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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

AUDITED RESULTS

The board of directors (the “Board”) of KK Culture Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Turnover	3	20,051	53,193
Direct operating costs		(11,184)	(13,990)
Gross profit		8,867	39,203
Other income		6,462	9,011
Selling and distribution costs		(11,349)	(20,009)
Administrative expenses		(25,019)	(47,755)
Impairment on trade and other receivables and loan receivables, net of reversal		(124)	(1,060)
Finance costs		(1,262)	(1,116)
Loss before income tax from continuing operations	5	(22,425)	(21,726)
Income tax credit	6	66	271
Loss for the year from continuing operations		(22,359)	(21,455)
Discontinued operations			
Loss for the year from discontinued operations	7	–	(14,848)
Loss for the year		(22,359)	(36,303)

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

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income		<u>(13,887)</u>	<u>13,417</u>
Other comprehensive income for the year, net of tax		<u>(13,887)</u>	<u>13,417</u>
Total comprehensive income for the year		<u>(36,246)</u>	<u>(22,886)</u>
Loss for the year attributable to:			
<i>Equity shareholders of the Company</i>			
Loss for the year from continuing operations		(22,562)	(21,455)
Loss for the year from discontinued operations		<u>–</u>	<u>(12,322)</u>
Loss for the year attributable to equity shareholders of the Company		<u>(22,562)</u>	<u>(33,777)</u>
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		203	–
Loss for the year from discontinued operations		<u>–</u>	<u>(2,526)</u>
Profit/(loss) for the year attributable to non-controlling interests		<u>203</u>	<u>(2,526)</u>
		<u>(22,359)</u>	<u>(36,303)</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(36,449)	(20,360)
Non-controlling interests		<u>203</u>	<u>(2,526)</u>
		<u>(36,246)</u>	<u>(22,886)</u>
Basic and diluted loss per share	9		
– From continuing operations		(HK5.05 cents)	(HK4.80 cents)
– From discontinued operations		<u>–</u>	<u>(HK2.76 cents)</u>
– From continuing and discontinued operations		<u>(HK5.05 cents)</u>	<u>(HK7.56 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		248	3,441
Right-of-use assets		4,398	10,712
Equity instruments at fair value through other comprehensive income		36,228	50,115
		40,874	64,268
Current assets			
Inventories		20	–
Trade receivables	11	2,358	4,254
Other receivables, deposits and prepayments	12	11,096	13,142
Tax recoverable		610	813
Loan receivables		13,220	14,051
Cash and cash equivalents		92,553	100,177
		119,857	132,437
Current liabilities			
Contract liabilities		1,159	788
Trade and other payables	13	14,052	6,661
Amounts due to a director	14	1,093	1,093
Other borrowing		5,818	5,760
Current portion of lease liabilities		957	6,592
Provision for taxation		–	155
		23,079	21,049
Net current assets		96,778	111,388
Total assets less current liabilities		137,652	175,656
Non-current liabilities			
Non-current portion of lease liabilities		544	2,302
		544	2,302
Net assets		137,108	173,354
EQUITY			
Share capital	15	89,323	89,323
Reserves		47,582	84,031
Equity attributable to shareholder of the Company		136,905	173,354
Non-controlling interest		203	–
Total equity		137,108	173,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Investment revaluation reserve	Merger reserve	Contributed surplus	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2020	89,323	162,310	-	15,273	(43,897)	95,402	(145,057)	173,354	-
Loss for the year	-	-	-	-	-	-	(22,562)	(22,562)	203
Other comprehensive income									
Change in fair value on equity instruments at fair value through other comprehensive income	-	-	-	(13,887)	-	-	-	(13,887)	-
Total comprehensive income for the year	-	-	-	(13,887)	-	-	(22,562)	(36,449)	203
Balance at 31 December 2020	89,323	162,310	-	1,386	(43,897)	95,402	(167,619)	136,905	203

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Employee compensation reserve	Investment revaluation reserve	Merger reserve	Contributed surplus	Accumulated losses	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	89,323	162,310	1,991	1,856	(43,897)	95,402	(113,271)	193,714	(21,821)	171,893
Lapse of share options	–	–	(1,991)	–	–	–	1,991	–	–	–
Disposal of subsidiaries (Note 16)	–	–	–	–	–	–	–	–	24,347	24,347
Transactions with equity shareholders	–	–	(1,991)	–	–	–	1,991	–	24,347	24,347
Loss for the year	–	–	–	–	–	–	(33,777)	(33,777)	(2,526)	(36,303)
Other comprehensive income										
Change in fair value on equity instruments at fair value through other comprehensive income	–	–	–	13,417	–	–	–	13,417	–	13,417
Total comprehensive income for the year	–	–	–	13,417	–	–	(33,777)	(20,360)	(2,526)	(22,886)
Balance at 31 December 2019	89,323	162,310	–	15,273	(43,897)	95,402	(145,057)	173,354	–	173,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

KK Culture Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries are collectively referred to as the “Group” hereafter. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”).

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Group are provision of advertising services and sales of medical and health products. The Group was also engaged in property investment in 2019.

In 2019, the Group disposed of its entire interest in Fullmoon Global Limited and its subsidiaries (the “Disposal Group”), which was engaged in provision of advertising services in the People’s Republic of China (the “PRC”). The financial results of the Disposal Group are presented as discontinued operations, in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (“HKFRS 5”).

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 New or amended HKFRSs which are effective during the year

During the year, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

2.2 New or amended HKFRSs which are issued but not yet effective

At the date of this announcement, the following new or amended HKFRSs have been issued but are not yet effective, and have not been adopted early by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to HKAS 16	Property, plant and equipment proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	COVID-19 Related Rent Concessions ¹
HKFRS 17	Insurance Contracts and related amendments ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective date for annual period beginning on or after a date to be determined

The directors of the Company (“Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements.

3. TURNOVER

The principal activities of the Group are the provision of advertising services, sales of medical and health products and property investment.

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15:		
Advertising income – Recruitment	18,247	53,032
Sales of medical and health products	1,804	–
Revenue from other sources:		
Rental income	–	161
	20,051	53,193
Discontinued operations		
Revenue from contracts with customers within the scope of HKFRS 15:		
Advertising income – Train media	–	4,036
	20,051	57,229

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	Continuing operations								Discontinued operations			
	Advertising – Recruitment				Sales of medical and health products				Advertising – Train media			
	2020		2019		2020		2019		2020		2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical market												
Hong Kong	18,247	53,032	-	161	1,804	-	20,051	53,193	-	-	20,051	53,193
The PRC	-	-	-	-	-	-	-	-	-	4,036	-	4,036
	<u>18,247</u>	<u>53,032</u>	<u>-</u>	<u>161</u>	<u>1,804</u>	<u>-</u>	<u>20,051</u>	<u>53,193</u>	<u>-</u>	<u>4,036</u>	<u>20,051</u>	<u>57,229</u>
Major products and services lines												
Provision of advertising services												
– Recruitment	18,247	53,032	-	-	-	-	18,247	53,032	-	-	18,247	53,032
– Train media	-	-	-	-	-	-	-	-	-	4,036	-	4,036
	<u>18,247</u>	<u>53,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,247</u>	<u>53,032</u>	<u>-</u>	<u>4,036</u>	<u>18,247</u>	<u>57,068</u>
Property rentals	-	-	-	161	-	-	-	161	-	-	-	161
Sales of medical and health products	-	-	-	-	1,804	-	1,804	-	-	-	1,804	-
	<u>18,247</u>	<u>53,032</u>	<u>-</u>	<u>161</u>	<u>1,804</u>	<u>-</u>	<u>20,051</u>	<u>53,193</u>	<u>-</u>	<u>4,036</u>	<u>20,051</u>	<u>57,229</u>
Timing of revenue recognition												
At point in time	-	-	-	-	1,804	-	1,804	-	-	-	1,804	-
Transferred over time	18,247	53,032	-	161	-	-	18,247	53,193	-	4,036	18,247	57,229
	<u>18,247</u>	<u>53,032</u>	<u>-</u>	<u>161</u>	<u>1,804</u>	<u>-</u>	<u>20,051</u>	<u>53,193</u>	<u>-</u>	<u>4,036</u>	<u>20,051</u>	<u>57,229</u>

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2020 HK\$'000	2019 HK\$'000
Receivables	2,358	4,254
Contract liabilities	<u>1,159</u>	<u>788</u>

Contract liabilities mainly relate to the advance consideration received from customers. HK\$788,000 of the contract liabilities as of 31 December 2019 has been recognised as revenue for the year ended 31 December 2020 from performance obligations satisfied due to the completion of services.

The Group has applied the practical expedient to its sales contracts for advertising services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for advertising services that had an original expected duration of one year or less. No other consideration is included in these sales contracts.

4. SEGMENT INFORMATION

The executive directors have identified the Group has two reportable and operating segments in its continuing operations and one in its discontinued operations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Continuing operations						Discontinued operations			
	Advertising – Recruitment		Sales of medical and health products		Total		Advertising – Train media		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue – External sales	18,247	53,032	1,804	–	20,051	53,032	–	4,036	20,051	57,068
Reportable segment (loss)/profit	(15,263)	(3,839)	495	–	(14,768)	(3,839)	–	(14,848)	(14,768)	(18,687)
Amounts included in the measure of segment profit or loss or segment assets:										
Depreciation and amortisation	1,839	3,963	–	–	1,839	3,963	–	7,607	1,839	11,570
Impairment on trade and other receivables and loan receivables, net of reversal	105	(1)	–	–	105	(1)	–	–	105	(1)
Interest income	(407)	(409)	–	–	(407)	(409)	–	–	(407)	(409)
Reportable segment assets	17,278	26,470	472	–	17,750	26,470	–	–	17,750	26,470
Reportable segment liabilities	10,327	8,488	435	–	10,762	8,488	–	–	10,762	8,488

There is no inter-segment revenue earned by the segments in both years.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Reportable segments loss	(14,768)	(3,839)
Unallocated corporate income	5,908	8,576
Unallocated corporate expenses*	(12,303)	(25,655)
Finance costs	(1,262)	(808)
	<u>(22,425)</u>	<u>(21,726)</u>
Loss before income tax	<u>(22,425)</u>	<u>(21,726)</u>
Reportable segments' assets	17,750	26,470
Property, plant and equipment	214	3,398
Equity instruments at fair value through other comprehensive income	36,228	50,115
Right-of-use assets	3,587	5,328
Loan receivables	1,812	2,644
Deposits and prepayments	9,210	9,959
Cash and cash equivalents	91,929	98,674
Other corporate assets	1	117
	<u>160,731</u>	<u>196,705</u>
Group's assets	<u>160,731</u>	<u>196,705</u>
Reportable segments' liabilities	10,762	8,488
Amounts due to a director	1,093	1,093
Other borrowings	5,818	5,760
Lease liabilities	643	3,400
Other payables and accruals	5,302	4,413
Other corporate liabilities	5	197
	<u>23,623</u>	<u>23,351</u>
Group's liabilities	<u>23,623</u>	<u>23,351</u>

* Unallocated corporate expenses included staff costs and depreciation at corporate level and legal and professional fee incurred by the Group.

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

	Revenue from external customers (Continuing operations)		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (domicile)	<u>20,051</u>	<u>53,193</u>	<u>4,646</u>	<u>14,153</u>

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

Revenue from a major customer with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
Advertising – Customer A	<u>N/A</u>	<u>5,927</u>

No single customer contributed 10% or more of the Group's revenue in 2020.

5. LOSS BEFORE INCOME TAX

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	500	500
Depreciation of property, plant and equipment	485	2,949
Depreciation of investment properties	–	133
Depreciation of right-of-use assets	3,435	7,480
Employee benefit expense (including directors emoluments)	24,898	36,939
Exchange (gain)/loss, net	(45)	480
Gain on disposals of property, plant and equipment	(176)	–
Gain on disposals of investment properties	–	(1,398)
Impairment on trade and other receivables and loan receivables, net of reversal	124	1,060
Short-term lease expenses	–	59
Low-value assets leases expenses	6	20
Cost of inventories recognised in direct operating costs	1,309	–
Direct operating expenses arising from investment properties that generated rental income	<u>–</u>	<u>77</u>

Note: During the year, auditor's remuneration for other services amounted to HK\$70,000 (2019: HK\$100,000).

6. INCOME TAX CREDIT

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity would be taxed at 8.25%, and profits above HK\$2 million would be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime would continue to be taxed at a flat rate of 16.5%.

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Hong Kong profits tax:		
Current year	82	–
Over provision in prior years	(148)	(271)
	<u>(66)</u>	<u>(271)</u>

Reconciliation between income tax credit and accounting loss at applicable tax rates is as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before income tax from continuing operations	<u>(22,425)</u>	<u>(21,726)</u>
Notional tax calculated at the rates applicable to the losses in the tax jurisdictions concerned	(3,700)	(3,584)
Tax effect of non-taxable revenue	(191)	(314)
Tax effect of non-deductible expenses	41	2,293
Tax effect of tax losses not recognised	3,932	1,605
Over provision in prior years	(148)	(271)
Income tax credit	<u>(66)</u>	<u>(271)</u>

7. DISCONTINUED OPERATIONS

As noted in note 1, on 29 March 2019, the Group entered into a sale agreement to dispose of the entire interest in the Disposal Group, which was engaged in provision of advertising services. The disposal was completed on 6 June 2019, the date on which the control of the Disposal Group passed to the acquirer.

The operations of the Disposal Group represented the entire business segment of provision of advertising services in the PRC of the Group and therefore, they are presented as discontinued operations in 2019 group accounts in accordance with HKFRS 5.

An analysis of the results and cash flows of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows are as follows:

	2019 HK\$'000
Turnover	4,036
Direct operating costs	<u>—</u>
Gross profit	4,036
Administrative and other operating expenses	(9,394)
Finance costs	<u>(957)</u>
Loss before income tax from discontinued operations	(6,315)
Income tax expense	<u>—</u>
Loss after income tax from discontinued operations	(6,315)
Loss on disposal of subsidiaries (<i>Note 16</i>)	<u>(8,533)</u>
Loss for the year from discontinued operations	<u>(14,848)</u>

The net cash flows related to the Disposal Group are as follows:

	2019 HK\$'000
Net cash inflows from operating activities	13,800
Net cash outflows from investing activities	<u>(14,298)</u>
Net cash outflow	<u>(498)</u>

8. DIVIDENDS

The Directors do not recommend the payment of dividend for the years ended 31 December 2020 and 2019.

9. LOSS PER SHARE

(a) For continuing and discontinued operations

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

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to equity shareholders of the Company		
Continuing operations	(22,562)	(21,455)
Discontinued operations	—	(12,322)
	<u>(22,562)</u>	<u>(33,777)</u>
	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>446,614</u>	<u>446,614</u>

(b) For continuing operations

The calculation of basic loss per share from continuing operations was based on the loss attributable to equity shareholders of the Company from continuing operations of HK\$22,562,000 (2019: HK\$21,455,000) and the denominators used were the same as those detailed above for both basic and diluted loss per share.

(c) For discontinued operations

In 2019, the calculation of basic loss per share from discontinued operations was based on the loss attributable to equity shareholders of the Company from discontinued operations of HK\$12,322,000 and the denominators used were the same as those detailed above for both basic and diluted loss per share.

In 2020, diluted loss per share attributable to equity shareholders of the Company was the same as basic loss per share as the Company did not have any potential equity instruments throughout the year.

In 2019, diluted loss per share attributable to equity shareholders of the Company was the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

10. OTHER INTANGIBLE ASSETS

	Advertising agency license rights 2019 HK\$'000
At 1 January	
Gross carrying amount	194,899
Accumulated amortisation and impairment	(172,050)
Net carrying amount	<u>22,849</u>
Year ended 31 December	
Opening net carrying amount	22,849
Amortisation	(7,607)
Disposal of subsidiaries (<i>Note 16</i>)	(15,242)
Closing net carrying amount	<u>—</u>
At 31 December	
Gross carrying amount	—
Accumulated amortisation and impairment	—
Net carrying amount	<u>—</u>

11. TRADE RECEIVABLES

Ageing analysis of trade receivables, net of provision as at 31 December 2020, based on invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
0–30 days	2,269	3,941
31–60 days	85	242
61–90 days	4	37
91–120 days	—	18
121–150 days	—	12
Over 150 days	—	4
Total trade receivables	<u>2,358</u>	<u>4,254</u>

The Group allows a credit period from 7 to 120 days (2019: 7 to 120 days) to its customers.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Other receivables	3,934	1,273
Deposits	2,622	2,661
Prepayments	4,615	9,997
	<u>11,171</u>	<u>13,931</u>
Less: Provision for impairment	(75)	(789)
	<u>11,096</u>	<u>13,142</u>

Included in the carrying amount of other receivables and deposits as at 31 December 2020 is accumulated impairment losses of HK\$75,000 (2019: HK\$789,000).

13. TRADE AND OTHER PAYABLES

Trade payables are aged within 30 days based on invoice date, as of the end of reporting period (2019: nil).

Average credit period on purchase of goods was 30 days (2019: nil).

14. AMOUNTS DUE TO A DIRECTOR

The amounts are non-trade related, unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	2020		2019	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.20 each	<u>5,000,000</u>	<u>1,000,000</u>	<u>5,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.20 each				
At 1 January and 31 December	<u>446,614</u>	<u>89,323</u>	<u>446,614</u>	<u>89,323</u>

16. DISPOSAL OF MATERIAL SUBSIDIARIES

As noted in note 7, on 6 June 2019, the Group disposed its entire interests in the Disposal Group, which was engaged in provision of advertising services, to an independent third party at the consideration of HK\$34,750,000 that 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 first tranche consideration at fair value of approximately HK\$9,846,000 was received on 6 June 2019. The second and third tranche considerations are regarded as contingent consideration and will be receivable upon the conditions, as stated in the terms and conditions of the sales and disposal agreement, are met.

During the year, in light of the COVID-19 outbreak in the PRC, both the purchaser and the exclusive advertising contract holder are unable to ascertain with reasonable certainty the date of finalising the extension term of the exclusive advertising contract, it was mutually agreed between the Group and the purchaser that the terms of the consideration relating to the second tranche consideration shares issue date and the third tranche consideration shares issue date were revised to be paid (i) on or before 15 July 2022; and (ii) on or before 15 July 2023, respectively.

As at 31 December 2020 and 2019, the Directors have assessed the fair value of the second tranche consideration shares and the third tranche consideration shares based on (i) the updated information provided by the purchaser relating to the satisfaction and fulfilment of the settlement conditions; and (ii) the nature of terms and conditions of the considerations pursuant to the relevant agreement, it is concluded the second tranche consideration shares and the third tranche consideration shares shall be recognised as a financial asset in accordance with HKFRS 3 “Business Combinations”. Having considered that the shares of the purchaser has been suspended since 2 July 2019 and the likelihood of satisfying the relevant conditions by the purchaser is still remote, the fair value of such part of the considerations has been assessed and reduced to a minimal value which is not material to the consolidated financial statements, hence, no fair value of the financial assets was recognised as at 31 December 2020 and 2019.

Net liabilities at the date of disposal are as follows:

	<i>HK\$'000</i>
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)
Other borrowing	(8,800)
Shareholders' loan	(99,165)
	<u>(105,133)</u>
Non-controlling interest	24,347
Assignment of shareholders' loan	99,165
Loss on disposal of subsidiaries	(8,533)
	<u>(8,533)</u>
Total consideration	<u>9,846</u>
Total consideration consists of:	
Issuance of shares	<u>9,846</u>
Net cash outflow arising on disposal:	
Bank and cash balance disposed of	<u>(107)</u>

17. RELATED PARTY TRANSACTIONS

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. Save as disclosed elsewhere in the result announcement, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

(a) Related party transactions

Nature of transactions

	Notes	2020 HK\$'000	2019 HK\$'000
Professional fees	(i)	1,200	528
Leasing income	(ii)	(2,610)	(6,520)
Disposals of property, plant and equipment	(iii)	(2,910)	–

Notes:

- (i) During the years ended 31 December 2020 and 2019, professional fees were paid to a related company, in which Mr. Tsang Hing Bun, a director of the Company, is a director and has control over this company, for providing company secretary services. The service charges were determined at the market rate at the date when the service was provided.
- (ii) 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 (currently known as “Kingkey Management Limited”) (“KKM”) (as Licensee), a wholly owned subsidiary of UKF (Holdings) Limited (currently known as “Kingkey Financial International (Holdings) Limited”) (“KKFI”), 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, at a monthly rent of HK\$580,000. As Kingkey Enterprise is wholly-owned by Mr. Chen Jiajun, a substantial shareholder of the Company, holding 21.28% interest of the Company and also a substantial shareholder of KKFI, therefore Kingkey Enterprise and KKFI are related parties of the Company. Leasing income was charged at the market rate at the date when the Licence Agreement was entered.
- (iii) During the year ended 31 December 2020, the Company disposed certain property, plant and equipment to KKM, a wholly owned subsidiary of KKFI with a consideration of HK\$2,910,000. The consideration was determined by an arms-length negotiation with reference to the net book value of the property, plant and equipment on the contract date.

(b) Amount due from/(to) a related party

At the end of the reporting period, the Group had the following balance with a related party:

	2020 HK\$'000	2019 HK\$'000
Included in other receivables:		
Kingkey Management Limited (<i>Note</i>)	2,910	–
Included in other payables:		
Kingkey Enterprise Hong Kong Limited (<i>Note</i>)	(2,014)	(1,428)

Note: Amount due from/(to) a related party is unsecured, interest free and expected to be recovered within one year.

(c) Compensation of key management personnel

The key management personnel of the Group are the Directors. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Recruit Magazine

Turnover for the recruitment advertising business recorded a 65.7% decrease from approximately HK\$53.0 million in 2019 to approximately HK\$18.2 million in 2020. The decrease was mainly attributed to the contraction of labour market as a result of economic downturn and the outbreak of COVID-19 in Hong Kong.

Medical and health services

Turnover for the medical and health services recorded approximately HK\$1.8 million since start off in July 2020. The turnover was derived from providing of COVID-19 testing and the respective complementary services.

Principal risk and uncertainties

In general, the Company's businesses are subject to the following factors: (i) the overall macroeconomic condition in PRC; (ii) economic and employment condition in Hong Kong; and (iii) the situation of the COVID-19 epidemic.

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

PROSPECTS

The outbreak of COVID-19 and its consequences have posted negative impact to the Recruit magazine business as the pandemic has led to a spike of unemployment rate as a result of employers stopped recruiting or even downsizing the headcounts of their companies, leading to a drop in advertising revenue of the magazine. As the COVID-19 vaccines being introduced and administered and the confirmed cases steadily decreasing, it is believed that Hong Kong's commercial activities will be resuming and its economy will recover or even rebound. As demand for goods and services comes back with spending stimulated, companies will start to increase headcounts and the Recruit magazine business will go back to the uptrend.

Having considered that the Recruit magazine and its website is still a core strength of the Group that has commandeered over 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.

The fundamental business strategy of the Group is to make it well positioned through high quality content and services in order to capture the advertiser's confidence. Besides, the Company will continue to explore and grasp opportunities for business development. Therefore, we consider that, once identified, the addition of a potential new sector 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

Turnover for the year ended 31 December 2020 was approximately HK\$20.0 million (2019: HK\$57.2 million) and represented a decrease of 65.0% from the corresponding year which was mainly due to the outbreak of COVID-19 pandemic and lead to conservative labour market and disposal of Train Media business which contributed approximately HK\$4.0 million revenue in 2019. The gross profit margin decreased from 75.6% in 2019 to 44.2% in 2020 as a result of the change in sales mix.

Other income decreased by 27.8% to approximately HK\$6.5 million (2019: HK\$9.0 million) in 2020 due to expiry of the licence agreement with Kingkey Management Limited in May 2020 and the respective licensing income ceased since then.

The administrative and other operating expenses decreased by 56.2% to approximately HK\$25.0 million (2019: HK\$57.1 million) mainly due to (i) decrease in staff cost of approximately HK\$8.0 million as a result of reducing redundant headcount; (ii) decrease in depreciation on right-of-use assets of approximately HK\$5.5 million as a result of decrease in leasing area after the renewal of the lease arrangement of the office; and (iii) decrease in legal and professional fee of HK\$3.0 million.

As at 31 December 2020, certain receivables from several customers have been aged over the credit period granted by the Company. As a result, they were considered not probable to be collected and an impairment loss of approximately HK\$0.1 million (2019: HK\$1.1 million) has been recognised. No impairment on other assets was made for the year ended 31 December 2020 (2019: nil).

FINANCIAL KEY PERFORMANCE

The above financial data were chosen to present in this annual results announcement as they represent a material financial impact on the financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net current assets of approximately HK\$96.8 million (2019: HK\$111.4 million). The Group's current ratio as at 31 December 2020, which is defined as current assets over current liabilities, was 5.2 (2019: 6.3). As at 31 December 2020, the Group had a total cash and bank balance of approximately HK\$92.6 million (2019: HK\$100.2 million).

The Group's gearing ratio as at 31 December 2020 was 0.04 (2019: 0.03), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. Total other borrowing as at 31 December 2020 was approximately HK\$5.8 million (2019: HK\$5.8 million). There was no bank loan as at 31 December 2020 (2019: nil).

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

CAPITAL STRUCTURE

As at 31 December 2020, the total issued shares of the Company ("Shares") was 446,614,000 (2019: 446,614,000 Shares) at HK\$0.2 each.

Share Options

For the year ended 31 December 2020, there were no outstanding share options and no share options were granted, lapsed, exercised or cancelled.

Subsequently on 22 January 2021, a total of 22,300,000 share options (the "Share Options") to subscribe for a maximum of 22,300,000 ordinary shares of par value HK\$0.2 each of the Company (the "Shares"), representing approximately 4.99% of the issued share capital of the Company, were granted by the Company under its share option scheme approved and adopted by the Company pursuant to an ordinary resolution passed by the shareholders of the Company on 29 December 2015 (the "Scheme") to certain of its eligible persons (as defined in the rules of the Scheme) (the "Grantees"), subject to the acceptance of the Grantees.

Fund Raising Activity

On 31 July 2018, the Company entered into a placing agreement with BaoQiao Partners Capital Limited (“BaoQiao”, the “Placing Agent”) pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best-effort basis, a maximum of 74,000,000 Shares under the general mandate granted by the shareholders of the Company at the annual general meeting held on 8 June 2018 to placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons as defined in the Listing Rules at a price of HK\$1.40 per share. The gross and net proceeds raised from the placing of a total of 74,000,000 Shares were approximately HK\$103.6 million and HK\$103.0 million respectively where the intended use of proceeds was for general working capital and future business and investment opportunities. Set out below is the table summarising (i) the net proceeds from the Placing; (ii) the intended use of proceeds from the Placing; (iii) the actual use of proceeds from the Placing as at 31 December 2020; and (iv) the remaining net proceeds from the Placing as at 31 December 2020.

No.	Net proceeds from the Placing	Intended use of proceeds from the Placing	Actual use of proceeds from the Placing as at 31 December 2020	Remaining net proceeds from the Placing as at 31 December 2020
(i)	Approximately HK\$10 million	For general working capital in the daily operation of the Group	Fully utilised by the Company for general working capital in the daily operation of the Group	Not applicable
(ii)	Approximately HK\$93 million	For any potential investment opportunities as identified by the Group	Not yet utilized by the Group	Approximately HK\$93 million and is expected to be utilized by the end of 2021

**Total Approximately
HK\$103 million**

As at 31 December 2020, the Group has not identified any suitable investment in line with the business strategies of the Group and it will continue to identify any further potential investment opportunities. Detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

In all, the Board would like to announce that there is no material change in the intended use of proceeds from the Placing as at 31 December 2020.

Save as disclosed above, there was no fund raising activity taken place during the financial year 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (2019: nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (2019: nil).

EVENT AFTER REPORTING PERIOD

Save as disclosed, there is no significant event subsequent to the end of reporting period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed, the Group did not have any other material acquisition or disposal of subsidiaries during the year.

INVESTMENTS IN SECURITIES

As at 31 December 2020, the Company has invested in two securities. The details of, the breakdown and the movement of which during the year is summarised below:

Principal business	No. of share	% of shareholding	At	Addition	Disposal	Fair value	31 December	% to the	% to the	
			1 January			changed		Group's total	Group's net	
			2020			during		assets as at	assets as at	
			2020	the year		2020	2020	2020	2020	
			HK\$	HK\$	HK\$	HK\$	HK\$			
Listed equity securities – Hong Kong										
Kingkey Financial International (Holdings) Limited (HK: 1468) ^{# (Note 1)}	(i) securities brokerage; (ii) wealth management; and (iii) other financial services, mink farming and trading of mink's fur skin.	115,740,000	2.39%	44,559,900	–	–	(13,310,100)	31,249,800	19.4%	22.8%
China Baoli Technology (Holdings) Limited (HK: 0164) [#]	(i) mobile and multi-media technologies; (ii) gamma ray radiation services; (iii) tourism and hospitality business; and (iv) train media.	57,916,665	1.56%	5,555,646	–	–	(577,646)	4,978,000	3.1%	3.6%
Total				50,115,546	–	–	(13,887,746)	36,227,800	22.5%	26.4%

[#] Included in equity instruments at fair value through other comprehensive income

Note 1: The above listed securities was a significant investment held by the Company as at 31 December 2020. The aggregate cost of investment was approximately HK\$24,996,000. No dividend was received from the investment during the year.

The Company believes that, to allocate certain capital to securities investment is a means of diversifying the Group's risk while a higher return in general can be improved which can in turn enhance the Company's value and is beneficial to the shareholders as a whole. These securities investments are categorised as equity instrument at fair value through other comprehensive income accordingly to Hong Kong Financial Reporting Standards and the Company consider to sell some or all of these investments when i) there is a working capital need; ii) shortfall of fund to repay the due debts; or iii) a profitable return is achieved.

Save as disclosed above, no significant securities investments were made and no dividend was received from the above securities during the year ended 31 December 2020.

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 Shengyu") 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. The disposal was completed on 6 June 2019 and the Company received the First Tranche Consideration Shares.

On 14 August 2020, the Company and the Purchaser entered into a supplemental agreement (the “Supplemental Agreement”) to the Agreement, pursuant to which the parties to the Supplemental Agreement agreed to amend certain terms of the Agreement.

(I) AMENDMENT TO THE DEFINITIONS OF “SECOND TRANCHE CONSIDERATION SHARES ISSUE DATE” AND “THIRD TRANCHE CONSIDERATION SHARES ISSUE DATE”

Pursuant to the definitions of the Agreement, the Second Tranche Consideration Shares Issue Date shall have the meaning of “the first anniversary date of the Completion Date or 5th Business Day after the date on which the Second Tranche Consideration Shares Conditions are fulfilled (whichever occurs the earlier) or such other date as may be agreed by the Purchaser and the Company in writing” and the Third Tranche Consideration Shares Issue Date shall have the meaning of “the second anniversary date of the Completion Date or 5th Business Day after the date on which the Third Tranche Consideration Shares Conditions are fulfilled (whichever occurs the earlier) or such other date as may be agreed by the Purchase and the Company in writing”. Pursuant to the terms and conditions of the Supplemental Agreement, the above definitions have been amended to “5th Business Day after the date on which the Second Tranche

Consideration Shares Conditions are fulfilled or such other date as may be agreed by the Purchaser and the Company in writing” and “5th Business Day after the date on which the Third Tranche Consideration Shares Conditions are fulfilled or such other date as may be agreed by the Purchaser and the Company in writing” respectively.

(II) AMENDMENT TO THE TERMS OF THE CONSIDERATION RELATING TO THE SECOND TRANCHE CONSIDERATION SHARES

Pursuant to the terms and conditions of the Agreement, the Second Tranche Consideration Shares shall be paid by the Purchaser to the Company or its designated nominee(s) upon the Second Tranche Consideration Shares Issue Date (i.e. (i) the first anniversary date of the Completion Date or the 5th Business Day after the satisfaction of the Second Tranche Consideration Shares Conditions (whichever is earlier); or (ii) such other date as may be agreed by the Company and the Purchaser in writing), subject to Hong Kong Made and Guangzhou Shengyu 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. Pursuant to the terms and conditions of the Supplemental Agreement, the above term has been amended to “the Second Tranche Consideration Shares shall be paid by the Purchaser to the Company or its designated nominee(s) on or before 15 July 2022, subject to Hong Kong Made and Guangzhou Shengyu 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.

(III) AMENDMENT TO THE TERMS OF THE CONSIDERATION RELATING TO THE THIRD TRANCHE CONSIDERATION SHARES

Pursuant to the terms and conditions of the Agreement, the Third Tranche Consideration Shares shall be paid by the Purchaser to the Company or its designated nominee(s) upon the Third Tranche Consideration Shares Issue Date (i.e. (i) the second anniversary date of the Completion Date or the 5th Business Day after the satisfaction of the Third Tranche Consideration Shares Conditions (whichever is earlier); or (ii) such other date as may be agreed by the Company and the Purchaser in writing), subject to the satisfaction of the Third Tranche Consideration Shares Conditions” Pursuant to the terms and conditions of the Supplemental Agreement, the above term has been amended to “the Third Tranche Consideration Shares shall be paid by the Purchaser to the Company or its designated nominee(s) on or before 15 July 2023, subject to the satisfaction of the Third Tranche Consideration Share Conditions.

In light of the COVID-19 outbreak in the PRC, both Hong Kong Made and Guangzhou Shengyu are unable to ascertain with certainty the date of finalizing the extension term of the Hong Kong Made Contract, it was mutually agreed between the Company and the Purchaser that the terms of the Consideration relating to the Second Tranche Consideration Shares Issue Date and the Third Tranche Consideration Shares Issue Date were revised to be paid on (i) on or before 15 July 2022; and (ii) on or before 15 July 2023, respectively. Having considered that the aforesaid extension offers the Company an opportunity to strive for the Second Tranche Consideration Shares and the Third Tranche Consideration Shares, subject to the satisfaction of the Second Tranche Consideration Shares Conditions and the Third Tranche Consideration Shares Conditions, the Directors are of the view that such extension does not constitute a material variation of the terms of the Consideration and the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders.

CHARGES ON GROUP ASSETS

The Group has no charges on group assets at the end of the reporting period (2019: nil).

MISCELLANEOUS

Save as disclosed, during the financial year ended 31 December 2020, there were no transactions, arrangements or contracts of significance entered into by the Group in which any Director or an entity connected with any Director are or were materially interested, either directly or indirectly.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group had 22 employees (2019: 50). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees' benefits include provident fund, insurance and medical cover.

DIVIDENDS

The Directors did not recommend any final dividend for the year ended 31 December 2020 (2019: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, the Company did not purchase, redeem or sell any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the Code for the year, except for the following deviation:

Chairman and the Chief Executive Officer

Currently, the positions of Chairman and Chief Executive Officer have been vacant but the Executive Director performs similar function as Chief Executive Officer. Besides, the Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation by management. The Board monitors the Group’s operating and financial performance and ensures that effective governance and corporate social responsibility and policies and sound internal control and risk management systems are in place. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are comparable to those in the Code Provision.

AUDIT COMMITTEE

The audit committee has four members comprising three independent non-executive directors, namely, Mr. Chan Chiu Hung, Alex (Chairman), Dr. Leung Ka Kit, Mr. William Keith Jacobsen and one non-executive director, namely, Mr. Yiu Yu Cheung with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF AUDITOR

The figures in respect of this announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020.

The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the results announcement.

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

Hong Kong, 30 March 2021

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