

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement dated 21 February 2024 (the “**Announcement**”) of Kingkey Intelligence Culture Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) regarding (inter alia) the Litigation against Mr. Tsang and the impact on various business segments of the Group. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Announcement.

In addition to the information contained in the Announcement, the Board hereby provides further information as follows:

1. The Relevant Payment

- 1.1. As disclosed in the Announcement, the Plaintiffs commenced the Litigation against the Defendants for, amongst other things, procurement of payments to entities without consent and/or authorization. More particularly, it is the Plaintiffs’ case that Mr. Tsang, in breach of fiduciary duties, procured Kingkey E-Commerce Limited (formerly known as Sagacious Education Limited) (“**KKEC**”), a wholly-owned subsidiary of the Company, to pay about HK\$2.8 million (the “**Relevant Payment**”) in about June 2023 to a wholly-owned subsidiary of another Hong Kong listed company (“**Another Listco**”), without consent and/or authorization from the Plaintiffs after making full disclosure of Mr. Tsang’s directorship in Another Listco or at all.

2. Advertising Segment

- 2.1. The Advertising Segment, contributing 83.8% (or HK\$17.0 million) of the Group’s revenue – external sales for the six months ended 30 June 2023 (“**1H2023**”) and representing 25.2% (or HK\$12.8 million) of the Group’s total reportable segment assets as at 30 June 2023, is at all times under normal operation and the Company’s control. Mr. Tsang’s incident appears to have no impact whatsoever on this segment.

3. E-commerce Segment

- 3.1. The E-commerce Segment only contributed 14.3% (or HK\$2.9 million) of the Group's revenue – external sales for 1H2023 but represented 66.9% (or HK\$33.9 million) of the Group's total reportable segment assets as at 30 June 2023.
- 3.2. Although Mr. Tsang failed and/or refused to provide assistance to the incumbent Board and Management in taking over the E-commerce Segment, the incumbent Board and Management nonetheless managed to retrieve document records (including accounting records) prior to September 2023, appoint majority directors to the key operating company of this segment, KKEC and gain access and control to the bank accounts of KKEC. The incumbent Board and Management therefore regards that the E-commerce Segment is under control of the Company.
- 3.3. Based on the document records retrieved as of the date of this announcement, save and except the Relevant Payment which was in the amount of HK\$2.8 million, the incumbent Board and Management have not identified any other irregularities in the E-commerce Segment.
- 3.4. Subsequent to September 2023, the incumbent Board and Management reviewed the pre-existing operations and investments recorded before the resignation of Mr. Tsang in September 2023. Due to Mr. Tsang's incident, the incumbent Board and Management slowed down its pace on the development of new businesses of this segment and focus on document retrieval and debt recovery. That having said, the incumbent Board and Management constantly explored business opportunities to maintain the normal operation of the E-commerce Segment.
- 3.5. Between September 2023 and now, KKEC succeeded in recovering proceeds from various items including stock inventory in the amount of HK\$11.7 million and investments in concerts of HK\$4.9 million. Following such recovery, as at 31 January 2024, KKEC had cash and cash equivalents of HK\$27.8 million, which is under control of the incumbent Board and Management.
- 3.6. Among the receivables/prepayments recorded by KKEC prior to Mr. Tsang's resignation in September 2023, the Relevant Payment of HK\$2.8 million and a prepayment – non-current of HK\$2.5 million remained outstanding and have yet to be recovered by KKEC. The incumbent Board and Management will continue to endeavour to seek recovery of the outstanding sums which were incurred before Mr. Tsang's resignation, including through legal action(s) against relevant party(ies) if necessary.

4. Medical and Health Segment

- 4.1. The Medical and Health Segment only contributed 1.8% (or HK\$0.37 million) of the Group's revenue – external sales for 1H2023 and represented 7.9% (or HK\$4.0 million) of the Group's total reportable segment assets as at 30 June 2023. As explained in the Announcement, the revenue of the Medical and Health Segment has become insignificant following the end of the COVID-19 epidemic. Since September 2023, the incumbent Board and Management have not brought in any new business for this segment and merely focused on document and asset recovery.
- 4.2. The principal operating company of the Medical and Health Segment is KK Wecheck, a 51%-owned subsidiary of the Company. Based on the document records available to the Company, as at 30 June 2023, KK Wecheck had net assets of HK\$3.9 million (excluding amount due to the Company in the amount of HK\$3.6 million), and its principal asset was a deposit, other receivable and prepayment of HK\$3.7 million. The incumbent Board and Management will continue to endeavour to seek recovery of the outstanding sums which were incurred before Mr. Tsang's resignation, including through legal action(s) against relevant party(ies) if necessary.
- 4.3. After September 2023, the Company has issued letters to Mr. Tsang to request for document records of KK Wecheck, as he remains the sole director of KK Wecheck up to the date hereof. It is the Company's case that Mr. Tsang failed and/or refused to provide assistance to the incumbent Board and Management so far, including the delivery of full document records to the Company. That having said, the Company regards that it has control over this segment because Mr. Tsang was nominated by the Company to act as the sole director of KK Wecheck and is under obligations, whether under law or contract, to oversee the affairs of KK Wecheck and report the matters of the Medical and Health Segment to the Company, and the Company believes that Mr. Tsang is in possession of the full document records of KK Wecheck. However, if the situation turns out to be different upon the revelation of matters during the process of the Litigation or otherwise, further announcement will be made as and when appropriate. Pending the clarification of situation through the Litigation, the incumbent Board and Management have no intention to bring in new business to KK Wecheck or the Medical and Health Segment, and will continue to focus on document and asset recovery.

5. Hopeful Top

- 5.1. As explained in the Announcement, up to 30 June 2023, the Group had invested HK\$7.9 million in Hopeful Top, but Hopeful Top had not contributed any revenue to the Group. Based on the information available to the Company, Hopeful Top appeared to be engaged in the investment of certain custom integrated circuit chip design project, all recorded by Hopeful Top prior to Mr. Tsang's resignation in September 2023.

- 5.2. Based on the information available to the Company, Hopeful Top made loss of HK\$1.75 million during 1H2023. Based on the document records available to the Company, as at 30 June 2023, Hopeful Top had net assets of HK\$7.8 million, and its principal asset was a deposit, other receivable and prepayment of HK\$6.4 million. The incumbent Board and Management will continue to endeavour to seek recovery of the outstanding sums which were incurred before Mr. Tsang's resignation, including through legal action(s) against relevant party(ies) if necessary. Since September 2023, the incumbent Board and Management have not brought in any new business for Hopeful Top and merely focused on document and asset recovery.
- 5.3. Although Mr. Tsang failed and/or refused to provide assistance to the incumbent Board and Management in taking over Hopeful Top, the incumbent Board and Management nonetheless managed to retrieve document records (including accounting records) prior to September 2023, appoint majority directors to Hopeful Top and is gaining access and control to the bank accounts of Hopeful Top, although its bank accounts are not expected to contain any substantial amount of cash or cash equivalents. In light of the foregoing in particular the Company's power to appoint majority directors, the Company regards that it has control over Hopeful Top. However, if the situation turns out to be different upon the revelation of matters during the process of the Litigation or otherwise, further announcement will be made as and when appropriate. Pending the clarification of situation through the Litigation, the incumbent Board and Management have no intention to bring in new business to Hopeful Top, and will continue to focus on document and asset recovery.

6. Aurora HK

- 6.1. Aurora HK is a 45%-owned associate invested by the Company in 1H2023 for the cash consideration of HK\$16 million. Further details regarding Aurora HK and the subscription of its 45% shareholding interest by the Company (the "**Aurora HK Subscription**") were disclosed in the Company's announcements dated 3 and 17 April 2023.
- 6.2. The Aurora HK Subscription was completed on 8 May 2023. Immediately following completion, the 45% shareholding interest of Aurora HK was booked by the Group using equity method of accounting as an investment in associate, which is defined as an entity over which the Group has significant influence. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

- 6.3. As disclosed in Note 12 to the condensed consolidated financial statements on page 32 of the Company's interim report for 1H2023, as of 30 June 2023, the Group shared post-acquisition loss of Aurora HK in the amount of HK\$2.1 million, resulting in the carrying value of HK\$13.9 million.
- 6.4. Subsequent to September 2023, the incumbent Board and Management managed to obtain the unaudited management accounts ("UMAs") of Aurora HK and its subsidiaries ("**Aurora HK Group**") from time to time. In November 2023, the Company received UMAs showing that Aurora HK Group made loss of HK\$8,747,000 for the nine months ended 30 September 2023 and had net assets of HK\$12,747,000 as at that date. In January 2024, the Company received UMAs showing that Aurora HK Group made loss of HK\$11,466,000 for the twelve months ended 31 December 2023 and had net assets of HK\$7,766,000 as at that date.
- 6.5. Based on the way in which the Company's interim report for 1H2023 was prepared and presented by the Company's ex-management prior to the resignation of Mr. Tsang, the incumbent Board and Management was given to understand that the ex-management, led by Mr. Tsang, regarded themselves as having influence over Aurora HK. As explained above, Mr. Tsang is under obligations, whether under law or contract, to oversee affairs and report matters of investment entities to the Company. However, if the situation turns out to be different upon the revelation of matters during the process of the Litigation or otherwise, further announcement will be made as and when appropriate. Pending the clarification of situation through the Litigation, the incumbent Board and Management have no intention to make further investment to Aurora HK, and are exploring ways to seek to recover the Company's investment made in it.

7. **KKFI Shares**

- 7.1. As explained in the Announcement and disclosed in previous financial reports, the Company owns certain equity instruments at FVTOCI, principally financial investments in listed securities, of which the most significant item is 115,740,000 KKFI Shares owned by the Company.
- 7.2. Following the resignation of Mr. Tsang, the Company has written numerous letters to him to ask him to return, or procure or facilitate the return of, the documents and properties of the Company, including (among other things) the original share certificate in respect of the KKFI Shares. It is the Company's case that Mr. Tsang has failed and/or refused to provide any assistance to the Company in the regard, forcing the Company to spend extra time, effort and money to investigate the status on its own.

- 7.3. To the best of the Directors' knowledge, information and belief having made reasonable enquiries with KKFI's branch share registrar and transfer office in Hong Kong ("**KKFI HK Branch Share Registrar**"), up to the date of this announcement, the Company was and is at all relevant times the registered owner of these 115,740,000 KKFI Shares. Notwithstanding the inability to recover the original share certificate, the Company regards that it is in control of the underlying KKFI Shares, as evident by the registration entry maintained by KKFI HK Branch Share Registrar and inspected by the Company shortly before the date of this announcement.
- 7.4. To safeguard its assets, the Company has issued a letter to KKFI HK Branch Share Registrar to put it on notice about the loss of the original share certificate, and remind them to take instructions in respect of these KKFI Shares only from the duly authorised members/representatives of the incumbent Board, Management and professional adviser to the exclusion of any unauthorized person(s), in particular any ex-director(s) or ex-officer(s) of the Company.

8. Relevant Motor Vehicles

- 8.1. As at 30 June 2023, the three Relevant Motor Vehicles (including the car plates but deducting accumulated depreciation) had a total carrying value of HK\$4.2 million.
- 8.2. Subsequent to 16 February 2024, the Group has now recovered the three Relevant Motor Vehicles, the car keys and registration documents from the legal adviser of the Alleged Driver. Accordingly, the Group has ownership and control of the Relevant Motor Vehicles.

Save and except the supplemental information disclosed above, all other contents of the Announcement remain unchanged.

By order of the Board
Kingkey Intelligence Culture Holdings Limited
Chen Jiajun
Chairman

Hong Kong, 23 February 2024

As at the date of this announcement, the Board comprises Mr. Chen Jiajun (Chairman) and Ms. Yiu Sze Wai as executive Directors; Mr. Ma Fei and Mr. Ng Wai Hung as non-executive Directors; and Ms. Tang Po Lam Paulia, Mr. Chan Chiu Hung Alex and Mr. Chai Chung Wai as independent non-executive Directors.