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KK CULTURE HOLDINGS LIMITED

KK 文化控股有限公司

(Continued in Bermuda with limited liability)

(Stock code: 550)

CLARIFICATION ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION

LICENCE AGREEMENT

Reference is made to the announcement of KK Culture Holdings Limited (the “**Company**”) dated 24 January 2019 (the “**Announcement**”) in relation to a licence agreement entered into between the Company and UKFM Management Limited. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to supplement and clarify the License Agreement with the following information.

SUPPLEMENTARY INFORMATION REGARDING THE PROPOSED ANNUAL CAPS

The Company would like to supplement the relevant information regarding the proposed annual caps of the leasing of certain area of the Premises as follows:

	For the year ending	
	31 December	
	2019	2020
	<i>HK\$</i>	<i>HK\$</i>
Proposed cap	6,600,000	2,700,000

Determination of the annual caps

Pursuant to the tenancy agreement dated 9 June 2017 entered into between the Company and the landlord of the Premises (“**Landlord**”), the government rates, management fees and air-conditioning charge (“**Government and Management Fees**”) are exclusive from the monthly rent but will be reimbursed to the Landlord on an actual basis.

In view of the Licence Agreement, the Government and Management Fees, in proportion to the licensed area of the Premises, will be paid by UKFM through the Licensors to the Landlord. As such, the revenue to be recognized by the Company in the leasing of certain area of the Premises merely includes the monthly rent of HK\$580,000 under the License Agreement.

Based on the above, the proposed caps under the Licence Agreement represent approximately the aggregate amount of estimated rental income during the year ending 31 December 2018 and 2019 respectively, which is demonstrated as follows:

	For the year	
	ending 31 December	
	2019	2020
Number of months covered in the period	11.3 <i>(Note 1)</i>	4.5 <i>(Note 2)</i>
Monthly rent (HK\$)	580,000	580,000
Total estimated rent (HK\$)	6,554,000	2,610,000
Proposed cap (HK\$)	6,600,000	2,700,000

Notes:

1. The term of licence for the year ending 31 December 2019 is from 24 January 2019 to 31 December 2019 (both days inclusive).
2. The term of licence for the year ending 31 December 2020 is from 1 January 2020 to 15 May 2020 (both days inclusive).

As the monthly rent is determined after arm's length negotiations with reference to the prevailing market rents advised by the independent surveyor in respect of premises within the same building, the Directors (including the independent non-executive Directors) consider the proposed annual caps under the Licence Agreement are fair and reasonable and in the interests of the Company and the Shareholders in a whole.

INFORMATION ON THE LICENSORS AND LICENSEE

The Group is principally engaged in the provision of advertising services and property investment.

Kingkey Enterprise is an investment holding company established in Hong Kong with limited liability.

UKFM is a company incorporated in the Hong Kong with limited liabilities and a wholly-owned subsidiary of UKF (Holdings) Limited which, together with its subsidiaries, is principally engaged in trading of fur skins, mink farming in Denmark, fur skins brokerage, provision of securities brokerage services, provision of wealth management service and money lending.

GENERAL

As Mr. Yiu Yu Cheung (“**Mr. Yiu**”), the non-executive Director of the Company, holds certain equity interest in UKF (Holdings) Limited, Mr. Yiu is deemed to have material interest in the Licence Agreement. As such, Mr. Yiu has abstained from voting on the relevant board resolutions approving the Licence Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As disclosed in section headed “IMPLICATIONS UNDER THE LISTING RULES” in the Announcement, as the highest applicable percentage ratio calculated under the Listing Rules, in respect of the aggregate annual rental chargeable under the Licence Agreement, is more than 0.1% but less than 5%, the transaction contemplated under the Licence Agreement is subject to reporting, annual review and announcement requirements but exempt from circular (independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Based on the proposed annual caps as above, the Company hereby clarifies that as the highest applicable percentage ratio calculated under the Listing Rules in respect of the proposed annual cap under the Licence Agreement is more than 5% but less than 25% and the proposed annual cap is less than HK\$10,000,000, the transaction contemplated under the Licence Agreement is subject to reporting, annual review and announcement requirements but exempt from circular (independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Save for the supplement and clarification as state above, all other information contained in the Announcement remains unchanged.

By order of the Board
KK CULTURE HOLDINGS LIMITED
Tsang Hing Bun
Executive Director

Hong Kong, 31 January 2019

As at the date of this announcement, the Board comprises Mr. Tsang Hing Bun as executive Director; Mr. Yiu Yu Cheung as non-executive Director; and Mr. Chan Siu Lun, Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex, as independent non-executive Directors.