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

(Incorporated in Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 550)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		(Unaudited) Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**35,020**	38,404
Direct operating costs		**(7,207)**	(7,587)
Gross profit		**27,813**	30,817
Other revenue and net income		**4,552**	623
Selling and distribution costs		**(11,280)**	(10,435)
Administrative and other operating expenses		**(31,155)**	(61,296)
Expected credit loss on trade receivables		**(95)**	–
Other expenses		**–**	(101)
Loss on disposal of subsidiaries	*17*	**(8,533)**	–
Finance costs	*6*	**(1,302)**	(1,250)
Loss before income tax	*7*	**(20,000)**	(41,642)
Income tax expense	*8*	**(628)**	(619)
Loss for the period		**(20,628)**	(42,261)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Realised loss on disposal of equity instruments at fair value through other comprehensive income		–	(1,842)
Fair value loss on equity instruments at fair value through other comprehensive income		**(5,270)**	(2,315)
Other comprehensive income for the period, net of tax		**(5,270)**	(4,157)
Total comprehensive income for the period		**(25,898)**	(46,418)
Loss for the period attributable to			
Equity shareholders of the Company		**(18,102)**	(35,832)
Non-controlling interests		**(2,526)**	(6,429)
		(20,628)	(42,261)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(23,372)**	(39,989)
Non-controlling interests		**(2,526)**	(6,429)
		(25,898)	(46,418)
Loss per share for loss attributable to the equity shareholders of the Company during the period			
– Basic and diluted	*9*	**HK(4.05) cents**	HK(9.62)cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**At 30 June 2019 (Unaudited) *HK$'000***	At 31 December 2018 (Audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**6,102**	6,387
Investment properties	*10*	**–**	9,631
Other intangible assets	*11*	**–**	22,849
Equity instruments at fair value through other comprehensive income		**31,428**	26,852
Loan receivables		**11,407**	11,407
Right-of-use assets		**12,384**	–
		61,321	77,126
Current assets			
Trade receivables	*12*	**7,697**	11,900
Other receivables and deposits	*12*	**14,169**	43,665
Tax recoverable		**184**	813
Loan receivables		**3,880**	3,880
Cash and cash equivalents		**110,923**	109,500
		136,853	169,758
Current liabilities			
Contract liabilities		**594**	612
Other payables and accruals		**7,437**	5,578
Amount due to non-controlling interests of a subsidiary		**–**	22,884
Amount due to a director		**1,093**	3,593
Other borrowings		**5,760**	–
Current portion of license right fees payables		**–**	28,180
Lease liabilities		**8,992**	–
Provision for taxation		**426**	426
		24,302	61,273

	Notes	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Net current assets		**112,551**	108,485
Total assets less current liabilities		**173,872**	185,611
Non-current liabilities			
Non-current portion of license right fees payables		–	13,718
Lease liabilities		**3,530**	–
		3,530	13,718
Net assets		**170,342**	171,893
EQUITY			
Share capital	*13*	**89,323**	89,323
Reserves		**81,019**	104,391
Equity attributable to equity shareholders of the Company		**170,342**	193,714
Non-controlling interests		–	(21,821)
Total equity		**170,342**	171,893

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(6,534)**	16,161
Investing activities		
Interest received	**364**	166
Proceed from sales of equity instruments at fair value through other comprehensive income	–	15,527
Proceed from disposal of investment property	**10,896**	3,980
Net cash outflow on disposal of subsidiaries	**(107)**	–
Payment of licenses fee payables	**(14,910)**	(52,898)
Purchase of property, plant and equipment	–	(5,012)
Net cash used in investing activities	**(3,757)**	(38,237)
Financing activities		
Bank and other borrowings raised	**14,560**	18,000
Repayment of bank and other borrowings	–	(775)
Interest on bank and other borrowings paid	**(346)**	(65)
(Decrease)/increase in amounts due to directors	**(2,500)**	5,093
Net cash generated from financing activities	**11,714**	22,253
Net increase in cash and cash equivalents	**1,423**	177
Cash and cash equivalents at the beginning of the period	**109,500**	28,472
Cash and cash equivalents at the end of the period	**110,923**	28,649
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**110,923**	28,649

MAJOR NON-CASH TRANSACTION

During the period, the Group disposed its entire interests in subsidiaries (note 17) by entering into the equity sales and purchase agreement. The consideration of the disposal was satisfied by the issuance of shares of the purchaser in three tranches. The Group received the first tranche at fair value of approximately HK$9,846,000 on 6 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	**Share premium**	**Investment revaluation reserve**	**Employee compensation reserve**	**Merger reserve**	**Contributed surplus**	**Accumulated loss**	**Total**		
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 January 2019 (Audited)	**89,323**	**162,310**	**1,856**	**1,991**	**(43,897)**	**95,402**	**(113,271)**	**193,714**	**(21,821)**	**171,893**
Lapsed of share options	–	–	–	(1,991)	–	–	1,991	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	24,347	24,347
Transactions with owners	–	–	–	(1,991)	–	–	1,991	–	24,347	24,347
Loss for the period	–	–	–	–	–	–	(18,102)	(18,102)	(2,526)	(20,628)
Other comprehensive income:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(5,270)	–	–	–	–	(5,270)	–	(5,270)
Total comprehensive income for the period	–	–	(5,270)	–	–	–	(18,102)	(23,372)	(2,526)	(25,898)
Balance at 30 June 2019 (Unaudited)	**89,323**	**162,310**	**(3,414)**	**–**	**(43,897)**	**95,402**	**(129,382)**	**170,342**	**–**	**170,342**

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Investment revaluation reserve	Employee compensation reserve	Merger reserve	Contributed surplus	Accumulated loss	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018 (Audited)	74,523	74,130	6,734	1,991	(43,897)	95,402	(57,700)	151,183	(1,900)	149,283
Loss for the period	–	–	–	–	–	–	(35,832)	(35,832)	(6,429)	(42,261)
Other comprehensive income:										
Realised loss on disposal of equity instruments at fair value through other comprehensive income	–	–	(3,142)	–	–	–	1,300	(1,842)	–	(1,842)
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(2,315)	–	–	–	–	(2,315)	–	(2,315)
Total comprehensive income for the period	–	–	(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

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 2019 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in preparing the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. Save as disclosed in the changes in accounting policies in note 3, the application of other new and revised Hong Kong Financial Reporting Standards ("HKFRS") 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 HKFRS that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRS 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 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over income tax treatments
- Amendments to HKFRS 9, Prepayment features with negative compensation
- Amendments to HKAS 19, Plan amendment, curtailment or settlement
- Amendments to HKAS 28, Long-term interests in associates and joint venture
- Annual Improvements to HKFRS 2015-2017 Cycle, Amendments to HKFRS 3 Business Combinations, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the group's accounting policies.

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption HKFRS 16 as at 1 January 2019 (increase) is as follows:

	(Unaudited) ***HK$'000***
Assets	
Right-of-use assets	**17,093**
Liabilities	
Lease liabilities	**17,093**

(a) Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively. Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

– Used a single discount rate to a portfolio of leases with reasonably similar characteristics

– Relied on its assessment of whether leases are onerous immediately before the date of initial application

– Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

– Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

– Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019, right-of-use assets and lease liabilities of HK$17,093,000 were recognised respectively and presented separately in the unaudited condensed consolidated statement of financial position.

Lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	(Unaudited) ***HK$'000***
Operating lease commitments as at 31 December 2018	17,330
Weighted average incremental borrowing rate as at 1 January 2019	4.33%
Discounted operating lease commitments at 1 January 2019	17,093
Lease liabilities as at 1 January 2019	17,093

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease and lease of low-value assets recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and that are considered of low value (i.e., below HK$39,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(c) Amounts recognised in the unaudited condensed consolidated statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			**Lease liabilities**
	Office equipment	**Leased office**	**Total**	
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	581	16,512	17,093	17,093
Depreciation	(66)	(4,643)	(4,709)	–
Interest expenses	–	–	–	344
Payments	–	–	–	(4,915)
As at 30 June 2019	515	11,869	12,384	12,522

Reconciliation to the condensed consolidated statement of financial position:

	Right-of-use assets			Lease liabilities
	Office equipment (Unaudited) *HK$'000*	**Leased office (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*	**(Unaudited)** *HK$'000*
Non-current	515	11,869	12,384	3,530
Current	–	–	–	8,992
	515	11,869	12,384	12,522

The Group recognised rental expenses from leases of low-value assets of HK$44,000 for the six months ended 30 June 2019.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this unaudited 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 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3 and the fair value of contingent consideration receivables.

5. SEGMENT INFORMATION

The executive director has 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**	
	2019 (Unaudited) ***HK$'000***	2018 (Unaudited) *HK$'000*	**2019 (Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*	**2019 (Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
Revenue						
– External sales	**34,859**	38,139	**161**	265	**35,020**	38,404
Reportable segment results	**(7,636)**	(22,244)	**1,068**	22	**(6,568)**	(22,222)
	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*	**30 June 2019 (Unaudited)** ***HK$'000***	31 December 2018 (Audited) *HK$'000*	**30 June 2019 (Unaudited)** ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Reportable segment assets	**40,137**	88,570	**10,387**	17,890	**50,524**	106,460
Reportable segment liabilities	**13,033**	70,086	**426**	494	**13,459**	70,580

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue (Turnover)	**35,020**	38,404
Group revenue	**35,020**	38,404
Reportable segment results	**(6,568)**	(22,222)
Unallocated corporate income	**2,910**	197
Unallocated corporate expenses	**(16,171)**	(18,367)
Finance costs	**(171)**	(1,250)
Loss before income tax	**(20,000)**	(41,642)

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Advertising Six months ended 30 June		Property investment Six months ended 30 June		Total Six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical market						
Hong Kong	**30,823**	33,210	**161**	265	**30,984**	33,475
PRC	**4,036**	4,929	**–**	–	**4,036**	4,929
	34,859	38,139	**161**	265	**35,020**	38,404
Major products/services						
Provision of advertising service:						
– Recruitment	**30,823**	33,210	**–**	–	**30,823**	33,210
– Train media	**4,036**	4,929	**–**	–	**4,036**	4,929
	34,859	38,139	**–**	–	**34,859**	38,139
Property rentals	**–**	–	**161**	265	**161**	265
	34,859	38,139	**161**	265	**35,020**	38,404
Timing of revenue recognition						
Transferred over time	**34,859**	38,139	**161**	265	**35,020**	38,404

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within twenty years	**–**	65
Interest charges on other borrowings, which wholly repayable within one year	**346**	312
Imputed interest expenses arising from lease liabilities	**344**	–
Imputed interest expenses arising from license right fees payables	**612**	873
	1,302	1,250

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**7,607**	31,837
Depreciation arising from right-of-use assets	**4,709**	–
Depreciation arising from property, plant and equipment and investment properties	**418**	969
Employee benefit expense	**18,430**	14,771
Minimum lease payments paid under operating leases in respect of		
– Rented premises and production facilities	**–**	4,830
– Internet access line	**44**	70
Net foreign exchange loss	**857**	626
Interest income	**(364)**	(166)
Loss on disposal of subsidiaries	**8,533**	–
Gain on disposal of an investment property	**(1,398)**	(426)

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current period	**628**	619
Income tax expense	**628**	619

On 21 March 2018, Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was effective on 28 March 2018. The two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from 1 January 2019, Hong Kong profits tax is levied at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on those above HK$2 million on a qualified entity applied two-tiered profit tax rate regime.

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to the equity shareholders of the Company	**(18,102)**	(35,832)

	Number of shares	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**446,614**	372,614

For the six months ended 30 June 2019 and 2018, 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 2019 (Audited)	6,387	9,631	16,018
Disposals	–	(9,498)	(9,498)
Depreciation	(285)	(133)	(418)
Net book amount as at 30 June 2019 (Unaudited)	6,102	–	6,102

11. OTHER INTANGIBLE ASSETS

	Advertising agency license rights *HK$'000*
At 1 January 2019	
Cost	194,899
Accumulated amortisation	(172,050)
Net carrying amount (Audited)	22,849
Opening net carrying amount	22,849
Disposal of subsidiaries	(15,242)
Amortisation	(7,607)
Closing net carrying amount (Unaudited)	–
At 30 June 2019	
Cost	–
Accumulated amortisation	–
Net carrying amount (Unaudited)	–

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group allows a credit period from 7 days to 120 days (31 December 2018: 7 days to 120 days) to its trade customers.

Aging analysis of trade receivables as at 30 June 2019, based on invoice date and net of provisions, is as follows:

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
0 – 30 days	**7,603**	6,502
31 – 60 days	**63**	304
61 – 90 days	**23**	90
91 – 120 days	**7**	9
121 – 150 days	**–**	–
Over 150 days	**1**	4,995
Total trade receivables	**7,697**	11,900
Other receivables and deposits	**14,169**	43,665
	21,866	55,565

13. SHARE CAPITAL

	No of shares *'000*	*HK$'000*
Authorised:		
Ordinary shares of HK$0.20 each		
At 1 January 2019 and 30 June 2019	5,000,000	1,000,000
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	446,614	89,323

14. DIVIDENDS

No interim dividend was declared in respect of the six months ended 30 June 2019 and 2018.

15. CAPITAL COMMITMENTS

As at 30 June 2019, there were no capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2018: Nil).

16. RELATED PARTY TRANSACTIONS

a) Related party transaction

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties for the six months ended 30 June 2019 are disclosed as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Licenses fee income received from a related company	**2,750**	–

On 24 January 2019, the Company entered into a licensing agreement (the "**Licence Agreement**") with Kingkey Enterprise Hong Kong Limited ("**Kingkey Enterprise**") (as Licensors) and UKF Management Limited (as Licensee), a wholly owned subsidiary of UKF (Holdings) Limited ("**UKF**"), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are primary listed on the Main Board of the Stock Exchange (Stock Code: 1468), where the Licensors agreed to lease certain areas of the office premises of 44/F, Offcer Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong to Licensee for the period from 24 January 2019 to 15 May 2020 (both days inclusive), at a monthly rent HK$580,000 (exclusive of Government rates, management fee and air-conditioning charges). As Kingkey Enterprise is wholly-owned by Mr. Chen Jiarong, the associate of a substantial Shareholder of the Company, holding 21.28% interest of the Company and also a substantial shareholder of UKF, therefore Kingkey Enterprise and UKF are connected persons of the Company. The above related party transactions also constitute a connected transaction for the Company under Chapter 14A of the Listing Rule.

b) 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**1,137**	1,157

17. DISPOSAL OF SUBSIDIARIES

On 6 June 2019, the Group disposed its entire interests in Fullmoon Global Limited and its subsidiaries (the "**Disposal Group**") which is engaged in provision of advertising services to an independent third party at the consideration of HK$34,750,000 which shall be satisfied by the allotment and issue of the shares in three tranches at the issue price of HK$0.2 per share of the purchaser to the Group or its designated nominees in accordance with the terms and conditions of the sales and disposal agreement.

The Group received the first tranche consideration at fair value of approximately HK$9,846,000 on 6 June 2019. The second and third tranche consideration were regarded as contingent assets as at 30 June 2019 as the likelihood of the extensions of the related contracts is not certain. This will be re-assessed in the next few months when the 2019 annual financial statements are prepared.

Net assets of the Disposal Group at the date of disposal are as follows:

	HK$'000 **(Unaudited)**
Other intangible assets	15,242
Trade receivables	5,094
Other receivables and deposits	24,080
Bank and cash balance	107
Other payables	(1,528)
Amounts due to non-controlling interests	(12,563)
Licenses rights fee payables	(27,600)
Bank borrowings	(8,800)
Shareholders' loan	(99,165)
	(105,133)
Non-controlling interests	24,347
Assignment of shareholders' loan	99,165
Loss on disposal of subsidiaries	(8,533)
Consideration	9,846
Consideration consistent of:	
Issuance of shares	9,846
Net cash outflow arising from the disposal:	
Cash and bank balances disposed of	(107)

18. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

19. EVENT AFTER REPORTING DATE

This is no material subsequent event undertaken by the Company or by the Group after 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Train Media

On 29 March 2019, the Company and China Baoli Technologies Holdings Limited ("China Baoli" or the "Purchaser"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 164), entered into the sale and purchase agreement (the "Agreement"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of Fullmoon Global Limited (the "Target Company"), the then direct wholly-owned subsidiary of the Company which then held 60% interest in Hong Kong Made (Media) Limited ("Hong Kong Made") and Ample Success Limited ("Ample Success"), the train media business vehicle of the Group, for an aggregate consideration of HK$34,750,000 (the "Consideration"), which shall be satisfied by the allotment and issue of the shares (the "Consideration Shares") in tranches at the issue price of HK$0.2 per share of the Purchaser at HK$0.1 per ordinary share in the share capital of the Purchaser (the "Purchaser Shares") to the Company or its designated nominee(s) in accordance with the terms and conditions of the Agreement.

The Consideration is satisfied by the allotment and issue of the Consideration Shares in tranches at the issue price of HK$0.2 per Purchaser Share by the Purchaser to the Company or its designated nominee(s) in the following manner:

(i) as to HK$11,583,333, representing one third of the Consideration, shall be paid by the Purchaser to the Company or its designated nominee(s) by the allotment and issue of 57,916,665 Purchaser Shares upon the Completion Date (the "First Tranche Consideration Shares");

(ii) as to HK$11,583,333, representing one third of the Consideration, shall be paid by the Purchaser to the Company or its designated nominee(s) by the allotment and issue of 57,916,665 Purchaser Shares (the "Second Tranche Consideration Shares") upon the Second Tranche Consideration Shares Issue Date, subject to Hong Kong Made and 廣州聲煜金線廣告有限公司 ("Guangzhou Shengyu Golden Line Advertising Company Limited" for identification purpose only) ("Guangzhou Shenyu") having executed an agreement (in form and substance satisfactory to the Purchaser) to extend the term of the Hong Kong Made Contract for three years to 30 June 2023 (the "Second Tranche Consideration Shares Conditions"); and

(iii) as to HK$11,583,334, representing one third of the Consideration, shall be paid by the Purchaser to the Company or its designated nominee(s) by the allotment and issue of 57,916,670 Purchaser Shares (the "Third Tranche Consideration Shares") upon the Third Tranche Consideration Shares Issue Date, subject to the satisfaction of the following conditions (the "Third Tranche Consideration Shares Conditions"): (a) Hong Kong Made and Guangzhou Shengyu having executed an agreement (in form and substance satisfactory to the Purchaser) to further extend the term of the Hong Kong Made Contract for two years to 30 June 2025; and (b) Ample Success and Guangzhou Shengyu having executed an agreement (in form and substance satisfactory to the Purchaser) to further extend the term of the Ample Success Contract for two years to 30 March 2024.

In the event that the Second Tranche Consideration Shares Condition and/or the Third Tranche Consideration Shares Conditions are satisfied, the Purchaser shall allot and issue the Second Tranche Consideration Shares and/or the Third Tranche Consideration Shares (as the case may be) on the Second Tranche Consideration Shares Issue Date and/or the Third Tranche Consideration Shares Issue Date (as the case may be).

The Consideration was determined on an arm's length basis under normal commercial terms pursuant to the negotiation between the Company and the Purchaser after taking into account, among others, the equity interest of Hong Kong Made and Ample Success owned by the Target Company after capitalisation of certain loans owed by Hong Kong Made and Ample Success to the Target Company and the then shareholders of Hong Kong Made and Ample Success and calculated by reference to a premium over the net asset value of the Target Group as at 31 December 2018. Taking into account the above, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Since only the First Tranche Consideration Shares were received by the Company, a loss on disposal of approximately HK$8.5 million was recorded as at 30 June 2019. Assuming that the Second and the Third Tranche Consideration Shares, which were regarded as contingent assets as at 30 June 2019, could be issued at HK$0.2 each, the Company would record an income of approximately HK$23.1 million.

The disposal was completed on 6 June 2019 and the Company received the First Tranche Consideration Shares. Upon the completion, the Company ceased to operate Train Media business.

Recruit Magazine and website

The recruitment advertising business had revenue of approximately HK$30.8 million, representing a decrease of approximately HK$2.4 million or 7.2%. Besides, the gross profit for six months ended was approximately HK$23.6 million (2018: HK$25.6 million) and the profit after tax for the six months ended 30 June 2019 was approximately HK$1.3 million, decreased from last year's corresponding period of HK$1.9 million. These were mainly attributable to labour market becoming conservative as a result of deteriorating business environment in Hong Kong that less recruitment advertisements were placed to the magazine.

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 2019, the rental income decreased to approximately HK$161,000 compared with that of the same period in last year of approximately HK$265,000. The decrease was due to the disposal of the office premises in 2018 and the last premises was sold in March 2019 and completed in May of the same year. Since all the applicable ratios for the transaction to each of the independent third parties were below 5%, the transaction did 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

Recruit magazine and website

The management is cautious towards the prospect of the labour market in Hong Kong in the second half of the financial year. In case that the unemployment rate increases, the management will take appropriate measures to minimise the impact.

Digitalization has caused a tsunami-like wave in the media industry, and the new technologies and intense competition have been causing a negative impact on advertising and circulation revenue. Having considered that the Recruit magazine and website is a core strength of the Group that has commandeered over the years, we will continue to preserve our position in employment and print media industry through maintaining stringent cost control, making improvements in work flow efficiencies, as well as restructuring and streamlining management and operational processes.

In additions, by leveraging on the management experience and business strategy which has shored up our position in the media market, the Group will fully grasp the opportunities for business development arising from the reform in cultural and educational related sector. We believe that upstream online market and downstream entertainment and educational industries have enormous growth potential. Therefore, we considered that the addition of a potential new sectors could accelerate our business expansion and development through various new business model, investment and/or acquisition which is in the interest of the Company and its shareholders as a whole.

FINANCIAL REVIEW

For the six months ended 30 June 2019, turnover from Train Media business was approximately HK$4.0 million (2018: HK$4.9 million), representing a decrease of 18.37%. The decrease in turnover was mainly due to (i) the continuing negative economic prospects of mainland China's economy. Together with turnover contributed by Recruit amounting to approximately HK$30.8 million (2018: HK$33.2 million) and rental income of approximately HK$161,000 (2018: HK$265,000), the Group recorded a turnover of approximately HK$35.0 million (2018: HK$38.4 million).

Selling and distribution costs remain stable and slightly increased from approximately HK$10.4 million in the first half of 2018 to approximately HK$11.3 million in the first half of 2019.

Due to the disposal of the train media business, the Group recorded a loss on disposal of approximately HK$8.5 million.

Other expenses, which mainly represented impairment on financial assets made during the period, amounted to approximately HK$95,000 (2018: HK$101,000).

For the six months ended 30 June 2019, the Group recorded approximately HK$7.6 million (2018: HK$31.8 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 incurred before the train media business was disposed of.

Income tax expense of approximately HK$628,000 (2018: of HK$619,000), 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 2019, the Group recorded a net loss of approximately HK$20.6 million, compared with a net loss of approximately HK$42.3 million for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had net current assets of approximately HK$112.6 million (31 December 2018: HK$108.5 million). The Group's current ratio was approximately 5.6 (31 December 2018: 2.8) while the Group's net assets was approximately HK$170.3 million compared with those of approximately HK$171.9 million as at 31 December 2018. Total cash and bank deposits was approximately HK$110.9 million (31 December 2018: HK$109.5 million).

The Group generally finance its operations mainly with internally generated cashflow. The Group's gearing ratio as at 30 June 2019 was 3.4% (31 December 2018: 0%), which is calculated on the basis of the Group's total interest bearing debts over the total equity interest. The Group has no bank borrowing as at 30 June 2019 (31 December 2018: nil) and other interest-bearing borrowing of approximately HK$5.8 million (31 December 2018: 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 Dollars and RMB, which is the functional currency of the corresponding group entities.

INVESTMENTS IN SECURITIES

As at 30 June 2019, the Company had securities investments classified as equity instrument at fair value through other comprehensive income with market value of approximately HK$31.4 million (31 December 2018: HK$26.9 million). During the period ended 30 June 2019, the Company has added 57,916,665 shares of China Baoli which represent part of the Consideration Shares arisen from the disposal of the Target Company.

CAPITAL STRUCTURE

As at 30 June 2019, the total issued shares of the Company ("Shares") was 446,614,000 (31 December 2018: 446,614,000 Shares) at HK$0.2 each.

On 31 July 2018, the Company entered into a placing agreement with BaoQiao Partners Capital Limited ("Placing Agent") to place up to 74,000,000 new Shares on a 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. As at 30 June 2019, approximately HK$4.1 million was utilised as general working capital while none was utilised for investment opportunities as the Company has yet sourced a suitable one.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2019, the Group had no significant capital commitments (31 December 2018: nil). The Group had no significant contingent liabilities as at 30 June 2019 (31 December 2018: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2019, the Company had no plans for material investments in capital assets.

CHARGE ON GROUP ASSETS

As at 30 June 2019, there was no charge on Group assets.

OTHER DISCLOSURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2019, 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. YIU Yu Cheung	Beneficial owner	3,330,000	0.75%
Mr. TSANG Hing Bun	Beneficial owner	500,000	0.11%

Long position in underlying shares or equity derivatives of the Company

As at 30 June 2019, 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 2019, no share options were outstanding. During the period, 2,830,000 share options were lapsed.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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	21.28%
Champion Ease Group Limited *(Note 2)*	Beneficial owner	74,000,000	16.57%
Polaris Investment Management Limited *(Note 3)*	Beneficial owner	50,248,828	11.25%

Notes:

1. Upsky Global Limited is wholly and beneficially owned by Mr. Chen Jiajun.

2. Champion Ease Group Limited is interested as to 50% by each of Ms. Zhan Meiqing and Mr. Liu Guoliang.

3. Polaris Investment Management Limited is wholly and beneficially owned by Mr. Liu Gary Wei.

Save as disclosed above, as at 30 June 2019, 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.

CONTINUING CONNECTED TRANSACTIONS

On 24 January 2019, the Company entered into a licensing agreement (the "**Licence Agreement**") with Kingkey Enterprise Hong Kong Limited ("**Kingkey Enterprise**") (as Licensors) and UKF Management Limited (as Licensee), a wholly owned subsidiary of UKF (Holdings) Limited ("**UKF**"), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are primary listed on the Main Board of the Stock Exchange (Stock Code: 1468), where the Licensors agreed to lease certain areas of the office premises of 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong to Licensee for the period from 24 January 2019 to 15 May 2020 (both days inclusive), at a monthly rent HK$580,000 (exclusive of Government rates, management fee and air-conditioning charges). The annual cap of the said leasing for the Company for the year ending 31 December 2019 and 2020 is HK$6,600,000 and HK$2,700,000 respectively.

The terms of the Licence Agreement were negotiated on an arm's length basis and the rental chargeable under the Licence Agreement was determined after taking into account the prevailing market rental rates as advised by an independent surveyor engaged by the Company. The Directors (including the independent non-executive Directors) considered that the Licence Agreement was entered into in the ordinary and usual course of business of the Company, and its terms are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the shareholders of the Company as a whole.

As Kingkey Enterprise is wholly-owned by Mr. Chen Jiarong, the associate of a substantial shareholder of the Company, holding 21.28% interest of the Company and also a substantial shareholder of UKF, therefore Kingkey Enterprise and UKF are connected persons of the Company. Accordingly, the transaction contemplated thereby constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the then highest applicable percentage ratio calculated under the Listing Rules in respect of the proposed annual cap under the Licence Agreement was more than 5% but less than 25% and the proposed annual cap was 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 approval of the Company's shareholders requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Save as disclosed above, during the period ended 30 June 2019, the Group has not entered into any connected transactions or continuing connected transaction for the year which are required to disclose pursuant to Chapter 14A of the Listing Rules. Meanwhile, the Company has the necessary internal controls in place to ensure that the terms of all connected or continuing connected transactions, if any, are fair and reasonable and in the interest of the Company and shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, 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 2019.

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 2019.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group had 53 full-time employees (30 June 2018: 54). 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 Chiu Hung, Alex (Chairman), Mr. William Keith Jacobsen and Dr. Leung Ka Kit, 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 2019 and are in the opinion that they are complied with the applicable accounting standards and adequate disclosures have been made.

By Order of the Board
KK Culture Holdings Limited
Tsang Hing Bun
Executive Director

Hong Kong, 29 August 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 Chiu Hung, Alex, Mr. William Keith Jacobsen and Dr. Leung Ka Kit as independent non-executive Directors.