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

(continued in Bermuda with limited liability)

(Stock code: 550)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Turnover	3	**73,064**	98,534
Direct operating costs		**(23,266)**	(17,350)
Gross profit		**49,798**	81,184
Other income		**18,926**	6,336
Selling and distribution costs		**(22,386)**	(17,224)
Administrative and other operating expenses		**(104,421)**	(143,559)
Expected credit losses on trade and other receivables and loan receivables, net of reversal		**(3,662)**	(4,718)
Gain/(Loss) on disposals of a subsidiary		**15,159**	(1,331)
Impairment of goodwill		**(3,211)**	–
Impairment of other intangible assets	9	**(20,012)**	–
Finance costs		**(4,355)**	(2,213)
Loss before income tax	5	**(74,164)**	(81,525)
Income tax (expense)/credit	6	**(1,193)**	6,051
Loss for the year		**(75,357)**	(75,474)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity investments at fair value through other comprehensive income		**(3,578)**	–
Items that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon disposal of a subsidiary		**–**	940
Fair value gain on available-for-sale financial assets		**–**	978
Other comprehensive income for the year, net of tax		**(3,578)**	1,918
Total comprehensive income for the year		**(78,935)**	(73,556)
Loss for the year attributable to:			
Equity shareholders of the Company		**(55,952)**	(57,834)
Non-controlling interests		**(19,405)**	(17,640)
		(75,357)	(75,474)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Continued)

	Notes	2018 HK$'000	2017 HK$'000
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(59,530)**	(55,916)
Non-controlling interests		**(19,405)**	(17,640)
		(78,935)	(73,556)
Loss per share	*8*		
Basic and diluted		**(HK14.05 cents)**	(HK15.62 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,387**	1,514
Investment properties		**9,631**	27,066
Goodwill		**–**	3,211
Other intangible assets	9	**22,849**	157,913
Available-for-sale financial assets		**–**	17,369
Equity instruments at fair value through other comprehensive income		**26,852**	–
Loan receivables		**11,407**	4,000
Deposit for acquisition of property, plant and equipment		**–**	3,988
		77,126	215,061
Current assets			
Trade receivables	10	**11,900**	26,520
Other receivables and deposits	11	**43,665**	26,141
Tax recoverable		**813**	32
Loan receivables		**3,880**	–
Cash and cash equivalents		**109,500**	28,472
		169,758	81,165
Non-current assets classified as held for sale		**–**	28,588
		169,758	109,753
Current liabilities			
Contract liabilities		**612**	–
Other payables and accruals		**5,578**	12,413
Amounts due to non-controlling interests of a subsidiary	12	**22,884**	6,750
Amount due to a director	12	**3,593**	–
Bank borrowings, secured		**–**	5,896
Current portion of license right fees payables		**28,180**	66,935
Provision for taxation		**426**	1,519
		61,273	93,513
Net current assets		**108,485**	16,240
Total assets less current liabilities		**185,611**	231,301

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 (Continued)

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Non-current portion of license right fees payables		**13,718**	41,706
Loans from a shareholder		**–**	40,312
		13,718	82,018
Net assets		**171,893**	149,283
EQUITY			
Share capital	*13*	**89,323**	74,523
Reserves		**104,391**	76,660
Equity attributable to equity shareholders of the Company		**193,714**	151,183
Non-controlling interests		**(21,821)**	(1,900)
Total equity		**171,893**	149,283

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Investment revaluation reserve	Exchange reserve	Merger reserve	Contributed surplus	Retained earnings/ (accumulated losses)	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	74,007	67,697	3,807	5,756	(940)	(43,897)	95,402	134	201,966	15,740	217,706
Exercise of share option	516	6,433	(1,816)	–	–	–	–	–	5,133	–	5,133
Transactions with equity shareholders	516	6,433	(1,816)	–	–	–	–	–	5,133	–	5,133
Loss for the year	–	–	–	–	–	–	–	(57,834)	(57,834)	(17,640)	(75,474)
Other comprehensive income											
Release of exchange reserve upon disposal of a subsidiary	–	–	–	–	940	–	–	–	940	–	940
Fair value gain on available-for-sale financial assets	–	–	–	978	–	–	–	–	978	–	978
Total comprehensive income for the year	–	–	–	978	940	–	–	(57,834)	(55,916)	(17,640)	(73,556)
Balance at 31 December 2017	74,523	74,130	1,991	6,734	–	(43,897)	95,402	(57,700)	151,183	(1,900)	149,283
Balance at 1 January 2018 as originally presented	74,523	74,130	1,991	6,734	–	(43,897)	95,402	(57,700)	151,183	(1,900)	149,283
Initial adoption on HKFRS 9 (Note 2)	–	–	–	–	–	–	–	(919)	(919)	(516)	(1,435)
Restated balance at 1 January 2018	74,523	74,130	1,991	6,734	–	(43,897)	95,402	(58,619)	150,264	(2,416)	147,848
Issue of shares upon placing (Note 13)	14,800	88,800	–	–	–	–	–	–	103,600	–	103,600
Share issue expenses	–	(620)	–	–	–	–	–	–	(620)	–	(620)
Transactions with equity shareholders	14,800	88,180	–	–	–	–	–	–	102,980	–	102,980
Loss for the year	–	–	–	–	–	–	–	(55,952)	(55,952)	(19,405)	(75,357)
Other comprehensive income											
Change in fair value gain on equity instruments at fair value through other comprehensive income	–	–	–	(3,578)	–	–	–	–	(3,578)	–	(3,578)
	–	–	–	(3,578)	–	–	–	–	(3,578)	–	(3,578)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	–	(1,300)	–	–	–	1,300	–	–	–
Balance at 31 December 2018	89,323	162,310	1,991	1,856	–	(43,897)	95,402	(113,271)	193,714	(21,821)	171,893

Merger reserve of the Group arose as a result of the Group's reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited. Contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

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'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 Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements for the year ended 31 December 2018 were approved for issue by the board of directors of the Company (the "Directors") on 26 March 2019.

2. ADOPTION OF NEW OR AMENDED KONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certificate Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

A. Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

B. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses and non-controlling interests as of 1 January 2018 as follows:

	HK$'000
Accumulated losses	
Accumulated losses as at 31 December 2017	57,700
Increase in expect credit loss ("ECLs") in trade receivables (Note 2.1B(ii)(I) below)	358
Increase in ECLs in loan receivables (Note 2.1B(ii)(II) below)	120
Increase in ECLs in other receivables (Note 2.1B(ii)(III) below)	441
Restated accumulated losses as at 1 January 2018	58,619
Non-controlling interests	
Non-controlling interests as at 31 December 2017	1,900
Increase in ECLs in trade receivables (Note 2.1B(ii)(I) below)	225
Increase in ECLs in other receivables (Note 2.1B(ii)(III) below)	291
Restated non-controlling interests as at 1 January 2018	2,416

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

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

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

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

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HK$'000*
Listed equity investments	Available-for-sale (at fair value) (Note 2.1B(i)(a))	FVOCI	45,957	45,957
Loan receivables	Loans and receivables	Amortised cost	4,000	3,880
Trade receivables	Loans and receivables	Amortised cost	26,520	25,937
Other receivables	Loans and receivables	Amortised cost	18,178	17,446
Cash and cash equivalents	Loans and receivables	Amortised cost	28,472	28,472

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

Presentation of ECLs

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

Impact of ECL model

(I) Impairment of trade receivables

As mentioned above, the Group applies HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the invoice date. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	**0 – 30 days**	**31 – 90 days**	**91 – 150 days**	**More than 150 days**	**Debtor A**	**Total**
ECL rate (%)	3.43%	11.98%	38.51%	Not applicable	0.83%	
Gross carrying amount (HK$'000)	7,738	910	161	–	17,711	26,520
Loss allowance (HK$'000)	265	109	62	–	147	583

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$583,000. Loss allowances further increased by HK$3,013,000 for trade receivables during the year ended 31 December 2018.

(II) Impairment of loan receivables

All of the Group's loan receivables at amortised costs are considered to have low credit risk, and loss allowance recognised during the period was therefore limited to 12 months ECLs.

The increase in loss allowance for loan receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$120,000. These further increased by HK$233,000 during the year ended 31 December 2018.

(III) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECL model result in the recognition of ECL of HK$732,000 on 1 January 2018 and a further ECL of HK$416,000 was required for the year ended 31 December 2018.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	HK$'000	*HK$'000*
Allowance as at 1 January 2018 under HKAS 39	4,718	
Impairment recognised for trade receivables in respect of ECLs	583	
Impairment recognised for loan receivables in respect of ECLs	732	
Impairment recognised for other receivables in respect of ECLs	120	1,435
Allowance as at 1 January 2018 under HKFRS 9		6,153

(iii) Transition

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

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

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

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

C. HKFRS 15 – Revenue from Contracts with Customers

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

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

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

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below

Note	Service	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Provision of advertising services	The Group has determined that the customers simultaneously receives and consumes the benefits of the Group's performance and thus the Group concludes that the services should be recognised overtime. Revenue is recognised over time as those services are provided. Invoices for provision of advertising services are issued according to contractual terms and are usually payable within 7 to 120 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has made reclassification from trade, bills and other payables to contract liabilities since under HKFRS 15, if there is any obligation to transfer goods to a customer for which the entity has received consideration from a customer, an entity should recognise a contract liability.

As of 1 January 2018, an increase in contract liabilities HK$2,212,000 and a decrease in other payables and accruals of the same amount were recognised.

D. Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

E. Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

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

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company 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 of the Company are currently assessing the impact of the new and 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. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 16 – Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group's total future minimum lease payments under the non-cancellable operating lease amounted to HK$17,330,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. TURNOVER

The principal activities of the Group are the provision of advertising services and property investment. Further details regarding the group's principal activities are disclosed in note 5.

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15:		
Advertising income	**72,602**	97,810
Rental income	**462**	724
	73,064	98,534

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

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Receivables	**11,900**	26,520
Contract liabilities (Note 2.1c)	**612**	2,212

Contract liabilities mainly relate to the advance consideration received from customers. HK$2,164,000 of the contract liabilities as of 1 January 2018 has been recognised as revenue for the year ended 31 December 2018 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 to be included in these sales contracts.

4. SEGMENT INFORMATION

The executive directors have identified the Group's two service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Advertising		Property investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
– External sales	**72,602**	97,810	**462**	724	**73,064**	98,534
Reportable segment (loss)/profit	**(41,614)**	(50,049)	**2,274**	(170)	**(39,340)**	(50,219)
Amortisation of other intangible assets	**50,524**	90,436	**–**	–	**50,524**	90,436
Depreciation	**44**	26	**739**	343	**783**	369
Expected credit losses on trade and other receivables and loan receivables, net of reversal	**3,651**	4,556	**–**	162	**3,651**	4,718
Impairment of goodwill	**3,211**	–	**–**	–	**3,211**	–
Impairment of other intangibles assets	**20,012**	–	**–**	–	**20,012**	–
Compensation income on profit guarantee arrangement	**(14,614)**	–	**–**	–	**(14,614)**	–
Gain on disposals of property, plant and equipment	**–**	(45)	**–**	–	**–**	(45)
Gain on disposals of a subsidiary	**(15,159)**	–	**–**	–	**(15,159)**	–
Gain on disposals of investment properties	**–**	–	**(3,243)**	–	**(3,243)**	–
Reportable segment assets	**88,570**	201,590	**17,890**	27,656	**106,460**	229,246
Additions to non-current segment assets during the year	**12,646**	99,192	**–**	–	**12,646**	99,192
Reportable segment liabilities	**70,086**	117,189	**494**	212	**70,580**	117,401

	2018	2017
	HK$'000	*HK$'000*
Total reportable segments' loss	**(39,340)**	(50,219)
Unallocated corporate income	**859**	2,976
Unallocated corporate expenses*	**(33,858)**	(32,181)
Finance costs	**(1,825)**	(2,101)
Loss before income tax	**(74,164)**	(81,525)
Total reportable segments' assets	**106,460**	229,246
Available-for-sale financial assets	**–**	17,369
Equity instrument at fair value through other comprehensive income	**26,852**	–
Non-current assets classified as held for sale	**–**	28,588
Loan receivables	**3,880**	4,000
Deposit for acquisition of property, plant and equipment	**–**	3,988
Cash and cash equivalents	**94,118**	16,812
Other corporate assets	**15,574**	24,811
Group's assets	**246,884**	324,814
Total reportable segment's liabilities	**70,580**	117,401
Amount due to a director	**3,593**	–
Bank borrowings	**–**	5,896
Loans from a shareholder	**–**	40,312
Other corporate liabilities	**818**	11,922
Group's liabilities	**74,991**	175,531

* Unallocated corporate expenses mainly included staff costs and legal and professional expenses incurred by the Company.

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		**Property investment**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical market						
Hong Kong	**65,305**	61,158	**462**	724	**65,767**	61,882
PRC	**7,297**	36,652	**–**	–	**7,297**	36,652
	72,602	97,810	**462**	724	**73,064**	98,534
Major products/Services						
Provision of advertising services						
– Recruitment	**64,104**	61,158	**–**	–	**64,104**	61,158
– Train media	**8,498**	36,652	**–**	–	**8,498**	36,652
	72,602	97,810	**–**	–	**72,602**	97,810
Property rentals	**–**	–	**462**	724	**462**	724
	72,602	97,810	**462**	724	**73,064**	98,534
Timing of revenue recognition						
Transferred over time	**72,602**	97,810	**462**	724	**73,064**	98,534

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

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**7,297**	36,652	**22,849**	157,913
Hong Kong (domicile)	**65,767**	61,882	**54,277**	57,148
	73,064	98,534	**77,126**	215,061

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 transaction has exceeded 10% of the Group's revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Advertising – Customer A	**–**	26,932

5. LOSS BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	**–**	101
Amortisation of other intangible assets*	**50,524**	90,436
Auditor's remuneration	**620**	600
Depreciation of property, plant and equipment*	**3,654**	591
Depreciation of investment properties	**739**	880
Employee benefit expense (including directors emoluments)	**38,919**	33,719
Impairment of goodwill	**3,211**	–
Impairment of other intangible assets (Note 9)	**20,012**	–
Expected credit losses on trade and other receivables and loan receivables, net of reversal	**3,662**	4,718
Minimum lease payments paid under operating leases in respect of:		
– Rented premises and production facilities	**11,137**	5,870
– Internet access line	**–**	48
– Office equipment	**–**	91
Direct operating expenses arising from investment properties that generated rental income	**191**	184
(Gain)/Loss on disposals of a subsidiary	**(15,159)**	1,331

* Included in administrative and other operating expenses

During the year, auditor's remuneration for other services amounted to HK$150,000 (2017: HK$150,000).

6. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operate.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current year	**1,193**	1,818
Deferred tax		
Current year	**–**	(7,869)
	1,193	(6,051)

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

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax	**(74,164)**	(81,525)
Notional tax calculated at the rates applicable to the losses in the tax jurisdictions concerned	**(12,237)**	(13,523)
Tax effect of non-taxable revenue	**(5,650)**	(535)
Tax effect of non-deductible expenses	**13,175**	9,309
Tax effect of tax losses not recognised	**5,947**	17
Utilisation of previously unrecognised tax losses	**(42)**	(1,319)
Income tax expenses/(credit)	**1,193**	(6,051)

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2018 and 2017.

8. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to equity shareholders of the Company	**(55,952)**	(57,834)

	Number of shares	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**398,159**	370,246

In 2018 and 2017, diluted loss per share attributable to owners of the Company are the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

9. OTHER INTANGIBLE ASSETS

	Advertising agency license rights	
	2018	2017
	HK$'000	*HK$'000*
At 1 January		
Gross carrying amount	**289,386**	194,899
Accumulated amortisation	**(131,473)**	(41,037)
Net carrying amount	**157,913**	153,862
Year ended 31 December		
Opening net carrying amount	**157,913**	153,862
Additions (Note)	**–**	94,487
Disposals of a subsidiary	**(64,528)**	–
Amortisation	**(50,524)**	(90,436)
	42,861	157,913
Impairment loss recognised during the year	**(20,012)**	–
Closing net carrying amount	**22,849**	157,913
At 31 December		
Gross carrying amount	**194,899**	289,386
Accumulated amortisation and impairment	**(172,050)**	(131,473)
Net carrying amount	**22,849**	157,913

Note:

On 1 August 2017, Star Prestige Investments Limited ("Star Prestige"), a subsidiary of the Group incorporated in Hong Kong, entered into a Wi-Fi advertising media lease agreement (the "Wi-Fi agreement") with Shengyu for obtaining the exclusive advertisement rights in the wireless networking system at train stations operated by Guangzhou Railway Group. The Wi-Fi agreement will be expired on 30 November 2020. Star Prestige was subsequently disposed of on 23 July 2018.

During the year ended 31 December 2018, the Group had continuously suffered loss from advertising segment operated by Fullmoon Global Limited ("Fullmoon Business"). The Directors conducted a review of the recoverability of the Group's other intangible assets and determined that the other intangible assets included in the cash-generating unit under Fullmoon Business were impaired during the year ended 31 December 2018.

10. TRADE RECEIVABLES

Ageing analysis of trade receivables, net of provision as at 31 December 2018, based on invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	6,502	7,736
31 – 60 days	304	638
61 – 90 days	90	272
91 – 120 days	9	8,414
121 – 150 days	–	3
Over 150 days	4,995	9,457
Total trade receivables	11,900	26,520

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

11. OTHER RECEIVABLES AND DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Other receivables	**17,038**	15,568
Deposits	**2,646**	7,453
Prepayments	**10,515**	7,108
Profit Guarantee Arrangement (Note)	**14,614**	–
	44,813	30,129
Less: Provision for impairment of other receivables	**(1,148)**	–
	43,665	30,129
Reconciliation to the consolidated statement of financial position:		
Deposit for acquisition of property, plant and equipment	**–**	3,988
Current	**43,665**	26,141
	43,665	30,129

Note:

In April 2016, the Group completed the acquisition of 60% equity interest in Hong Kong Made (Media) Limited ("Hong Kong Made") and its shareholders' loan of HK$6,600,000 from Silver Golden Limited and Mr. Sui Chok Lee ("Vendors") for a cash consideration of HK$36,600,000. Pursuant to the terms of the sale and purchase agreement for the acquisition of Hong Kong Made, Ms. Chau Lan Sze, the sole beneficial owner of Silver Golden Limited, together with the Vendors (collectively referred as the "Vendor's Guarantors") have agreed to provide a profit guarantee to the Group in relation to the audited net profit after the taxation of Hong Kong Made for the year ended 31 March 2017 and 2018 respectively. If the audited net profit after taxation of Hong Kong Made falls short of the guaranteed profit of HK$5,000,000 (the "Guarantee Profit Amount") for each year ended 31 March 2017 and 2018, the Vendor's Guarantors is obligated to pay an amount equal to such shortfalls to the Group for the respective periods. No compensation income on profit guarantee in 2017 as the audited net profit after the taxation of Hong Kong Made met the target level for the year ended 31 March 2017.

As at 31 December 2018, based on the financial performance of Hong Kong Made for the year ended 31 March 2018, audited net loss after taxation of Hong Kong Made in was HK$9,613,000 which did not meet the Guarantee Profit Amount. Accordingly, the Vendor's Guarantors are obliged to compensate an amount of HK$14,613,000, being the shortfall of the actual results and the Guarantee Profit Amount.

12. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY/A DIRECTOR

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

13. SHARE CAPITAL

	2018		2017	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.20 each	**5,000,000**	**1,000,000**	5,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January	**372,614**	**74,523**	370,034	74,007
Shares issued upon exercise of share options	**–**	**–**	2,580	516
Shares issued upon placing in August 2018	**74,000**	**14,800**	–	–
At 31 December	**446,614**	**89,323**	372,614	74,523

On 31 July 2018, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 74,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$1.40 per placing share with an independent investor. The Company issued 74,000,000 new ordinary shares at HK$1.40 per share on 28 August 2018. As a result, there was an increase in share capital and share premium of HK$14,800,000 and HK$88,800,000 respectively. Details of the placing are set out in the Company's announcements dated 31 July 2018, 21 August 2018, 23 August 2018 and 28 August 2018, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Train Media

Reference is made on the sale and purchase agreement dated 29 January 2016 in relation to, among other things, the acquisition of 60% equity interest in Hong Kong Made (Media) Limited ("Hong Kong Made") for a consideration of HK$30 million and a loan assignment of HK$6.6 million, with a total of HK$36.6 million. The vendors, together with Ms. Chau Lan Sze (collectively the "Guarantors") warranted the Group that the audited net profit after taxation of Hong Kong Made for each of the years ended on 31 March 2017 (the "2016 Profits") and 31 March 2018 (the "2017 Profits") should be at least HK$5 million (the "Profit Guarantee"). The 2016 Profits was audited and more than HK$5 million profits was recorded while the 2017 Profits rendered a shortfall of the Profit Guarantee by approximately HK$14.6 million. Accordingly, the Profit Guarantee for the first financial year was satisfied and the Guarantors are obliged to make up the shortfall for the second financial year of approximately HK$14.6 million. As at the date of this announcement, HK$3 million has been paid by the Guarantors and the remaining balance will be settled within an agreed period in 2019.

During the year, the Group possessed the exclusive advertising rights of 22 trains travelling between Guangzhou and Shenzhen daily. The revenue from train media business recorded for the year ended 31 December 2018 was approximately HK$8.5 million (2017: approximately HK$36.7 million) while the loss was approximately HK$41.3 million (2017: profit of approximately HK$4.1 million). The decrease was mainly due to the economic downturn in China's economy and the material uncertainty of international business prospects as a result of trade dispute, discouraged customers from allocating more resources on advertising.

On 9 July 2018, Fullmoon Global Limited ("Fullmoon"), a wholly owned subsidiary of the Company, disposed of its entire equity interest in Star Prestige Investments Limited ("Star Prestige"), a then wholly owned subsidiary of the Fullmoon, together with the Wi-Fi advertising media lease agreement (the "Wi-Fi Media Lease Agreement") entered into by Star Prestige and Guangzhou Shengyu Golden Line Advertising Company Limited ("Guangzhou Shengyu") to an independent third party, Sonic Pace Global Limited ("the Purchaser"), at a consideration of HK$80 million. The Consideration was determined with reference to the unaudited net liabilities of Star Prestige of approximately HK$24.8 million (before the waiver of the Loan due from Star Prestige to Fullmoon of approximately HK$93.9 million) as at 31 May 2018 based on the unaudited management account of Star Prestige.

Pursuant to the Wi-Fi Media Lease Agreement, Guangzhou Shengyu had leased the Wi-Fi network system, its installation, facilities, Wi-Fi network coverage and its digital advertising media to Star Prestige, and granted an exclusive right to Star Prestige for the operation of the digital advertising media (the "Wi-Fi Media Advertising Business"). Taking into account that (i) the Purchaser had expressed interest in taking over the Wi-Fi Media Advertising Business under the Wi-Fi Media Lease Agreement of Star Prestige; (ii) the loss making position of Star Prestige since the date of its incorporation due to the amortization of the license rights fee under the Wi-Fi Media Lease Agreement; and (iii) the estimated gain of approximately HK$10.9 million that could be recorded by the Group from the Disposal based on the unaudited management account as at 31 May 2018, the Directors considered the disposal was an opportunity for the Group to dispose of its loss-making businesses and realised its investment in Star Prestige. After taking into account the above factors, the Directors considered that the terms and conditions of the sale and purchase agreement were fair and reasonable and were in the interests of the Company and the shareholders as a whole. The net proceeds from the Disposal were applied for the repayment of outstanding balance due from the Company to its shareholder and the general working capital of the Group.

On 23 July 2018, the disposal was completed. A gain on disposal of approximately HK$15.2 million was recorded. Approximately HK$72.2 million of the proceeds were used to repay the outstanding balance due to the Company's shareholder and the remaining HK$7.8 million were utilised as general working capital of the Group.

Recruit Magazine

Turnover for the recruitment advertising business registered a 4.7% increase from approximately HK$61.2 million in 2017 to approximately HK$64.1 million in 2018. The increase was mainly attributed to the increase in recruitment advertisement due to the active labour market. The gross profit increased by 10.7% as benefited by the turnover for the increase in advertisement as mentioned and lower incremental cost for additional advertisement placement.

Property Investment

Apart from advertising business, the Group is also engaged in property investment business. Express Ocean Investment Limited ("Express Ocean") is a wholly owned subsidiary of the Company which owns an office premises in Hong Kong. This business contributes a steady stream of rental income of approximately HK$462,000 (2017: HK$724,000) to the Group. The decrease was mainly attributed to the disposals of several office premises to independent third parties through different property agents during the year. A net proceed of HK$19.9 million had been received and the intended and actual use of proceeds from the disposal had been applied for repayment of mortgages (as to approximately HK$5.8 million) and general working capital (as to approximately HK$14.1 million). Subsequently in March 2019, the last office premises was sold at a consideration of approximately HK$10.9 million but pending completion. Since all the applicable ratios for the transaction to each of the independent third parties were below 5%, the transactions 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").

Securities

During the year ended 31 December 2018, the Company had disposed of two of its three securities from its portfolio in open market at an aggregate consideration of approximately HK$15.5 million. As all the applicable percentage ratios in respect of the disposal to each of the securities were below 5%, the transactions did not constitute any notifiable transaction for the Company under Chapter 14 of the Listing Rules. The proceeds had been applied to the repayment of outstanding balance due from the Company to its shareholder (as to approximately HK$11.8 million) and the general working capital of the Group (approximately to HK$3.7 million). After the said disposals, there is only one securities remaining in the Company's securities investment portfolio.

For details, please refer to the section "Investments in Securities" below.

Principal risk and uncertainties

In general, the Company's businesses are subject to several factors: (i) the overall macroeconomic condition in the People's Republic of China ("PRC"); (ii) changes in consumption trends; (iii) economic and employment condition in Hong Kong; and (iv) property market condition in Hong Kong.

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

2018 was a difficult year for train media business. It is subject to several factors which are highly uncertain. There may be hope that a relief on the trade dispute between United States and China but China economy is expected to remain weak in 2019 and it is uncertain that whether the enterprises are willing to place advertisement. But no matter what, the marketing team will continue to pay extra effort to seize more orders from customers. The Board will closely monitor the performance of train media business and in the event that the business performance remains downward, the management will take necessary measures to ensure the benefits of the Company and its shareholders.

The recruitment magazine business is expected to perform heathly but may be impacted collaterally by the external economic conditions as well which largely depends on the effect on the overall employment condition in Hong Kong's labour market.

For property investment business, the last office premise under Express Ocean has been sold and is pending completion. This business segment will fade out when the Group no longer holds any investment properties.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2018 was approximately HK$73.1 million (2017: HK$98.5 million) and represented a decrease of 25.8% from the previous corresponding year which was mainly due to the drop in revenue from train media business which was partly offset by the increase in revenue from recruit magazine business. As a result of the decrease in revenue from the higher gross profit margin business, the general gross profit margin decreased from 82.4% in 2017 to 68.2% in 2018.

Other income increased by 198.7% to approximately HK$18.9 million (2017: HK$6.3 million) in 2018 since there was a compensation income on profit guarantee arrangement of HK$14.6 million (2017: nil) and partially offset by the decrease in exchange gain during the year to approximately HK$110,000 (2017: approximately HK$3.6 million).

The administrative and other operating expenses decreased by 27.3% to approximately HK$104.4 million (2017: HK$143.6 million) mainly due to the decrease in the amortisation of other intangible assets from approximately HK$90.4 million in 2017 to approximately HK$50.5 million in 2018.

As at 31 December 2018, 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$3.7 million (2017: HK$4.7 million) has been recognised. Besides, an impairment test was conducted against the intangible assets of the Group and a provision of HK$20.0 million has been made as at 31 December 2018. The impairment assessment was made in accordance with the Group's accounting policies. The Group engaged an independent professional valuer to assess the recoverable amount of cash-generating unit ("CGU"). Based on value-in-use calculation, the recoverable amount of the CGU is below its carrying amount, hence the above-mentioned impairment loss was recognised. The determination of the value-in-use of the CGU involved significant assumptions and judgements including but not limited to budgeted revenue, gross margin and discount rate, made by management concerning the estimated future cash flows and other key inputs.

FINANCIAL KEY PERFORMANCE

The above financial data were chosen to present in this 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 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had net current assets of approximately HK$108.5 million (2017: HK$16.2 million). The Group's current ratio as at 31 December 2018, which is defined as current assets over current liabilities, was 2.8 (2017: 1.2). As at 31 December 2018, the Group had a total cash and bank balance of approximately HK$109.5 million (2017: HK$28.5 million).

The Group's gearing ratio as at 31 December 2018 was 0% (2017: 3.9%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. There was no bank loan as at 31 December 2018 (2017: HK$5.9 million).

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 2018, the total issued shares of the Company ("Shares") was 446,614,000 (31 December 2017: 372,614,000 Shares) at HK$0.2 each.

Share Options

On 5 April 2016, a total of 3,330,000 share options of the Company were granted to each of Mr. Tsang Hing Bun, Executive Director and Mr. Yiu Yu Cheung, Non-executive Director at an exercise price of HK$1.99. As at 31 December 2018, a total of 3,830,000 share options have been exercised and 2,830,000 share options were outstanding. No options were granted, exercised, cancelled or lapsed during the year.

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. As at 31 December 2018, approximately HK$4.6 million has been applied for general working capital. The Company will utilised the remaining proceeds when quality investment opportunities are identified.

Save as disclosed above, there was no fund raising activity taken place during the financial year 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (2017: nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities (2017: nil).

EVENT AFTER REPORT DATE

On 11 March 2019, Express Ocean Investment Limited, a wholly owned subsidiary of the Company entered into a provisional sale and purchase agreement with an independent third party to disposed of an investment property at a consideration of HK$10,959,000. The disposal is not completed as at the reporting date.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save for the disposal of the entire interest in Star Prestige together with the Wi-Fi Media Lease Agreement on 9 July 2018 as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries during the year under review.

INVESTMENTS IN SECURITIES

The Company has invested in three 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 1 January 2018	Fair value changed during the year	Disposals	At 31 December 2018	% to the Group's net assets as at 31 December 2018
			HK$	HK$	HK$	HK$	HK$	
Listed equity securities – Hong Kong								
Tibet Water Resources Ltd. (HK:1115)#	Production and sales of premium bottled mineral water products and highland barley beer products in the PRC	4,350,000	0.17%	15,573,000	(1,228,000)	(14,345,000)	–	0%
Huarong International Financial Holdings Limited (HK:993)#	Trades and brokers securities, bullion, forex, futures and options, as well as provides loan and margin financing, and asset management services	710,000	0.02%	1,796,300	(614,390)	(1,181,910)	–	0%
UKF (Holdings) Limited (HK:1468)#	Trading of fur skins, mink farming in Denmark and fur skins brokerage	115,740,000	2.51%	28,587,780	(1,736,100)	–	26,851,680	15.6%
Total				45,957,080	(3,578,490)	(15,526,910)	26,851,680	15.6%

Included in Equity instruments at fair value through other comprehensive income

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.

No significant securities investments were made and no dividend was received from the above securities during the year ended 31 December 2018.

CHARGES ON GROUP ASSETS

The Group has no charges on group assets and no outstanding loan balance at the end of the reporting period (2017: HK$5.9 million).

As at 31 December 2017, the charges represented the office premises pledged pursuant to a loan agreement entered into between Express Ocean and Industrial and Commercial Bank of China (Asia) Limited for a borrowed sum of HK$6.1 million on 22 February 2017. The entire loan was fully settled during the year from the proceeds arisen from the disposals of several office premises under Express Ocean.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, the Group had 60 employees (2017: 64). 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 2018 (2017: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, 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 2018.

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**"). The report 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

Mr. Chen Jiarong and Mr. Liu Gary Wei had been the Chairman and Chief Executive Officer of the Company respectively during the financial year until 28 November 2018 that Mr. Chen Jiarong resigned as Chairman and non-executive Director. Subsequently on 23 January 2019, Mr. Liu Gary Wei resigned as executive Director and Chief Executive Officer of the Company. Both the position of Chairman and Chief Executive Officer have been vacant and the daily operation and management of the Company is monitored by the executive director afterwards.

AUDIT COMMITTEE

The audit committee has four members comprising three independent non-executive directors, namely, Mr. Chan Siu Lun (Chairman), Mr. William Keith Jacobsen, Mr. Chan Chiu Hung, Alex 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 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 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 2018.

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, 26 March 2019

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