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KK CULTURE HOLDINGS LIMITED

KK 文化控股有限公司

(Continued in Bermuda with limited liability)

(Stock code: 550)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTERESTS OF A SUBSIDIARY

THE DISPOSAL

The Board wishes to announce that on 9 July 2018, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, at a cash consideration of HK\$80 million. The Vendor shall waive the Loan due from the Target Company to the Vendor upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date 9 July 2018

Parties Vendor: Fullmoon Global Limited, a wholly-owned subsidiary of the Company

Purchaser: Sonic Pace Global Limited

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser is a third party independent of the Company and connected persons of the Company.

Assets to be disposed of

The Vendor agreed to sell, and the Purchaser agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company. The Vendor shall waive the Loan due from the Target Company to the Vendor upon Completion. As at 31 May 2018, the Loan amounted to approximately HK\$93.9 million.

Consideration and Payment Term

The Consideration for the Disposal is HK\$80 million, which shall be paid by the Purchaser in cash in the following manner:

- (a) a deposit in the sum of approximately HK\$36.3 million (equivalent to RMB30 million) (the “**Initial Deposit**”) had been paid by the Purchaser to the Vendor prior to the signing of the Sale and Purchase Agreement;
- (b) a further deposit in the sum of HK\$24 million (the “**Further Deposit**” together with the Initial Deposit collectively referred to as the “**Deposits**”) shall be paid by the Purchaser to the Vendor within three business days after the signing of the Sale and Purchase Agreement. If Completion occurs in accordance with the Sale and Purchase Agreement, the Deposits shall be regarded as part payment of the Consideration; and
- (c) the remaining balance of the Consideration in the sum of approximately HK\$19.7 million shall be paid by the Purchaser to the Vendor upon Completion.

The Consideration was determined with reference to the unaudited net liabilities of the Target Company of approximately HK\$24.8 million (before the waiver of the Loan due from the Target Company to the Vendor of approximately HK\$93.9 million) as at 31 May 2018 based on the unaudited management account of the Target Company.

Conditions precedent

Completion for the Disposal shall be conditional upon:

- (a) all necessary authorisations, consents and approval from and filing and registration with the Stock Exchange and other applicable government institutions, regulatory authorities and third parties in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (b) where applicable, passing by the shareholders of the Company (other than those prohibited from voting under the Listing Rules, if applicable) resolutions at the general meeting of the Company approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) there being no applicable law, rule, regulation, order, injunction, decree or judgment of any court or other governmental authorities which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated under the Sale and Purchase Agreement;
- (d) all the representations, undertakings and warranties given by the Purchaser under the Sale and Purchase Agreement are and shall remain true, accurate, correct in all material respects up to the Completion Date; and
- (e) all the representations, undertakings and warranties given by the Vendor under the Sale and Purchase Agreement are and shall remain true, accurate, correct in all material respects up to the Completion Date.

Neither party shall be entitled to waive any of the conditions (a) to (c) above. The Vendor and the Purchaser may, each at its absolute discretion, waive condition (d) and condition (e) respectively at any time by notice in writing to the other party and such waiver may be made subject to such terms and conditions as are agreed by both parties.

The parties shall each use their respective best endeavors to fulfill, procure the fulfillment or continue fulfillment of the conditions on the Completion Date (to the extent such party is responsible for such fulfillment) prior to the Long Stop Date.

If any of the conditions above is not reasonably expected to be fulfilled or waived prior to the Long Stop Date, neither party shall be obliged to proceed with the Disposal. In such circumstances, the Vendor shall return the Deposits to the Purchaser forthwith. Upon full repayment of the Deposits, the provisions of the Sale and Purchase Agreement shall have no effect and the parties shall be released from any further obligations without any liability save for any claims arising out of any antecedent breach of the Sale and Purchase Agreement.

As at the date of this announcement, none of the above conditions had been fulfilled.

Completion

Subject to the fulfillment of the conditions above, Completion shall take place on the Completion Date. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION OF THE GROUP AND THE TARGET COMPANY

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

The Target Company is a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement. The Target Company has been granted the exclusive right to operate the digital advertising media leased by Guangzhou Shengyu Golden Line Advertising Company Limited* (“**Guangzhou Shengyu**”).

** for identification purpose only*

Financial information of the Target Company

Set out below is the unaudited financial information of the Target Company from 28 March 2017 (the date of incorporation) to 31 December 2017 and for the five months ended 31 May 2018.

	From 28 March 2017 (date of incorporation) to 31 December 2017 HK\$ '000	For the five months ended 31 May 2018 HK\$ '000
Revenue	—	—
Loss before and after tax	12,621	12,158

The unaudited total assets value and the net liabilities of the Target Company as at 31 May 2018 were approximately HK\$69.1 million and HK\$24.8 million respectively.

INFORMATION OF THE PURCHASER

The Purchaser is a limited company incorporated in the British Virgin Islands. To the best of knowledge, information and belief of the Directors, the ultimate owner of the Purchaser is principally engaged in the provision of media and advertising agency services in the PRC.

FINANCIAL IMPACT OF THE DISPOSAL

It is expected that the Group will record a gain of approximately HK\$10.9 million from the Disposal, which is calculated with reference to (i) the Consideration of HK\$80 million; (ii) the unaudited net liabilities of the Target Company as at 31 May 2018 of approximately HK\$24.8 million; and (iii) the Loan due from the Target Company to the Vendor of approximately HK\$93.9 million as at 31 May 2018. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to review and final audit by the auditors of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Reference is made to the announcement of the Company dated 1 August 2017 in relation to the Wi-Fi advertising media lease agreement (the “**Wi-Fi Media Lease Agreement**”) entered into by the Target Company and Guangzhou Shengyu. Pursuant to the Wi-Fi Media Lease Agreement, Guangzhou Shengyu has leased the Wi-Fi network system, its installation, facilities, Wi-Fi network coverage and its digital advertising media to the Target Company, and granted an exclusive right to the Target Company for the operation of the digital advertising media (the “**Wi-Fi Media Advertising Business**”). The total license rights fee payable under the Wi-Fi Media Lease Agreement was RMB80 million (equivalent to approximately HK\$91.4 million).

The Group was granted the exclusive rights for placement of advertisement on the interior and the body of certain trains operated by the Guangzhou Railway Group since 2016 (the “**Train Advertising Business**”), which has then developed management expertise and loyal customer base in such area. The Group believed that the Wi-Fi Media Advertising Business might integrate with the existing Train Advertising Business and therefore entered into the Wi-Fi Media Lease Agreement. The Group approached its customers to develop the Wi-Fi Media Advertising Business. However, the Group then realised Wi-Fi operation is difficult to integrate with the Train Advertising Business and after repeated efforts, no favourable response was received by the Group from its customers.

Taking into account (i) that the Purchaser has expressed interest in taking over the Wi-Fi Media Advertising Business under the Wi-Fi Media Lease Agreement of the Target Company; (ii) the loss making position of the Target Company since the date of its incorporation due to the amortization of the license rights fee payable under the Wi-Fi Media Lease Agreement; and (iii) the estimated gain of approximately HK\$10.9 million that may be recorded by the Group from the Disposal, the Directors consider the Disposal represents an opportunity for the Group to dispose its loss-making businesses and realise its investment in the Target Company. It is intended that the net proceeds from the Disposal will be applied for the repayment of outstanding balance due from the Company to its shareholder and the general working capital of the Group.

After taking into account the above factors, the Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	23 July 2018 or such other date as the Purchaser and the Vendor may mutually agree in writing
“Company”	KK Culture Holdings Limited, a company continued in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$80 million for the Disposal
“Director(s)”	the director(s) of the Company

“Disposal”	the Disposal of the Sale Share by the Vendor pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the inter-company balance due from the Target Company to the Vendor at the Completion Date
“Long Stop Date”	30 September 2018 or such later date mutually agreed by the Purchaser and the Vendor
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Sonic Pace Global Limited, a company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement entered into between the Purchaser and the Vendor on 9 July 2018 in relation to the Disposal
“Sale Share”	1 share of the Target Company, being the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Star Prestige Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor”	Fullmoon Global Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 9 July 2018

As at the date of this announcement, the Board comprises Mr. Liu Gary Wei (Chief Executive Officer) and Mr. Tsang Hing Bun as executive Directors; Mr. Chen Jiarong (Chairman) and Mr. Yiu Yu Cheung as non-executive Directors; and Mr. Chan Siu Lun, Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex as independent non-executive Directors.