intended and in actual applied for repayment of outstanding balance due to the Company's shareholder and general working capital to the Group.

Recruit Magazine and website

The recruitment advertising business had revenue of approximately HK$33.2 million, representing an increase of approximately HK$3.5 million or 11.8%, which was contributed by participating two more job fairs compared with the corresponding period in the last year and price rise as a result of keen labour market in Hong Kong. However, the profit after tax for the six months ended 30 June 2018 was approximately HK$1.9 million, decreased from last year's corresponding period of HK$3.2 million, due to the increase in staff costs.

Property Investment

Express Ocean Investment Limited ("Express Ocean") is the Company's wholly owned subsidiary engaged in investment property.

For the six months ended 30 June 2018, the rental income decreased to approximately HK$265,000, compared with that of last year's approximately HK$428,000. The decrease was due to the vacancy of an office premise as a result of a series of legal action taken against the previous tenant. As stated in the Company's 2017 annual report, the Land Tribunal adjudicated Express Ocean's entitlement to the claim of the outstanding rent. The previous tenant, however, failed to settle the said rent. Legal actions have been in progress to file bankruptcy against the previous tenant.

On the other hand, during the six months ended 30 June 2018, Express Ocean disposed an office premises to an independent third party through a property agent at a consideration of approximately HK$4.0 million. Subsequent to the reporting period, Express Ocean has also entered into sales and purchase agreements with other two independent third parties through different property agents to dispose three office premises at an aggregate consideration of approximately HK$16 million. The intended and actual use of proceeds from the sale have been or will be applied for repayment of mortgages and general working capital. Since all the applicable ratios for the transaction to each of the independent third parties were below 5%, the transactions do not constitute any notifiable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PROSPECTS

Train Media

Constrained by political uncertainty and recent negative economic outlook in mainland China, the train media business is expected to be under pressure. The Company will fine tune business strategy and devote more effort on marketing in response to the changing market condition in order to maintain the competitiveness and profitability.

Recruit magazine and website

The prospect of recruitment advertising business largely relies on the atmosphere of the labour market. However, the recent trade dispute between the United States and mainland China as well as its slowdown in economic growth and the anticipated interest rate rise, has fueled uncertainties to this market. The management will review the business from time to time and act in response to the change of the macroeconomic environment.

Property Investment

As most of the office premises are in the progress of sale, the property investment segment will fade out when the Group no longer holds any investment properties.

FINANCIAL REVIEW

For the six months ended 30 June 2018, turnover from Train Media business was approximately HK$4.9 million (2017: HK$20.1 million), representing a decrease of 75.6%. The decrease in turnover was mainly due to (i) new advertisting orders were not able to make up the loss of certain large customers last year; (ii) the ongoing trade dispute between mainland China and the United States since the second quarter posts severe potential threats on many potential customers' businesses; and (iii) the deterioration of mainland China's economy evidenced by default of debts and increased difficulty in financing leads our customers to be more conservative when placing advertising orders or even back down. Together with turnover contributed by Recruit amounting to approximately HK$33.2 million (2017: HK$29.7 million) and rental income of HK$265,000 (2017: HK$428,000), the Group recorded a turnover of approximately HK$38.4 million (2017: HK$50.2 million).

Selling and distribution costs remain stable and slightly increased from approximately HK$8.7 million in the first half of 2017 to approximately HK$10.4 million in the first half of 2018.

Other expenses, which mainly represented impairment on financial assets made during the period, maintained at approximately HK$101,000 (2017: HK$91,000).

For the six months ended 30 June 2018, the Group recorded approximately HK$31.8 million (2017: HK$35.3 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 and the license rights under the Wi-Fi Media Lease Agreement.

Income tax expense of approximately HK$619,000 (2017: Income tax credit of HK$3.3 million), was mainly attributable to income tax effect for the profit derived from group companies during the period.

As a result of the above, for the six months ended 30 June 2018, the Group recorded a net loss of approximately HK$42.3 million, compared with a net loss of approximately HK$26.8 million for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had net current liabilities of approximately HK$7.4 million (31 December 2017: net current assets of approximately HK$16.2 million). The Group's current ratio was approximately 0.94 (31 December 2017: 1.17) while the Group's net assets was approximately HK$102.9 million compared with those of approximately HK$149.3 million as at 31 December 2017. Total cash and bank deposits was approximately HK$28.6 million (31 December 2017: HK$28.5 million).

The Group generally finance its operations mainly with internally generated cashflow. The Group's gearing ratio as at 30 June 2018 was 22.1% (31 December 2017: 3.9%), which is calculated on the basis of the Group's total interest bearing debts over the total equity interest. The Group has a bank borrowing as at 30 June 2018 of approximately HK$5.1 million (31 December 2017: HK$5.9 million) and other interest-bearing borrowing of approximately HK$19.5 million (31 December 2017: 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.

INVESTMENTS IN SECURITIES

As at 30 June 2018, the Company had securities investments classified as non-current assets classified as held for sales with market value of approximately HK$26.3 million (31 December 2017: HK$28.6 million). During the period ended 30 June 2018, the Company has disposed two of its three securities from its portfolio in open market at an aggregate consideration of approximately HK$15.5 million. As all the applicable percentage ratios in respect of the disposal to each of the securities are below 5%, the transactions do not constitute any notifiable transaction for the Company under to Chapter 14 of the Listing Rules.

After the said disposal, there was only one security remaining in the Company's securities investment portfolio.

CAPITAL STRUCTURE

As at 30 June 2018, the total issued shares of the Company ("Shares") was 372,614,000 (31 December 2017: 372,614,000 Shares) at HK$0.2 each.

Subsequently on 31 July 2018, the Company has entered into a placing agreement with BaoQiao Partners Capital Limited ("Placing Agent") to place up to 74,000,000 new Shares at best effort basis at HK$1.40 per Share to raise approximately HK$103.6 million. The gross and net proceeds raised from the placing were HK$103.6 million and HK$102.9 million respectively and the gross and net placing price per Share was HK$1.40 and HK$1.39 respectively. The said placing completed on 28 August 2018 and the net proceeds from placing will be utilised for general working capital purpose and for future business and investment opportunities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2018, the Group had no significant capital commitments (31 December 2017: nil). The Group had no significant contingent liabilities as at 30 June 2018 (31 December 2017: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

Subsequent to the reporting period, on 9 July 2018, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the Company disposed the entire issued share capital of Star Prestige at a cash consideration of HK$80 million. Please refer to the announcement of the Company dated 9 July 2018 for details.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2018, the Company had no plans for material investments in capital assets.

CHARGE ON GROUP ASSETS

As at 30 June 2018, Express Ocean has an outstanding amount of approximately HK$5.1 million (31 December 2017: HK$5.9 million) loan due to Industrial and Commercial Bank of China (Asia) Limited by pledging several office premises under its name with the Company as corporate guarantor.

OTHER DISCLOSURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2018, 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 *(Note 1)*	Controlled corporation	95,037,657	25.51%
Mr. LIU Gary Wei *(Note 2)*	Controlled corporation	50,248,828	13.49%
Mr. YIU Yu Cheung	Beneficial owner	3,330,000	0.89%
Mr. TSANG Hing Bun	Beneficial owner	500,000	0.13%

Notes:

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.

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 Percentage in the Issued Share Capital of the Company	Approximate Percentage in the Issued Share Capital of the Company Assuming all Options are Exercised
Mr. TSANG Hing Bun	Beneficial owner	2,830,000	0.76%	0.75%

Save as disclosed above, as at 30 June 2018, 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 OPTIONS

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 2018, a total of 2,830,000 share options were outstanding. During the period, no options were granted, exercised, cancelled or lapsed.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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 *(Note 1)*	Beneficial owner	95,037,657	25.51%
Polaris Investment Management Limited *(Note 2)*	Beneficial owner	50,248,828	13.49%
FMR LLC	Beneficial owner	19,120,000	5.13%

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 2018, 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 2018, 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 2018.

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 2018.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group had 54 full-time employees (30 June 2017: 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 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 unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 and are in the opinion that such financial statements have 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, 29 August 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.