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

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

(Stock code: 550)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors (the “**Board**”) of Kingkey Intelligence 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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6	29,010	15,555
Direct operating costs		(14,140)	(5,515)
Gross profit		14,870	10,040
Other income		877	706
Selling and distribution costs		(4,190)	(4,392)
Administrative expenses		(12,263)	(12,375)
(Provision)/reversal of impairment on trade and other receivables and loan receivables, net		(42)	206
Finance costs	7	(421)	(592)
Loss before income tax	8	(1,169)	(6,407)
Income tax credit	9	–	16
Loss for the period		(1,169)	(6,391)

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
<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 (loss)/gain on equity instruments at fair value through other comprehensive income	<u>(11,574)</u>	<u>45,168</u>
Other comprehensive income for the period, net of tax		<u>(11,574)</u>	<u>45,168</u>
Total comprehensive income for the period		<u>(12,743)</u>	<u>38,777</u>
(Loss)/profit for the period attributable to:			
	Equity shareholders of the Company	<u>(2,661)</u>	<u>(6,194)</u>
	Non-controlling interests	<u>1,492</u>	<u>(197)</u>
		<u>(1,169)</u>	<u>(6,391)</u>
Total comprehensive income attributable to:			
	Equity shareholders of the Company	<u>(14,235)</u>	<u>38,974</u>
	Non-controlling interests	<u>1,492</u>	<u>(197)</u>
		<u>(12,743)</u>	<u>38,777</u>
Loss per share			
	– Basic and diluted	<u>(HK0.60 cents)</u>	<u>(HK1.39 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	487	120
Right-of-use assets		2,723	3,639
Intangible assets		962	–
Financial asset at fair value through profit or loss		3,620	–
Equity instruments at fair value through other comprehensive income		65,972	77,546
Loan receivables		850	850
		<u>74,614</u>	<u>82,155</u>
Current assets			
Inventories		747	597
Trade receivables	12	4,756	3,383
Other receivables, deposits and prepayments	12	7,501	8,791
Loan receivables		9,138	9,058
Contingent consideration receivables		3,185	3,185
Cash and cash equivalents		82,895	89,194
		<u>108,222</u>	<u>114,208</u>
Current liabilities			
Contract liabilities		1,470	966
Trade and other payables	13	9,939	9,478
Amount due to a director		–	1,093
Other borrowing		4,318	4,318
Current portion of lease liabilities		1,388	1,533
Provision for taxation		62	82
		<u>17,177</u>	<u>17,470</u>

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Net current assets		<u>91,045</u>	<u>96,738</u>
Total assets less current liabilities		<u>165,659</u>	<u>178,893</u>
Non-current liabilities			
Non-current portion of lease liabilities		<u>1,354</u>	<u>1,845</u>
		<u>1,354</u>	<u>1,845</u>
Net assets		<u>164,305</u>	<u>177,048</u>
EQUITY			
Share capital	14	<u>89,323</u>	89,323
Reserves		<u>73,223</u>	<u>87,458</u>
Equity attributable to shareholders of the Company		<u>162,546</u>	176,781
Non-controlling interests		<u>1,759</u>	<u>267</u>
Total equity		<u>164,305</u>	<u>177,048</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<u>(420)</u>	<u>(6,686)</u>
Investing activities		
Interest received	320	373
Proceeds from disposals of equity instruments at fair value through other comprehensive income	–	2,693
Purchase of property, plant and equipment	(480)	–
Purchase of intangible assets	(962)	–
Purchase of financial asset at fair value through profit or loss	(3,620)	–
Loan to third party	(80)	–
Repayment of loan receivables	–	11,640
Net cash (used in)/generated from investing activities	<u>(4,822)</u>	<u>14,706</u>
Financing activities		
Interest paid on other borrowing	(347)	(524)
Repayments of principal portion of lease liabilities	(636)	(894)
Interest paid on lease liabilities	(74)	(68)
Net cash used in financing activities	<u>(1,057)</u>	<u>(1,486)</u>
Net (decrease)/increase in cash and cash equivalents	(6,299)	6,534
Cash and cash equivalents at the beginning of the period	<u>89,194</u>	<u>92,553</u>
Cash and cash equivalents at the end of the period	<u><u>82,895</u></u>	<u><u>99,087</u></u>
Analysis of balances of cash and cash equivalents		
Bank and cash balances	<u><u>82,895</u></u>	<u><u>99,087</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 2022

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Investment revaluation reserve	Employee compensation reserve	Merger reserve	Contributed surplus	Accumulated loss	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2022 (Audited)	89,323	162,310	52,550	2,975	(43,897)	95,402	(181,882)	176,781	267	177,048
(Loss)/profit for the period	-	-	-	-	-	-	(2,661)	(2,661)	1,492	(1,169)
Other comprehensive income:										
Change in fair value on equity instruments at fair value through other comprehensive income	-	-	(11,574)	-	-	-	-	(11,574)	-	(11,574)
Total comprehensive income for the period	-	-	(11,574)	-	-	-	(2,661)	(14,235)	1,492	(12,743)
Balance at 30 June 2022 (Unaudited)	89,323	162,310	40,976	2,975	(43,897)	95,402	(184,543)	162,546	1,759	164,305
	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Investment revaluation reserve	Employee compensation reserve	Merger reserve	Contributed surplus	Accumulated loss	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	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

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 2022 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 certain financial 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 2021 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 2022. 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 HKFRSs: Annual Improvement to HKFRS 2018–2020 Cycle
- Amendments to HKFRS 3: Reference to Conceptual Framework
- Amendment to HKFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37: Onerous Contracts – Cost of Fulfilling a Contract

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 2021 consolidated annual financial statements.

5. SEGMENT INFORMATION

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

	Advertising		Sales of medical and health products		E-commerce		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue – External sales	<u>13,794</u>	<u>12,393</u>	<u>12,506</u>	<u>3,162</u>	<u>2,710</u>	<u>-</u>	<u>29,010</u>	<u>15,555</u>
Reportable segment profit/(loss)	<u>422</u>	<u>574</u>	<u>3,045</u>	<u>(401)</u>	<u>(541)</u>	<u>-</u>	<u>2,926</u>	<u>173</u>
Amounts included in the measure of segment profit or loss:								
Depreciation	625	1,094	-	-	-	-	625	1,094
Provision/(reversal) of impairment on trade and other receivables and loan receivables, net	42	(204)	-	-	-	-	42	(204)
Interest income	-	(51)	-	-	-	-	-	(51)

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

	Advertising		Sales of medical and health products		E-commerce		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	<u>12,368</u>	<u>12,544</u>	<u>8,280</u>	<u>2,144</u>	<u>2,966</u>	<u>-</u>	<u>23,614</u>	<u>14,688</u>
Reportable segment liabilities	<u>7,578</u>	<u>7,921</u>	<u>3,903</u>	<u>812</u>	<u>-</u>	<u>-</u>	<u>11,481</u>	<u>8,733</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	<u>2,926</u>	<u>173</u>
Unallocated corporate income	<u>462</u>	<u>529</u>
Unallocated corporate expenses*	<u>(4,136)</u>	<u>(6,517)</u>
Finance costs	<u>(421)</u>	<u>(592)</u>
Loss before income tax	<u>(1,169)</u>	<u>(6,407)</u>

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Reportable segment assets	23,614	14,688
Property, plant and equipment	471	97
Right-of-use assets	544	849
Intangible assets	962	–
Financial asset at fair value through profit or loss	3,620	–
Equity instruments at fair value through other comprehensive income	65,972	77,546
Loan receivables	9,988	9,908
Other receivables, deposits and prepayments	1,888	6,799
Cash and cash equivalents	72,592	83,291
Other corporate assets	3,185	3,185
	<hr/>	<hr/>
Group assets	182,836	196,363
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	11,481	8,733
Other payables and accruals	2,532	4,854
Amount due to a director	–	1,093
Other borrowing	4,318	4,318
Lease liabilities	200	316
Other corporate liabilities	–	1
	<hr/>	<hr/>
Group liabilities	18,531	19,315
	<hr/> <hr/>	<hr/> <hr/>

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 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
The People's Republic of China ("PRC")	2,710	–	–	–
Hong Kong (domicile)	26,300	15,555	4,172	3,759
	<hr/>	<hr/>	<hr/>	<hr/>
	29,010	15,555	4,172	3,759
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, sales of medical and health products and sales of household and personal care products.

	Six months ended 30 June	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Advertising income	13,794	12,393
Sales of medical and health products	12,506	3,162
Sales of household and personal care products	2,710	–
	29,010	15,555

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

	Advertising		Sales of medical and health products		E-commerce		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(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>	<i>HK\$'000</i>	<i>HK\$'000</i>
Primary geographical market								
PRC	–	–	–	–	2,710	–	2,710	–
Hong Kong	13,794	12,393	12,506	3,162	–	–	26,300	15,555
	13,794	12,393	12,506	3,162	2,710	–	29,010	15,555
Major products and service lines								
Provision of advertising services	13,794	12,393	–	–	–	–	13,794	12,393
Sales of medical and health products	–	–	12,506	3,162	–	–	12,506	3,162
Sales of household and personal care products	–	–	–	–	2,710	–	2,710	–
	13,794	12,393	12,506	3,162	2,710	–	29,010	15,555
Timing of revenue recognition								
At point in time	–	–	12,506	3,162	2,710	–	15,216	3,162
Transferred over time	13,794	12,393	–	–	–	–	13,794	12,393
	13,794	12,393	12,506	3,162	2,710	–	29,010	15,555

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on other borrowing with repayment on demand clause	347	524
Interest on lease liabilities	74	68
	<u>421</u>	<u>592</u>

8. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	113	66
Depreciation of right-of-use assets	924	1,911
Employee benefit expense	11,943	10,866
Exchange (gain)/loss	(2)	46
Provision/(reversal) of impairment on trade and other receivables and loan receivables, net	42	(206)
Interest income	(449)	(496)
Cost of inventories recognised in direct operating costs	8,616	2,510
	<u>8,616</u>	<u>2,510</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax:		
Over provision in respect of prior years	–	16
Income tax credit	<u>–</u>	<u>16</u>

The Group is subject to Hong Kong Profits Tax under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of the qualifying group entity would be taxed at 8.25%, and profits above HK\$2 million would be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime would continue to be taxed at a flat rate of 16.5%.

No Hong Kong profits 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 2022 and 2021.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2022 is based on the loss for the period attributable to equity shareholders of the Company of HK\$2,661,000 (six months ended 30 June 2021: HK\$6,194,000) and the weighted average of 446,614,000 ordinary shares (six months ended 30 June 2021: 446,614,000 shares) in issue during the interim period.

For the six months ended 30 June 2022, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for the period.

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

11. PROPERTY, PLANT AND EQUIPMENT

The movements during the periods are:

	Property, plant and equipment <i>HK\$'000</i>
Net book amount as at 1 January 2021 (Audited)	248
Depreciation	(66)
	<hr/>
Net book amount as at 30 June 2021 (Unaudited)	182
	<hr/> <hr/>
Net book amount as at 1 January 2022 (Audited)	120
Additions	480
Depreciation	(113)
	<hr/>
Net book amount as at 30 June 2022 (Unaudited)	487
	<hr/> <hr/>

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows a credit period from 7 days to 120 days (31 December 2021: 7 days to 120 days) to its trade customers.

Ageing analysis of trade receivables as at 30 June 2022, based on invoice date and net of provisions, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0 – 30 days	3,619	3,193
31 – 60 days	868	137
61 – 90 days	6	17
91 – 120 days	4	–
121 – 150 days	256	3
Over 150 days	3	33
	<hr/>	<hr/>
Total trade receivables	4,756	3,383
Other receivables, deposits and prepayments	7,501	8,791
	<hr/>	<hr/>
	12,257	12,174
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND OTHER PAYABLES

As at 30 June 2022, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	224	452
1 to 3 months	1,567	–
Over 3 months but within 6 months	–	43
Over 6 months	2,189	–
	<hr/>	<hr/>
Trade payables	3,980	495
Accruals	2,925	4,305
Other payables	3,034	4,678
	<hr/>	<hr/>
	9,939	9,478
	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

	No. of shares '000	HK\$'000
Authorised: Ordinary shares of HK\$0.20 each At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>5,000,000</u>	<u>1,000,000</u>
Issued and fully paid: At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>446,614</u>	<u>89,323</u>

15. SHARE-BASED EMPLOYEE COMPENSATION

On 22 January 2021 (the “**Date of Grant**”), 22,300,000 share options 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 granted during the six months ended 30 June 2022.

No options were exercised during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

For the six months ended 30 June 2022, the Group recognised total expense of HK\$nil (six months ended 30 June 2021: HK\$2,975,000) in relation to the share options.

16. DIVIDENDS

No interim dividend was declared in respect of the six months ended 30 June 2022 and 2021.

17. CAPITAL COMMITMENTS

As at 30 June 2022, there were no capital commitment contracted but not provided for (31 December 2021: nil).

18. 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 2022 are disclosed as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Professional fees paid to a related company (<i>Note</i>)	<u>630</u>	<u>630</u>

Note: During the six months ended 30 June 2022 and 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.

(b) Amounts due to a related party

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Included in other payables: Kingkey Enterprise Hong Kong Limited (<i>Note</i>)	<u>2,014</u>

Note: Amounts due to a related party is unsecured, interest free and expected to be 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefits	795	795
Equity-settled share-based payments	<u>–</u>	<u>1,190</u>
	<u>795</u>	<u>1,985</u>

19. 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.

Pursuant to the announcement of the Company dated 2 August 2022, the second tranche consideration conditions and the third tranche consideration conditions are satisfied and the purchaser allots and issues the second tranche consideration shares (i.e. 5,791,666 purchaser shares (as adjusted to the effect of the capital reorganisation of the purchaser which has become effective on 1 September 2021 (“**Capital Reorganisation**”))) and the third tranche consideration shares (i.e. 5,791,667 purchaser shares (as adjusted to the effect of the Capital Reorganisation)) to the Company on 1 August 2022.

20. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

21. EVENT AFTER REPORTING DATE

As noted in note 19, the second and third tranche consideration conditions are satisfied and the purchaser allots and issues the second tranche consideration shares (i.e. 5,791,666 purchaser shares (as adjusted to the effect of the Capital Reorganisation)) and the third tranche consideration shares (i.e. 5,791,667 purchaser shares (as adjusted to the effect of the Capital Reorganisation)) to the Company on 1 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Recruit Magazine

As stated in our 2021 annual report, the outbreak of the fifth wave of COVID-19 Omicron variant in the first quarter of 2022 was terrifying and unprecedented that the daily confirmed cases went up to a record high of over 50,000, putting most of the commercial activities to hold. Many people were forced to work from home. The streets and shopping malls were empty and the Hong Kong economy was contracting sharply as evidenced by the acute increase in unemployment rate from 3.8% in the period from October to December 2021 to a whopping 5.4% for the period from February to April 2022. Even the underemployment rate soared to 3.8% from 1.7%. The situation again sent our recruitment advertising business to a difficult position. With the previous experience in 2020, we managed to react faster and more effective to cushion the shock. Moreover, the industries that were hit hard were retail and catering which are not those our major customers come from. As a result, for the six months ended 30 June 2022, the revenue contributed from this business segment was approximately HK\$13.8 million, representing an increase of approximately HK\$1.4 million, or 11% from the same period of last year.

Medical and Health Services

Although the pandemic has cast a negative impact to our Recruit magazine business, it benefited our medical and health service business. For the six months ended 30 June 2022, the revenue from this business surged to approximately HK\$12.5 million, or 291% compared with last year's approximately HK\$3.2 million of the same period due to the significant increase in demand of our COVID-19 test kits and related medical advisory services.

PROSPECT

The fifth wave of the Omicron outbreak could have been avoided or at least less disastrous should the relevant authorities been more vigilant and the Hong Kong economy would probably have been saved from such a heavy brunt of havoc.

In the second quarter of the year, the pandemic is seen to be easing and the society is resuming. Apart from the mainland China, most of the advanced economic entities have already been back to normal. It is, at this point of time, optimistic that the toughest time of the COVID-19 epidemic is over. We expect that the demand for our medical and health services will be lessened in the second half of this year but, following the economic recovery, the labour market will be revitalised, driving our magazine advertising business up again. Moreover, our e-commerce service business, which was delayed due to the lockdown in the mainland China, has finally commenced in May, we hope this new business could be another new source of income and, hopefully, profit to the Group. We will also keep sourcing investment opportunity and transfer it into our profit by making use of our existing resources.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group recorded revenue of approximately HK\$29.0 million (2021: HK\$15.6 million) representing an increase of approximately HK\$13.4 million or 86%. The increase was mainly derived from the surge in revenue from Medical and Health Services segment as a result of the fifth wave of COVID-19 outbreak in the first quarter.

Selling and distribution costs decreased from approximately HK\$4.4 million in the first half of 2021 to approximately HK\$4.2 million in the first half of 2022.

For the six months ended 30 June 2022, the Group recorded approximately HK\$12.3 million (2021: HK\$12.4 million) of administrative expenses and is comparable to the same period in last year.

No income tax expenses was recorded for the six months ended 30 June 2022 (2021: income tax credit of HK\$16,000).

As a result of the above, for the six months ended 30 June 2022, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$2.7 million, compared with that of approximately HK\$6.2 million for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had net current assets of approximately HK\$91.0 million (31 December 2021: HK\$96.7 million). The Group's current ratio was approximately 6.3 (31 December 2021: 6.5) while the Group's net assets was approximately HK\$164.3 million compared with those of approximately HK\$177.0 million as at 31 December 2021. Total cash and bank deposits was approximately HK\$82.9 million (31 December 2021: HK\$89.2 million).

The Group generally finance its operations mainly with internally generated cashflow. The Group's gearing ratio as at 30 June 2022 was 0.03 (31 December 2021: 0.02), 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 2022 and 31 December 2021 was approximately HK\$4.3 million. There was no bank loan as at 30 June 2022 and 31 December 2021.

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 2022, the Company has invested in one (31 December 2021: one) 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	At	% to the	% to the
			1 January 2022			changed during the period	30 June 2022	Group's net assets as at 30 June 2022	Group's total assets as at 30 June 2022
			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; 115,740,000	1.72%	77,546	-	-	(11,574)	65,972	40.2%	36.1%
	(ii) wealth management; and (iii) other financial services, mink farming and trading of mink's fur skin.								
Total			<u>77,546</u>	<u>-</u>	<u>-</u>	<u>(11,574)</u>	<u>65,972</u>	<u>40.2%</u>	<u>36.1%</u>

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

* The above listed security was a significant investment held by the Company as at 30 June 2022. The aggregate cost of investment was approximately HK\$24,996,000. The decrease in share price of Kingkey Financial International (Holdings) Limited at 30 June 2022 compared with that as at 31 December 2021 led to the decrease in fair value amounting to approximately HK\$11.6 million. No dividend was received from the investment during the period.

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. The securities investment is categorised as equity instruments at fair value through other comprehensive income accordingly to Hong Kong Financial Reporting Standards and the Company considers to sell some or all of the investment 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 2022.

CAPITAL STRUCTURE

As at 30 June 2022, the total issued shares of the Company (“**Shares**”) was 446,614,000 (31 December 2021: 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.

As disclosed in the Company’s announcement dated 2 January 2022, the unutilised net proceeds amounted to approximately HK\$82 million (the “**Unutilised Net Proceeds**”). The Board, having considered the existing business environment and development of the Group, resolved to change the use of the Unutilised Net Proceeds. Set out below is the proposed change of use of the Unutilised Net Proceeds:

Intended use of Unutilised Net Proceeds	Original allocation of Unutilised Net Proceeds	Revised allocation of Unutilised Net Proceeds
For any potential investment opportunities as identified by the Group	Approximately HK\$82 million	Approximately HK\$49 million
For general working capital in the daily operation of the Group	–	Approximately HK\$33 million

Save as the other strategic investments and acquisitions which shall be identified by the Group from time to time, it is expected that a substantial portion, if not all, of the Unutilised Net Proceeds shall be utilised by the end of the year 2022.

Apart from the imminent needs for additional funding in its existing business and daily operation needs, the Group plans to diversify its business and expand its revenue base through different types of business partnerships.

After certain review on the existing global environment and study on the existing market trend, the Board considered that the global e-commerce market evolves rapidly, brands have become more reliant on e-commerce service providers with sophisticated brand e-commerce operation experience and flexible industry partnership, thereby helping brand partners quickly build online retail channels, strengthen brand positioning, improve marketing efficiency and expand the user pool along with the product sales. In light of this, it is the plan of the Group to allocate cash resources to pursue strategic investments in e-commerce upstream and/or downstream industry participants, taking into account the potential business growth, track record as well as the expected synergies to be achieved. Specifically, the management of the Group will keep looking for investment opportunities and/or cooperation with experienced market participants and target to operate a brand e-commerce retail and/or wholesale solution provider in China, strategically focused on branded fast-moving consumer goods. 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 2022; and (iv) the remaining net proceeds from the Placing as at 30 June 2022.

No.	Net proceeds from the Placing	Intended use of proceeds from the Placing	Actual use of proceeds from the Placing as at 30 June 2022	Remaining net proceeds from the Placing as at 30 June 2022
(i)	Approximately HK\$43 million	For general working capital in the daily operation of the Group	Approximately HK\$22 million	Approximately HK\$21 million
(ii)	Approximately HK\$60 million	For any potential investment opportunities as identified by the Group	Approximately HK\$16 million	Approximately HK\$44 million and is expected to be utilised by the end of 2022
Total	Approximately HK\$103 million			

As at the date hereof, there is no definitive target identified, nor has any due diligence process been commenced or definitive agreement been entered into.

The Directors will continuously assess the plans for the use of Unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

Save as disclosed above, there was no fund raising activity taken place during the six months ended 30 June 2022.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2022, the Group had no significant capital commitments (31 December 2021: nil). The Group had no significant contingent liabilities as at 30 June 2022 (31 December 2021: 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 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS IN CAPITAL ASSETS

As at 30 June 2022, the Company had no plan for material investments in capital assets.

CHARGE ON GROUP ASSETS

As at 30 June 2022, there was no charge on the Group's assets.

OTHER DISCLOSURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2022, 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%	1.00%
Mr. YIU Yu Cheung	Beneficial owner	4,460,000	1.00%	1.00%

Save as disclosed above, as at 30 June 2022, 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 2022, a total of 22,300,000 share options were outstanding. During the period, no share options were granted, exercised, lapsed or cancelled.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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 (Note 1)	Beneficial owner	123,037,657	27.55%
Champion Ease Group Limited (Note 2)	Beneficial owner	74,000,000	16.57%
Polaris Investment Management Limited (Note 3)	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 2022, 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 2022, 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 2022, 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 2022.

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 2022.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2022, the Group had 27 full-time employees (As at 31 December 2021: 23). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. Share options was granted to certain full-time employees and directors pursuant to the Company's share option scheme.

AUDIT COMMITTEE

The audit committee has four members comprising one Non-executive Director, Mr. Yiu Yu Cheung and three independent Non-executive Directors, namely, Mr. Chan Chiu Hung, Alex (Chairman), Ms. Tang Po Lam Paulia and Mr. William Keith Jacobsen, 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 interim report for the six months ended 30 June 2022 and are in the opinion that report has 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, 25 August 2022

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 Ms. Tang Po Lam Paulia, Mr. William Keith Jacobsen and Mr. Chan Chiu Hung, Alex, as independent non-executive Directors.