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KINGKEY INTELLIGENCE CULTURE HOLDINGS LIMITED **京基智慧文化控股有限公司**

(formerly known as KK Culture Holdings Limited KK文化控股有限公司)
(Incorporated in Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 550)

ANNOUNCEMENT OF INTERIM RESULTS **FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors (the “**Board**”) of Kingkey Intelligence Culture Holdings Limited (formerly known as KK Culture Holdings Limited) (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | | (Unaudited) | |
|---|-------|--------------------------|----------|
| | | Six months ended 30 June | |
| | | 2021 | 2020 |
| | Notes | HK\$'000 | HK\$'000 |
| Turnover | 6 | 15,555 | 8,391 |
| Direct operating costs | | (5,515) | (6,581) |
| Gross profit | | 10,040 | 1,810 |
| Other income | | 706 | 3,865 |
| Selling and distribution costs | | (4,392) | (7,387) |
| Administrative expenses | | (12,375) | (12,244) |
| Reversal of impairment on trade and other receivables and loan receivables, net | | 206 | 104 |
| Finance costs | 7 | (592) | (550) |
| Loss before income tax | 8 | (6,407) | (14,402) |
| Income tax credit | 9 | 16 | 148 |
| Loss for the period | | (6,391) | (14,254) |

| | | (Unaudited) | |
|--|---|---------------------------------|------------------------------|
| | | Six months ended 30 June | |
| | | 2021 | 2020 |
| <i>Notes</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other comprehensive income | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| | Fair value gain/(loss) on equity instruments at fair value through other comprehensive income | <u>45,168</u> | <u>(9,259)</u> |
| | Other comprehensive income for the period, net of tax | <u>45,168</u> | <u>(9,259)</u> |
| | Total comprehensive income for the period | <u>38,777</u> | <u>(23,513)</u> |
| Loss for the period attributable to: | | | |
| | Equity shareholders of the Company | (6,194) | (14,254) |
| | Non-controlling interests | <u>(197)</u> | <u>–</u> |
| | | <u>(6,391)</u> | <u>(14,254)</u> |
| Total comprehensive income attributable to: | | | |
| | Equity shareholders of the Company | 38,974 | (23,513) |
| | Non-controlling interests | <u>(197)</u> | <u>–</u> |
| | | <u>38,777</u> | <u>(23,513)</u> |
| Loss per share | | | |
| | – Basic and diluted | 10 <u>(HK1.39 cents)</u> | <u>(HK3.19 cents)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|--|----|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 182 | 248 |
| Right-of-use assets | | 6,169 | 4,398 |
| Equity instruments at fair value through other comprehensive income | | 78,703 | 36,228 |
| | | <u>85,054</u> | <u>40,874</u> |
| Current assets | | | |
| Inventories | | 618 | 20 |
| Trade receivables | 12 | 2,669 | 2,358 |
| Other receivables, deposits and prepayments | 12 | 8,716 | 11,096 |
| Tax recoverable | | – | 610 |
| Loan receivables | | 1,873 | 13,220 |
| Cash and cash equivalents | | 99,087 | 92,553 |
| | | <u>112,963</u> | <u>119,857</u> |
| Current liabilities | | | |
| Contract liabilities | | 1,071 | 1,159 |
| Trade and other payables | | 6,886 | 14,052 |
| Amounts due to a director | | 1,093 | 1,093 |
| Other borrowing | | 5,818 | 5,818 |
| Current portion of lease liabilities | | 1,754 | 957 |
| | | <u>16,622</u> | <u>23,079</u> |

| | | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|---|----|---|---|
| Net current assets | | <u>96,341</u> | <u>96,778</u> |
| Total assets less current liabilities | | <u>181,395</u> | <u>137,652</u> |
| Non-current liabilities | | | |
| Non-current portion of lease liabilities | | <u>2,535</u> | <u>544</u> |
| | | <u>2,535</u> | <u>544</u> |
| Net assets | | <u>178,860</u> | <u>137,108</u> |
| EQUITY | | | |
| Share capital | 13 | 89,323 | 89,323 |
| Reserves | | <u>89,531</u> | <u>47,582</u> |
| Equity attributable to shareholders of the Company | | 178,854 | 136,905 |
| Non-controlling interests | | <u>6</u> | <u>203</u> |
| Total equity | | <u>178,860</u> | <u>137,108</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

| | (Unaudited) | |
|--|--------------------------|----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash used in operating activities | <u>(6,686)</u> | <u>(128)</u> |
| Investing activities | | |
| Interest received | 373 | 876 |
| Proceeds from disposals of equity instruments at fair value through other comprehensive income | 2,693 | – |
| Repayment of loan receivables | <u>11,640</u> | <u>1,000</u> |
| Net cash generated from investing activities | <u>14,706</u> | <u>1,876</u> |
| Financing activities | | |
| Interest paid on other borrowing | (524) | (437) |
| Repayments of principal portion of lease liabilities | (894) | (2,891) |
| Interest paid on lease liabilities | <u>(68)</u> | <u>(113)</u> |
| Net cash used in financing activities | <u>(1,486)</u> | <u>(3,441)</u> |
| Net increase/(decrease) in cash and cash equivalents | 6,534 | (1,693) |
| Cash and cash equivalents at the beginning of the period | <u>92,553</u> | <u>100,177</u> |
| Cash and cash equivalents at the end of the period | <u><u>99,087</u></u> | <u><u>98,484</u></u> |
| Analysis of balances of cash and cash equivalents | | |
| Bank and cash balances | <u><u>99,087</u></u> | <u><u>98,484</u></u> |

MAJOR NON-CASH TRANSACTIONS

On 4 January 2021, the Group entered into a new lease agreement for the use of office premises for three years. On the lease commencement, the Group recognised HK\$3,663,000 of right-of-use assets and lease liabilities respectively.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity | |
|---|--|----------------|--------------------------------|-------------------------------|-----------------|---------------------|------------------|---------------------------|--------------|----------------|
| | Share capital | Share premium | Investment revaluation reserve | Employee compensation reserve | Merger reserve | Contributed surplus | Accumulated loss | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Balance at 1 January 2021 (Audited) | 89,323 | 162,310 | 1,386 | - | (43,897) | 95,402 | (167,619) | 136,905 | 203 | 137,108 |
| Share options granted | - | - | - | 2,975 | - | - | - | 2,975 | - | 2,975 |
| Transaction with equity shareholders | - | - | - | 2,975 | - | - | - | 2,975 | - | 2,975 |
| Loss for the period | - | - | - | - | - | - | (6,194) | (6,194) | (197) | (6,391) |
| Other comprehensive income: | | | | | | | | | | |
| Change in fair value on equity instruments at fair value through other comprehensive income | - | - | 45,168 | - | - | - | - | 45,168 | - | 45,168 |
| Total comprehensive income for the period | - | - | 45,168 | - | - | - | (6,194) | 38,974 | (197) | 38,777 |
| Release of investment revaluation reserve upon disposals of equity instruments at fair value through other comprehensive income | - | - | 7,153 | - | - | - | (7,153) | - | - | - |
| Balance at 30 June 2021 (Unaudited) | 89,323 | 162,310 | 53,707 | 2,975 | (43,897) | 95,402 | (180,966) | 178,854 | 6 | 178,860 |

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity | |
|---|--|----------------|--------------------------------|-------------------------------|-----------------|---------------------|------------------|---------------------------|--------------|----------------|
| | Share capital | Share premium | Investment revaluation reserve | Employee compensation reserve | Merger reserve | Contributed surplus | Accumulated loss | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Balance at 1 January 2020 (Audited) | 89,323 | 162,310 | 15,273 | - | (43,897) | 95,402 | (145,057) | 173,354 | - | 173,354 |
| Loss for the period | - | - | - | - | - | - | (14,254) | (14,254) | - | (14,254) |
| Other comprehensive income: | | | | | | | | | | |
| Change in fair value on equity instruments at fair value through other comprehensive income | - | - | (9,259) | - | - | - | - | (9,259) | - | (9,259) |
| Total comprehensive income for the period | - | - | (9,259) | - | - | - | (14,254) | (23,513) | - | (23,513) |
| Balance at 30 June 2020 (Unaudited) | 89,323 | 162,310 | 6,014 | - | (43,897) | 95,402 | (159,311) | 149,841 | - | 149,841 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in preparing the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for those that relate to new or amended standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of any changes in Hong Kong Financial Reporting Standards ("**HKFRSs**") are set out in note 3.

The Group has not early adopted the new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's results of operations and financial position.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendment to HKFRS 16: COVID-19 Related Rent Concessions

The application of these new or amended HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the current period and prior years.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this unaudited condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 consolidated annual financial statements.

5. SEGMENT INFORMATION

The executive director has identified the Group has two reportable and operating segments, which include provision of advertising services and sales of medical and health products respectively.

| | Advertising – Recruitment | | Sales of medical and health products | | Total | |
|---|------------------------------|----------------|---|-------------|------------------|----------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30 June | | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Revenue – External sales | <u>12,393</u> | <u>8,391</u> | <u>3,162</u> | <u>–</u> | <u>15,555</u> | <u>8,391</u> |
| Reportable segment profit/(loss) | <u>574</u> | <u>(9,844)</u> | <u>(401)</u> | <u>–</u> | <u>173</u> | <u>(9,844)</u> |
| Amounts included in the measure of segment profit or loss: | | | | | | |
| Depreciation and amortisation | 1,094 | 993 | – | – | 1,094 | 993 |
| (Reversal)/provision of impairment on trade and other receivables and loan receivables, net | (204) | 26 | – | – | (204) | 26 |
| Interest income | <u>(51)</u> | <u>(203)</u> | <u>–</u> | <u>–</u> | <u>(51)</u> | <u>(203)</u> |

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

| | Advertising – Recruitment | | Sales of medical and health products | | Total | |
|--------------------------------|---------------------------|---------------|---|-------------|---------------|---------------|
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Reportable segment assets | <u>12,827</u> | <u>17,278</u> | <u>1,573</u> | <u>472</u> | <u>14,400</u> | <u>17,750</u> |
| Reportable segment liabilities | <u>7,765</u> | <u>10,327</u> | <u>1,172</u> | <u>435</u> | <u>8,937</u> | <u>10,762</u> |

| | Six months ended 30 June | |
|----------------------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Reportable segment profit/(loss) | 173 | (9,844) |
| Unallocated corporate income | 529 | 3,576 |
| Unallocated corporate expenses* | (6,517) | (7,635) |
| Finance costs | <u>(592)</u> | <u>(499)</u> |
| Loss before income tax | <u>(6,407)</u> | <u>(14,402)</u> |

* Unallocated corporate expenses included staff costs, depreciation and legal and professional fee.

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|--|--|--|
| Reportable segment assets | 14,400 | 17,750 |
| Property, plant and equipment | 155 | 214 |
| Equity instrument at fair value through other comprehensive income | 78,703 | 36,228 |
| Right-of-use assets | 2,762 | 3,587 |
| Loan receivables | 1,873 | 1,812 |
| Other receivables, deposits and prepayments | 7,000 | 9,210 |
| Cash and cash equivalents | 93,123 | 91,929 |
| Other corporate assets | 1 | 1 |
| | <u>198,017</u> | <u>160,731</u> |
| Group assets | 198,017 | 160,731 |
| Reportable segment liabilities | 8,937 | 10,762 |
| Amounts due to a director | 1,093 | 1,093 |
| Other borrowing | 5,818 | 5,818 |
| Lease liabilities | 444 | 643 |
| Other payables and accruals | 2,865 | 5,302 |
| Other corporate liabilities | – | 5 |
| | <u>19,157</u> | <u>23,623</u> |
| Group liabilities | 19,157 | 23,623 |

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

| | Revenue from external customers | | Non-current assets | |
|----------------------|--|-------------|---------------------------|--------------------|
| | Six months ended 30 June | | 30 June | 31 December |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong (domicile) | 15,555 | 8,391 | 6,351 | 4,646 |

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

6. TURNOVER

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

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from contracts with customers within the scope of HKFRS 15: | | |
| Advertising income – Recruitment | 12,393 | 8,391 |
| Sales of medical and health products | 3,162 | – |
| | 15,555 | 8,391 |

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

| | Advertising – Recruitment | | Sales of medical and health products | | Total | |
|---|----------------------------------|-----------------|---|-----------------|---------------------------------|-----------------|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Primary geographical market | | | | | | |
| Hong Kong | 12,393 | 8,391 | 3,162 | – | 15,555 | 8,391 |
| Major products and service lines | | | | | | |
| Provision of advertising services | | | | | | |
| – Recruitment | 12,393 | 8,391 | – | – | 12,393 | 8,391 |
| Sales of medical and health products | – | – | 3,162 | – | 3,162 | – |
| | 12,393 | 8,391 | 3,162 | – | 15,555 | 8,391 |
| Timing of revenue recognition | | | | | | |
| At point in time | – | – | 3,162 | – | 3,162 | – |
| Transferred over time | 12,393 | 8,391 | – | – | 12,393 | 8,391 |
| | 12,393 | 8,391 | 3,162 | – | 15,555 | 8,391 |

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest charges on other borrowing with repayment on demand clause | 524 | 437 |
| Interest on lease liabilities | 68 | 113 |
| | <u>592</u> | <u>550</u> |

8. LOSS BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation of property, plant and equipment | 66 | 414 |
| Depreciation of right-of-use assets | 1,911 | 1,723 |
| Employee benefit expense | 10,866 | 15,539 |
| Exchange loss | 46 | 159 |
| Gain on disposals of property, plant and equipment | - | (177) |
| Reversal of impairment on trade and other receivables and loan receivables, net | (206) | (104) |
| Low-value assets leases expenses | - | 11 |
| Interest income | (496) | (939) |
| Cost of inventories recognised in direct operating costs | 2,510 | - |

9. INCOME TAX CREDIT

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Hong Kong profits tax: | | |
| Over provision in respect of prior years | 16 | 148 |
| Income tax credit | <u>16</u> | <u>148</u> |

On 21 March 2018, 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 effective on 28 March 2018. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Hong Kong profits tax is levied at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on those above HK\$2 million on a qualified entity applied two-tiered profits tax rate regime.

No Hong Kong profit tax had been provided as the Group had sufficient tax loss brought forward to set off against the estimated assessable profits during the six months ended 30 June 2021.

No Hong Kong profits tax had been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2020.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2021 is based on the loss for the period attributable to equity shareholders of the Company of HK\$6,194,000 (six months ended 30 June 2020: HK\$14,254,000) and the weighted average of 446,614,000 ordinary shares (six months ended 30 June 2020: 446,614,000 shares) in issue during the interim period.

For the six months ended 30 June 2021, diluted loss per share attributable to equity shareholders of the Company is the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

For the six months ended 30 June 2020, basic and diluted loss per share attributable to equity shareholders of the Company were the same as the Company did not have any dilutive equity instruments throughout the period.

11. PROPERTY, PLANT AND EQUIPMENT

The movements during the period are:

| | Property, plant and equipment <i>HK\$'000</i> |
|--|---|
| Net book amount as at 1 January 2021 (Audited) | 248 |
| Depreciation | <u>(66)</u> |
| Net book amount as at 30 June 2021(Unaudited) | <u><u>182</u></u> |

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows a credit period from 7 days to 120 days (31 December 2020: 7 days to 120 days) to its trade customers.

Aging analysis of trade receivables as at 30 June 2021, based on invoice date and net of provisions, is as follows:

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) |
|---|--|----------------------------------|
| | | <i>HK\$'000</i> |
| 0–30 days | 2,578 | 2,269 |
| 31–60 days | 91 | 85 |
| 61–90 days | <u>–</u> | <u>4</u> |
| Total trade receivables | 2,669 | 2,358 |
| Other receivables, deposits and prepayments | <u>8,716</u> | <u>11,096</u> |
| | <u><u>11,385</u></u> | <u><u>13,454</u></u> |

13. SHARE CAPITAL

| | No of shares '000 | HK\$'000 |
|--|------------------------------|-------------------------|
| Authorised: Ordinary shares of HK\$0.20 each At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 | <u><u>5,000,000</u></u> | <u><u>1,000,000</u></u> |
| Issued and fully paid: At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 | <u><u>446,614</u></u> | <u><u>89,323</u></u> |

14. SHARE-BASED EMPLOYEE COMPENSATION

On 22 January 2021 (the “**Date of Grant**”), 22,300,000 share options (six months ended 30 June 2020: nil) were granted to several grantees including Mr. Tsang Hing Bun, Executive Director and Mr. Yiu Yu Cheung, Non-executive Director at the exercise price of HK\$0.38 per share, which represents the higher of (i) the closing price of HK\$0.38 per share as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the Date of Grant and (ii) the average closing price of HK\$0.38 per share as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the Date of Grant, under the Company’s share option scheme. Each option gives the holders the right to subscribe for one ordinary share of the Company. The share options are exercisable from 22 January 2021 to 21 January 2023 and have no vesting period.

No options were exercised during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

For the six months ended 30 June 2021, the Group recognised total expense of HK\$2,975,000 (six months ended 30 June 2020: nil) in relation to the share options.

15. DIVIDENDS

No interim dividend was declared in respect of the six months ended 30 June 2021 and 2020.

16. CAPITAL COMMITMENTS

As at 30 June 2021, there were no capital commitment contracted but not provided for (31 December 2020: nil).

17. RELATED PARTY TRANSACTIONS

(a) 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 unaudited condensed consolidated financial statements, details of significant transactions between the Group and other related parties for the six months ended 30 June 2021 are disclosed as follows:

| | | Six months ended 30 June | |
|---|-------|--------------------------|-------------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| Professional fees paid to a related company | (i) | 630 | 580 |
| Licenses fee income received from a related company | (ii) | – | (2,610) |
| Gain on disposals of property, plant and equipment to a related company | (iii) | – | (177) |
| | | <u> </u> | <u> </u> |

Notes:

- (i) During the six months ended 30 June 2021, 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 (both days inclusive), at a monthly rent of HK\$580,000. As Kingkey Enterprise is wholly-owned by Mr. Chen Jiajun, substantial shareholder of the Company, holding 21.28% interest of the Company and also a substantial shareholder of KKFI, therefore Kingkey Enterprise and UKF 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 six months ended 30 June 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) Amounts due from/(to) a related party

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

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|--|--|--|
| Included in other receivables: | | |
| Kingkey Management Limited (<i>note</i>) | <u>606</u> | <u>2,910</u> |
| Included in other payables: | | |
| Kingkey Enterprise Hong Kong Limited (<i>note</i>) | <u>(2,014)</u> | <u>(2,014)</u> |

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

(c) Compensation of key management personnel

The directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

| | Six months ended 30 June | |
|-------------------------------------|--|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Short-term employee benefits | 795 | 763 |
| Equity-settled share-based payments | <u>1,190</u> | <u>–</u> |
| | <u>1,985</u> | <u>763</u> |

18. DISPOSAL OF MATERIAL SUBSIDIARIES

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 condition, as stated in the terms and conditions of the sales and disposal agreement, are met.

In 2020, 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 is 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 are revised to be paid (i) on or before 15 July 2022; and (ii) on or before 15 July 2023, respectively.

19. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

20. EVENT AFTER REPORTING DATE

Pursuant to a special resolution by the shareholders passed on 15 July 2021, the Certificate of Incorporation of Change of Name was issued by the Registrar of Companies in Bermuda on 16 July 2021. With effective from 26 August 2021, the English name of the Company has been changed from “KK Culture Holdings Limited” to “Kingkey Intelligence Culture Holdings Limited” and the Chinese name “京基智慧文化控股有限公司” has been adopted in place of “KK文化控股有限公司”.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Recruit Magazine

As stated in our 2020 annual report, Kingkey Intelligence Culture Holdings Limited (formerly known as “**KK Culture Holdings Limited**”) (the “**Company**”) was gravely impacted by the COVID-19 epidemic last year as evidenced by the slump in revenue. With the introduction of vaccination to the mass, the pandemic seemed to have gone through its peak and has been under control in many developed countries/economic entities. As most of them are recovering from the disease, the economic activities are going back to normal and demand for goods and services is picking up the beat. This helps creating new jobs. According to the Census and Statistics Department of the Hong Kong Government, The unemployment rate of Hong Kong improved from 7.0% in November 2020 to January 2021 to 5.5% in April to June this year and the underemployment rate decreased from 3.8% to 2.5% in the same period. As a result, the Recruit magazine showed a significant improvement in its revenue by approximately 47.7% compared with the same period of last year and the results was in the black again with approximately HK\$0.6 million profit. Although seemingly a drop in the ocean, it has a significant meaning to us as the business started to rebound fairly quickly right after the pandemic instead of lying flat ahead for a long period of time. Surely, our stringent cost control measures played an important role in it.

Medical and Health Services

Although the pandemic is subsiding, the need for COVID-19 test kits remained keen. We earned a revenue of approximately HK\$3.2 million from selling those kits and providing relevant medical advice and service in the first half of 2021.

PROSPECT

Having gone through waves of excruciating COVID-19 pandemic outbreaks, Hong Kong has been able to keep daily confirmed cases low for a while. Although more Hong Kong people are receiving vaccinations, it is not clear the level of protection of the vaccines against the mutant virus, especially, amongst all, the Delta variant and those, if any, further mutate in the future. If we are lucky enough and Hong Kong has the stern measures in place to ward off those viruses with mutated genes from entering into the boarder, we are optimistic that the economy of Hong Kong will recover gradually and our businesses will continue to make up the lost ground.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group recorded revenue of approximately HK\$15.6 million (2020: HK\$8.4 million) representing an increase of approximately HK\$7.2 million or 85.7%. The increase was mainly derived from (i) the introduction of Medical and Health Services segment since the second half of 2020; and (ii) Recruit Magazine since businesses environment in Hong Kong are recovering from the disease, more employers placed advertisements during the period.

Selling and distribution costs decreased from approximately HK\$7.4 million in the first half of 2020 to approximately HK\$4.4 million in the first half of 2021.

For the six months ended 30 June 2021, the Group recorded approximately HK\$12.4 million (2020: HK\$12.2 million) of administrative expenses and is comparable to the same period in last year.

Income tax credit of approximately HK\$16,000 (2020: HK\$148,000), was mainly attributable to over-provision in prior periods.

As a result of the above, for the six months ended 30 June 2021, the Group recorded a net loss of approximately HK\$6.4 million, compared with a net loss of approximately HK\$14.3 million for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had net current assets of approximately HK\$96.3 million (31 December 2020: HK\$96.8 million). The Group's current ratio was approximately 6.8 (31 December 2020: 5.2) while the Group's net assets was approximately HK\$178.9 million compared with those of approximately HK\$137.1 million as at 31 December 2020. Total cash and bank deposits was approximately HK\$99.1 million (31 December 2020: HK\$92.6 million).

The Group generally finance its operations mainly with internally generated cashflow. The Group's gearing ratio as at 30 June 2021 was 0.03 (31 December 2020: 0.04), which is calculated on the basis of the Group's total interest bearing debts over the total equity interest. Total other borrowing as at both 30 June 2021 and 31 December 2020 was approximately HK\$5.8 million. There was no bank loan as at 30 June 2021 and 31 December 2020.

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.

INVESTMENTS IN SECURITIES

As at 30 June 2021, the Company has invested in one (31 December 2020: two) security. The details of, the breakdown and the movement of which during the period is summarised below:

| Principal business | No. of share | % of shareholding | At | Addition | Disposal | Fair value changed during the period | At | % to the Group's net assets | % to the Group's total assets | |
|--|---|-------------------|----------------|----------|----------|--------------------------------------|--------------|-----------------------------|-------------------------------|--------|
| | | | 1 January 2021 | | | | 30 June 2021 | as at 30 June 2021 | as at 30 June 2021 | |
| | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Listed equity securities – Hong Kong | | | | | | | | | | |
| Kingkey Financial International (Holdings) Limited (HK: 1468)* | (i) securities brokerage; (ii) wealth management; and (iii) other financial services, mink farming and trading of mink's fur skin. | 115,740,000 | 1.72% | 31,250 | - | - | 47,453 | 78,703 | 44.00% | 39.75% |
| 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% | 4,978 | - | (2,693) | (2,285) | - | - | - |
| Total | | | 36,228 | - | (2,693) | 45,168 | 78,703 | 44.00% | 39.75% | |

Included in equity instruments at fair value through other comprehensive income.

* The above listed securities was a significant investment held by the Company as at 30 June 2021. The aggregate cost of investment was approximately HK\$24,996,000. The significant increase in share price during the period under review contributed to an increase in fair value change amounting to approximately HK\$47.5 million. No dividend was received from the investment during the period.

^ The disposal of the securities was below 5% of all applicable ratios.

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 six months ended 30 June 2021.

CAPITAL STRUCTURE

As at 30 June 2021, the total issued shares of the Company (“Shares”) was 446,614,000 (31 December 2020: 446,614,000 Shares) at HK\$0.2 each.

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 places 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 30 June 2021; and (iv) the remaining net proceeds from the Placing as at 30 June 2021.

| No. | Net proceeds from the Placing | Intended use of proceeds from the Placing | Actual use of proceeds from the Placing as at 30 June 2021 | Remaining net proceeds from the Placing as at 30 June 2021 |
|--------------|--|---|--|--|
| (i) | Approximately HK\$10 million | For general working capital in the daily operation of the Group | Fully utilized by the Group for general working capital in the daily operation | 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 30 June 2021, 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 30 June 2021.

Save as disclosed above, there was no fund raising activity taken place during the six months ended 30 June 2021.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2021, the Group had no significant capital commitments (31 December 2020: nil). The Group had no significant contingent liabilities as at 30 June 2021 (31 December 2020: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS IN CAPITAL ASSETS

As at 30 June 2021, the Company had no plan for material investments in capital assets.

CHARGE ON GROUP ASSETS

As at 30 June 2021, there was no charge on Group assets.

OTHER DISCLOSURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “Model Code”), were as follows:

Long position in the shares of the Company

| Name | Nature of Interest | Number of Shares | Approximate Percentage in the Issued Share Capital of the Company |
|--------------------|--------------------|------------------|---|
| Mr. YIU Yu Cheung | Beneficial owner | 3,330,000 | 0.75% |
| Mr. TSANG Hing Bun | Beneficial owner | 500,000 | 0.11% |

Long position in underlying shares or equity derivatives of the Company

| Name | Nature of Interest | Share Options | Approximate Percentage in the Issued Share Capital of the Company | Approximate Percentage in the Issued Share Capital of the Company Assuming all Options are Exercised |
|--------------------|--------------------|---------------|---|--|
| Mr. TSANG Hing Bun | Beneficial owner | 4,460,000 | 1.00% | 0.98% |
| Mr. YIU Yu Cheung | Beneficial owner | 4,460,000 | 1.00% | 0.98% |

Save as disclosed above, as at 30 June 2021, neither of the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has adopted a share option scheme approved by a resolution passed by the shareholders of the Company on 29 December 2015, under which it may grant options to directors, employees, any advisors and service providers of any member of the Group to subscribe for shares in the Company.

On 22 January 2021, a total of 22,300,000 share options were granted to several grantees at the exercise price of \$0.38 each to subscribe for up to 22,300,000 ordinary shares of par value at HK\$0.2 each of the Company. Of which, 8,920,000 share options were granted to Mr. Tsang Hing Bun, Executive Director, and Mr. Yiu Yu Cheung, Non-executive Director, where each of them was granted 4,460,000 share options. Each share option was eligible for subscription of one share of the Company. The share options are exercisable from 22 January 2021 to 21 January 2023 and have no vesting period.

As at 30 June 2021, 22,300,000 share options were outstanding. Saved as disclosed, for the six months ended 30 June 2021, no share option was granted, exercised, lapsed or cancelled.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, so far as was known to the directors and chief executive of the Company the following persons (other than a director or chief executive of the Company) had or were deemed to have, interests or short positions in the shares or underlying shares of the Company being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares of the Company

| Name | Nature of Interest | Number of Shares | Approximate Percentage in the Issued Share Capital of the Company |
|---|--------------------|------------------|---|
| Upsky Global Limited (<i>Note 1</i>) | Beneficial owner | 123,037,657 | 27.55% |
| Champion Ease Group Limited (<i>Note 2</i>) | Beneficial owner | 74,000,000 | 16.57% |
| Polaris Investment Management Limited (<i>Note 3</i>) | Beneficial owner | 30,248,828 | 6.77% |

Notes:

1. Upsky Global Limited is wholly and beneficially owned by Mr. Chen Jiajun.
2. Champion Ease Group Limited is interested as to 50% by each of Ms. Zhan Meiqing and Mr. Liu Guoliang.
3. Polaris Investment Management Limited is wholly and beneficially owned by Mr. Liu Gary Wei.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the six months ended 30 June 2021, the Group has not entered into any connected transactions or continuing connected transaction for the year which are required to disclose pursuant to Chapter 14A of the Listing Rules. Meanwhile, the Company has the necessary internal controls in place to ensure that the terms of all connected or continuing connected transactions, if any, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**Code Provision**”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2021.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2021, the Group had 25 full-time employees (As at 31 December 2020: 22). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. Share options was granted to certain full-time employees and directors pursuant to the Company's share option scheme.

CHANGE OF COMPANY NAME

On 11 June 2021, the Company proposed to change the English name of the Company from “KK Culture Holdings Limited” to “Kingkey Intelligence Culture Holdings Limited”, and to change the secondary name of the Company in Chinese from “KK文化控股有限公司” to “京基智慧文化控股有限公司” (the “**Proposed Change of Company Name**”).

The Proposed Change of Company Name is subject to the following conditions having been satisfied:

- (a) the passing of a special resolution by the shareholders of the Company at the special general meeting of the Company (the “**SGM**”) to be convened to consider and, if though fit, approve the Proposed Change of Company Name; and
- (b) the Registrar of Companies in Bermuda granting approval for the Proposed Change of Company Name.

The SGM was held on 15 July 2021 and the Proposed Change of Company Name was duly passed and the Proposed Change of Company Name became effective from 16 July 2021 which is the date on which the Registrar of Companies in Bermuda registers the new English name in place of the existing English name of the Company and registers the secondary name of the Company as set out in the certificate of incorporation on change of name and the certificate of secondary name to be issued by the Registrar of Companies in Bermuda respectively. The Company's new stock short name has been changed from "KK CULTURE" to "KINGKEY INT CUL" in English and from "KK文化" to "京基智慧文化" in Chinese with effect from 9:00 a.m. on 26 August 2021 while the Company's stock code of "550" remains unchanged.

AUDIT COMMITTEE

The audit committee has four members comprising one Non-executive Director, Mr. Yiu Yu Cheung and three independent Non-executive Directors, namely, Mr. Chan Chiu Hung, Alex (Chairman), Mr. William Keith Jacobsen and Dr. Leung Ka Kit, with terms of reference in compliance with the Listing Rules. The audit committee review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The audit committee have reviewed the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 and are in the opinion that they are complied with the applicable accounting standards and adequate disclosures have been made.

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

Hong Kong, 26 August 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 Mr. Chan Chiu Hung, Alex, Mr. William Keith Jacobsen and Dr. Leung Ka Kit, as independent non-executive Directors.