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KK CULTURE HOLDINGS LIMITED

KK文化控股有限公司

(Continued in Bermuda with limited liability)

(Stock Code: 550)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



BAOQIAO PARTNERS CAPITAL LIMITED

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 31 July 2018 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placees, on a best effort basis, to subscribe up to 74,000,000 new Shares at the Placing Price of HK\$1.40 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Completion, the Placing Shares represents (i) approximately 19.86% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Shares will be allotted and issued under the General Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The maximum gross proceeds from the Placing are estimated to be approximately HK\$103.6 million. The maximum net proceeds from the Placing (after deducting all commissions and other expenses) are estimated to be approximately HK\$102.9 million, which are intended to be utilised for general working capital purposes and future business and investment opportunities.

As Completion under the Placing Agreement is subject to the fulfilment and/or waiver of certain Conditions set forth therein, the Placing may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date 31 July 2018 (after trading hours)

Parties (i) the Company (as issuer); and

(ii) BaoQiao Partners Capital Limited (as placing agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

PLACING SHARES

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure Placees, on a best effort basis, to subscribe up to 74,000,000 new Shares at the Placing Price (together with all such brokerage fees, SFC transaction levy and Stock Exchange trading fee as may be payable by such Placees in relation to each Placing Share). The Placing Shares represents (i) approximately 19.86% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Completion). The aggregate nominal value of the maximum number of 74,000,000 Placing Shares is HK\$14,800,000.

PLACING PRICE

The price of HK\$1.40 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares on the Stock Exchange. The Placing Price represents:

(i) a discount of approximately 14.63% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and

- (ii) a discount of approximately 10.26% to the average closing price of approximately HK\$1.56 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Placing Agreement.

Taking into account all commissions and other expenses in relation to the Placing, the net issue price of each Placing Share is approximately HK\$1.39 per Placing Share.

PLACING COMMISSION

Upon Completion, the Company will pay to the Placing Agent a placing commission equal to 0.5% of the aggregate value of the Placing Shares successfully placed by the Placing Agent under the Placing calculated at the Placing Price per Placing Share.

PLACEES

The Placees shall be professional, institutional or other investors selected and procured by or on behalf of the Placing Agent. The Placing Agent shall ensure that the Placees shall be third parties independent of and not acting in concert with (i) the Company or any of its subsidiaries; (ii) a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, (iii) a person who was a director of the Company or any of its subsidiaries in the last 12 months; or (iv) an associate of any of those set out in (i), (ii) and (iii), on a best effort basis.

The Placing Agent may elect to subscribe for the Placing Shares in part or in whole as principal at the Placing Price provided that (i) the Placing Agent has not entered into any agreement or other arrangement for re-sell of the Placing Shares on or before the Completion; (ii) the aggregate number of the Placing Shares to be subscribed by the Placing Agent as principal(s) and the Placees shall not exceed the maximum number of Placing Shares; (iii) written notification prior to the Completion shall be given to the Company to notify the number of Placing Shares so subscribed by the Placing Agent as principal; and (iv) such subscription and re-sell of Placing Shares by the Placing Agent as principal shall be made in compliance with all applicable laws and regulations, including but not limited to the Listing Rules.

RANKING OF THE PLACING SHARES

The Placing Shares, when allotted and issued, will be fully paid up and will rank pari passu in all respects with other Shares in issue at the date of allotment and issue of the Placing Shares.

CONDITIONS PRECEDENT

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions (the “**Conditions**”) being fulfilled (or being waived by the Placing Agent in writing, if applicable):

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares;
- (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the Completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of Completion; and
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the Conditions (other than those set out in paragraph (i) above) by notice in writing to the Company.

COMPLETION

Completion is expected to take place on the fifth Business Day after fulfilment or waiver (as the case may be) of the Conditions to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such Conditions by the Long Stop Date. If any of the Conditions have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

TERMINATION AND FORCE MAJEURE

If, at any time prior to Completion:

- (i) the Company fails to comply with its obligations under the Placing Agreement, or the Listing Rules;

- (ii) it comes to the notice of the Placing Agent that any statement contained in any document issued in connection with the Placing has become (or would if then repeated be) untrue, incorrect or misleading in any material respect or that matters have arisen which would, if the Placing were made at that time, constitute a material omission therefrom; or
- (iii) any of the representations, warranties or undertakings contained in the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in any material respect (or would not be true, accurate and not misleading in any material respect if then repeated) by reference to the facts subsisting at the time when the notice referred to below is given,

and such matter is reasonably considered by the Placing Agent to be material in the context of the Placing, then the Placing Agent may, in its absolute discretion, by giving notice in writing to the Company, terminate the Placing Agent's obligations under the Placing Agreement, save in respect of any antecedent breach thereof.

If, on or at any time before Completion, any national or international, political, military, diplomatic, monetary, economic or financial crisis or situation occurs or there occurs any change in national or international, military, diplomatic, monetary, economic, political, financial or market conditions which, in the opinion of the Placing Agent arrived at in good faith, renders the Placing temporarily or permanently impracticable or inadvisable, or any event or omission occurs or comes to the Placing Agent's notice which, in the opinion of the Placing Agent arrived at in good faith, will or may be materially prejudicial to the Company or the Placing, then the Placing Agent may, in its absolute discretion, by giving notice in writing to the Company, terminate the Placing Agreement, save in respect of any antecedent breach thereof.

The Directors are not aware of the occurrence of any of the aforesaid events or circumstances as at the date of this announcement.

GENERAL MANDATE TO ALLOT AND ISSUE THE PLACING SHARES

The Placing Shares will be issued pursuant to the General Mandate granted to the Directors by an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 8 June 2018, which authorised the Directors to allot and issue up to 74,522,800 Shares (representing 20% of the issued share capital of the Company as at such date). The General Mandate has not been utilised prior to entering into the Placing Agreement. Accordingly, the Placing is not subject to the Shareholders' approval.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the provision of advertising services and property investment. The Board is currently exploring various possibilities to raise fund for its general working capital purposes and future business and investment opportunities, and considers that the Placing is an efficient and appropriate way for the Company to raise fund for the aforesaid purposes so as to improve the Company's financial position, while broadening the Company's Shareholder base at the same time.

The maximum gross proceeds from the Placing are estimated to be approximately HK\$103.6 million. The maximum net proceeds from the Placing (after deducting all commissions and other expenses) are estimated to be approximately HK\$102.9 million, which are intended to be utilised for general working capital purposes and future business and investment opportunities.

The Board considers that the terms and conditions of the Placing Agreement are fair and reasonable and are on normal commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

There were no fund raising activities of the Company during the past twelve months immediately prior to the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 372,614,000 Shares in issue. The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following Completion (assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Completion, and that all Placing Shares are fully placed):

Name of Shareholders	As at the date of this announcement		Immediately following Completion (assuming there is no change in the issued share capital of the Company between the date of this announcement and the date of Completion, and that all Placing Shares are fully placed)	
	Number of Shares	Approx.%	Number of Shares	Approx.%
Mr. Chen Jiarong (<i>Note 1</i>)	95,037,657	25.51	95,037,657	21.28
Mr. Liu Gary Wei (<i>Note 2</i>)	50,248,828	13.49	50,248,828	11.25
Mr. Yiu Yu Cheung (<i>Note 3</i>)	3,330,000	0.89	3,330,000	0.75
Mr. Tsang Hing Bun (<i>Note 4</i>)	500,000	0.13	500,000	0.11
The Placees	–	–	74,000,000	16.57
Other public Shareholders	223,497,515	59.98	223,497,515	50.04
Total	<u>372,614,000</u>	<u>100.00</u>	<u>446,614,000</u>	<u>100.00</u>

Note:

1. Mr. Chen Jiarong, the non-executive Director and chairman of the Company, is the beneficial owner of Upsky Global Limited, which holds 95,037,657 Shares in long position.
2. Mr. Liu Gary Wei, the executive Director and chief executive officer of the Company, is the beneficial owner of Polaris Investment Management Limited, which holds 50,248,828 Shares in long position.
3. Mr. Yiu Yu Cheung is a non-executive Director.
4. Mr. Tsang Hing Bun is an executive Director.

As Completion under the Placing Agreement is subject to the fulfilment and/or waiver of certain Conditions set forth therein, the Placing may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business;
“Company”	KK Culture Holdings Limited, a company continued in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 550);
“Completion”	completion of the Placing;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 8 June 2018, authorising the Directors to allot and issue Shares up to 20% of the issued share capital of the Company as at that date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	Any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are independent of, not connected with and not acting in concert (as defined in the The Codes on Takeovers and Mergers and Share Buy-backs) with the Company or any Director, chief executive, substantial shareholder (as defined in the Listing Rules) or connected persons of the Company or any of their respective subsidiaries or any of their respective associates;

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	21 August 2018 or such later date as may be agreed between the Placing Agent and the Company in writing;
“Placee(s)”	professional, institutional and other investors selected and procured by or on behalf of the Placing Agent to subscribe for the Placing Shares pursuant to the provisions as contemplated by the Placing Agreement;
“Placing”	the placing by or on behalf of the Placing Agent and, where appropriate, the subscription as principal by the Placing Agent of the Placing Shares on the terms and subject to the conditions referred to in the Placing Agreement;
“Placing Agent”	BaoQiao Partners Capital Limited (寶橋融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the placing agent under the Placing Agreement;
“Placing Agreement”	the placing agreement dated 31 July 2018 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$1.40 per Placing Share;
“Placing Share(s)”	up to 74,000,000 new Shares, to be allotted and issued pursuant to the terms and conditions of the Placing Agreement;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.2 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong;

“%” per cent.

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

Hong Kong, 31 July 2018

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