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英皇文化產業集團有限公司
Emperor Culture Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

2021/2022 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**” or “**Directors**”) of Emperor Culture Group Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2022 (the “**Year**”).

	For the year ended		Changes
	30 June		
	2022	2021	
Revenue	306,713	192,908	+59.0%
Gross profit	178,996	111,172	+61.0%
Loss for the year	218,402	228,078	N/A
Loss per share	HK\$0.06	HK\$0.07	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Year, the Group's total revenue increased by 59.0% to HK\$306.7 million (2021: HK\$192.9 million). Despite the revival of business in the first half of the Year, the resurgence of Covid-19 in mainland China and Hong Kong markets during the second half of the Year caused disruption to its cinema operation. In the meantime, less rental concessions were offered by landlords, hence a net loss for the Year of HK\$218.4 million (2021: HK\$228.1 million) was recorded. Loss per share was HK\$0.06 (2021: HK\$0.07).

MARKET REVIEW

During the first half of the Year, social distancing measures were eased for certain periods, hence the public's entertainment and leisure activities resumed to a certain extent. In the meantime, the continued expansion of China's middle income group has contributed to an increase in cinema patrons. According to figures published by the China Film Administration, China once again surpassed the United States in annual box office revenue in 2021, and remained the world's largest movie market for the second consecutive year. With Chinese government's efforts to develop the industry, the popularity of China-produced movies increased domestically, as they became the major contributor to China's box office revenue.

Nevertheless, in the second half of the Year, Hong Kong and mainland China were hit hard by the resurgence of Covid-19, leading to implementation of stringent anti-pandemic measures. Temporary closures of cinemas in Hong Kong and mainland China inevitably affected box office revenues and impeded the recovery of the industry.

BUSINESS REVIEW

The Group principally engages in entertainment, media and cultural development businesses, which include (i) cinema operation; and (ii) investments in films.

Cinema Operation

Revenue from the cinema operation segment increased by 59.0% to HK\$306.7 million (2021: HK\$192.9 million), which mainly included the revenue of box office takings amounted to HK\$270.1 million (2021: HK\$164.1 million), accounting for 88.1% (2021: 85.1%) of the cinema operation revenue. In terms of revenue by geographical segment, revenue from mainland China and Hong Kong was HK\$122.9 million (2021: HK\$133.2 million) and HK\$162.8 million (2021: HK\$59.5 million), respectively, accounting for 40.1% (2021: 69.0%) and 53.1% (2021: 30.8%) of the cinema operation revenue.

During the Year, the Group completed the acquisition of the entire equity interest in and the loan due from the target company at an aggregate consideration of HK\$4.0, from a company which is indirectly controlled by the Company's substantial shareholder (the "Vendor") (the "Acquisition"). The target company and its subsidiaries (the "Target Group") are principally engaged in cinema operation, covering one cinema in Hong Kong and eight cinemas in mainland China. Details of the Acquisition were disclosed in the Company's announcement dated 31 January 2022 and circular dated 25 March 2022.

Upon completion of the Acquisition during the Year, the Group ran a total of 24 cinemas as at 30 June 2022, which comprised 17 *Emperor Cinemas* in mainland China, Hong Kong, Macau and Malaysia, and 7 *Emperor UA Cinemas* in mainland China, offering a total of 192 houses with approximately 25,700 seats. All these cinemas are situated in strategic locations, and provide premium entertainment services.

Located in either large-scale commercial and entertainment complex or upscale residential areas, the cinemas of the Group are positioned as high-end premium cinemas equipped with advanced technologies including IMAX[®] theatre system, ScreenX, 4DX or MX4D motion systems, D-Box seats and Dolby Atmos audio system. They also feature VIP houses and VIP lounges, where the audiences can enjoy premium and exclusive entertainment services.

During the Year, an *Emperor Cinemas* was newly opened in Times Square, Hong Kong, in December 2021. Located at the core area of Causeway Bay, it is the largest cinema in the district, boasting 5 houses spanning three floors, including two Dolby Atmos-equipped houses. Deliberately reorganised and refurbished, the lobby has become more spacious, and the enlarged waiting zone is equipped with a VIP ticketing counter, and a bigger-than-ever snack corner to offer audiences a cosy, relaxing start to their cinema experience. In addition, this is Hong Kong's first cinema in which all seats feature wireless charging mobile phone mounts. The Group is dedicated to elevating the experience for its audiences, by offering the most thoughtful and detail-oriented services.

Besides, the Group has newly opened its first *Emperor Cinemas* in Macau in November 2021. Situated at Lisboeta Macau, it offers 9 houses with approximately 1,200 seats. Brand-new experiences include Macau's first IMAX[®] theatre with IMAX[®] with Laser projection technology and 12.0 surround sound system, as well as the MX4D Motion EFX Theatre developed by American firm MediaMation, and it is Macau's one-and-only theatre with Dolby Atmos[®] panoramic sound system. Apart from these, the VIP House – the CORONET is also available, providing first-class services and a luxurious viewing treat to its audiences.

Investments in Films

As at 30 June 2022, the Group had investments in certain film productions at the fair value of HK\$5.9 million (2021: HK\$5.5 million).

PROSPECTS

Subsequent to the Year, the Group cooperated with MCL Cinemas in introducing the *Emperor Cinemas Plus+* and *MCL Cinemas Plus+* in Hong Kong. The first *MCL Cinemas Plus+* was opened in Plaza Hollywood in Diamond Hill in July 2022, which is the cinema with the largest capacity in East Kowloon, while the first *Emperor Cinemas Plus+* is expected to be opened in 2023.

Looking ahead, apart from continued efforts in expanding its cinema network, the Group will endeavour to elevate its customers' entertainment experience by offering thoughtful, detail-oriented services. The Group will also closely monitor the market conditions and promptly respond as appropriate. Although Covid-19 has somewhat hindered the development of China's film industry in the past two years, the Group foresees a positive future given the rising disposable income and ongoing improvements of living standards in China, as well as the five-year plan laid out by the China Film Administration. With its long-established *Emperor* brand label, and riding on its strategic network, the Group will strive to strengthen its core competencies in order to seize the opportunities arising as the industry recovers from the pandemic.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and cash equivalents amounted to HK\$117.4 million (2021: HK\$56.9 million), which are mainly denominated in Hong Kong dollars and Renminbi.

To finance its operations and capital expenditure, the Group utilises cash flows generated from operations and from loan facilities granted by a related party and a bank. As at 30 June 2022, the Group had total borrowings of HK\$542.7 million (2021: HK\$333.0 million), which comprise a loan from a related party of HK\$452.5 million (2021: HK\$282.4 million), bank loan of HK\$20.0 million (2021: HK\$7.0 million) and amount due to non-controlling interests of HK\$70.2 million (2021: HK\$43.6 million), respectively. Except for the amount due to non-controlling interests, which is unsecured and interest-free, all these borrowings are unsecured and interest-bearing. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) was 30.0% (2021: 19.3%) as at 30 June 2022.

Management has closely monitored the development of the Covid-19 pandemic and its impact on the current and anticipated liquidity of the Group in the future. Having considered the existing improvement measures implemented by the Group and the available loan facilities granted by the related party and the bank, the Directors believe that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The Group's cash and bank balances, income and expenditure are primarily denominated in Hong Kong dollars, Renminbi, Macau Pataca and Malaysian Ringgit. As most of the Group's assets, liabilities and transactions were transacted at and denominated in the functional currency of its foreign operations, the Group was not exposed to significant risk relating to the fluctuation in foreign exchange rates during the Year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 15 July 2022, the Company announced that Emperor UA Cinemas Limited ("**Emperor UA**", an indirect 70%-owned subsidiary of the Company) commenced legal proceedings in the Court of First Instance in the High Court of Hong Kong Special Administrative Region (the "**High Court**") by way of originating summons for an injunction order restraining Lark China Cinema Investments Limited ("**UA Minority Shareholder**", a 30%-equity shareholder of Emperor UA, and a business partner since the commencement of business of *Emperor UA Cinemas*) from presenting a winding-up petition against Emperor UA, based on the alleged shareholder loan of approximately HK\$70.0 million ("**Alleged Shareholder Loan**") in respect of which a statutory demand dated 30 June 2022 was served on Emperor UA by UA Minority Shareholder. On 26 July 2022, the Company announced that the High Court has granted a permanent full injunction order in favour of Emperor UA restraining the presentation of the aforesaid winding-up petition based on the statutory demand. Besides, UA Minority Shareholder started a new court proceeding by filing a winding-up petition (the "**Petition**") to the High Court against Emperor UA under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) on 22 July 2022 in relation to the Alleged Shareholder Loan and inter alia, on grounds of insolvency. A hearing for the Petition has been scheduled for 28 September 2022. Details were set out in the Company's announcements dated 15 July and 26 July 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group's number of employees was 745 (2021: 436). Total staff costs including the Directors' remuneration and other staff costs for the Year were HK\$85.3 million (2021: HK\$58.9 million). Each employees' remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed "Share Options Scheme" of the Company's annual report.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the Year (2021: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	306,713	192,908
Cost of sales		<u>(127,717)</u>	<u>(81,736)</u>
Gross profit		178,996	111,172
Other income and gains	5	76,124	11,942
Selling, marketing and other cinema operating expenses		(313,811)	(248,867)
General and administrative expenses		(53,709)	(39,630)
Other expenses, net		(39,738)	(1,594)
Finance costs	7	(62,946)	(61,101)
Share of loss of a joint venture		<u>(3,318)</u>	–
LOSS BEFORE TAX	6	(218,402)	(228,078)
Income tax expense	8	–	–
LOSS FOR THE YEAR		<u>(218,402)</u>	<u>(228,078)</u>
Attributable to:			
Owners of the parent		(201,379)	(219,775)
Non-controlling interests		<u>(17,023)</u>	<u>(8,303)</u>
		<u>(218,402)</u>	<u>(228,078)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	<u>HK\$(0.06)</u>	<u>HK\$(0.07)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(218,402)</u>	<u>(228,078)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(1,383)</u>	<u>23,556</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(219,785)</u></u>	<u><u>(204,522)</u></u>
Attributable to:		
Owners of the parent	(203,151)	(196,807)
Non-controlling interests	<u>(16,634)</u>	<u>(7,715)</u>
	<u><u>(219,785)</u></u>	<u><u>(204,522)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		555,973	555,590
Right-of-use assets		1,001,020	1,016,049
Prepayments, deposits and other receivables		60,431	43,552
Investment in a joint venture		13,432	–
Total non-current assets		<u>1,630,856</u>	<u>1,615,191</u>
CURRENT ASSETS			
Inventories		2,989	1,751
Trade receivables	<i>11</i>	17,653	8,065
Prepayments, deposits and other receivables		34,443	38,393
Financial assets at fair value through profit or loss		5,850	5,489
Cash and cash equivalents		117,412	56,858
Total current assets		<u>178,347</u>	<u>110,556</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>12</i>	117,160	67,888
Contract liabilities		43,102	19,332
Interest-bearing bank and other borrowings		20,018	7,008
Lease liabilities		183,083	94,777
Amounts due to related companies		3,249	10,122
Amount due to a joint venture		250	–
Amount due to non-controlling interests		70,225	–
Total current liabilities		<u>437,087</u>	<u>199,127</u>
NET CURRENT LIABILITIES		<u>(258,740)</u>	<u>(88,571)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,372,116</u>	<u>1,526,620</u>
NON-CURRENT LIABILITIES			
Provisions		64,695	46,211
Interest-bearing bank and other borrowings		452,476	282,365
Lease liabilities		1,186,643	1,101,430
Amount due to non-controlling interests		–	43,589
Total non-current liabilities		<u>1,703,814</u>	<u>1,473,595</u>
Net assets/(liabilities)		<u>(331,698)</u>	<u>53,025</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2022

	2022	2021
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	32,133	32,133
Reserves	(265,585)	64,733
	(233,452)	96,866
Non-controlling interests	(98,246)	(43,841)
Total equity	(331,698)	53,025

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The outbreak of novel coronavirus (“**Covid-19**”) since early 2020 has disrupted the business operations and developments of the Group. The Group has closely monitored the development of the Covid-19 pandemic and the extent of the impact depends on the duration of the pandemic and the implementation of relevant policies and protective measures by respective governments. The Group has paid close attention to any significant changes of situation and has evaluated their impact on the Group’s consolidated financial position, financial performance and cash flows, as well as financial resources available to the Group in the short to medium term.

The Group had a net loss attributable to owners of the parent of HK\$201,379,000 (2021: HK\$219,775,000) for the Year and net current liabilities of HK\$258,740,000 (2021: HK\$88,571,000) and net liabilities of HK\$331,698,000 (2021: net assets of HK\$53,025,000) as at 30 June 2022. The Group’s net loss for the Year included certain non-cash depreciation and impairment losses in an aggregate amount of HK\$248,224,000 (2021: HK\$181,515,000). The Group had total cash and cash equivalents of HK\$117,412,000 as at 30 June 2022 (2021: HK\$56,858,000).

In preparing the consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain growth and cash positive operations in the near future. Active cost-saving and financial resources improvement measurements to streamline/enhance the Group’s existing operations and to focus on improving the financial resources of the Group have been implemented/contemplated by the Group to control its operating expenses and cash outflows in the current and coming years and to enable the Group to revitalise itself to take advantage of any growth opportunities in the near future (the “**Improvement Measures**”).

In addition, the Group has obtained a long term loan facility from a related party in the amount of HK\$1,200,000,000 (the “**Other Loan Facility**”), of which an aggregate loan principal amount of HK\$447,486,000 was utilised as at 30 June 2022. The Group has also obtained a revolving loan facility from a bank in the amount of HK\$20,000,000 (the “**Bank Loan Facility**”), of which an aggregate loan principal amount of HK\$20,000,000 was utilised as at 30 June 2022.

The Directors have evaluated relevant conditions and events that are known or could be reasonably forecasted/estimated. Based on such evaluation, the Directors are of the opinion that, in light of the measures/arrangements contemplated/implemented to date, including, inter alia, the Improvement Measures, and the availability of the Other Loan Facility and the Bank Loan Facility, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future and, accordingly, it is appropriate for the Group to continue to adopt the going concern basis in preparing the consolidated financial statements for the Year.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – Phase 2*
HKAS 39 and HKFRS 7,
HKFRS 4 and HKFRS 16

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 30 June 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) Cinema operation
- (b) Investments in films

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, unallocated gains/losses, non-lease-related finance costs as well as unallocated corporate and other expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, investments in listed equity securities included in financial assets at fair value through profit or loss (“FVPL”) and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*
Year ended 30 June 2022/At 30 June 2022

	Cinema operation HK\$'000	Investments in films HK\$'000	Total HK\$'000
Segment revenue <i>(note 4)</i>			
Sales to external customers	<u>306,713</u>	<u>–</u>	<u>306,713</u>
Segment results	(205,815)	947	(204,868)
<i>Reconciliation:</i>			
Bank interest income			77
Unallocated corporate and other expenses			(5,110)
Finance costs (other than interest on lease liabilities)			<u>(8,501)</u>
Loss before tax			<u>(218,402)</u>
Segment assets	1,685,648	5,850	1,691,498
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>117,705</u>
Total assets			<u>1,809,203</u>
Segment liabilities	1,667,491	50	1,667,541
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>473,360</u>
Total liabilities			<u>2,140,901</u>
Other segment information			
Share of loss of a joint venture	3,318	–	3,318
Depreciation of property, plant and equipment	89,637	–	89,637
Depreciation of right-of-use assets	117,838	–	117,838
Impairment of property, plant and equipment	11,077	–	11,077
Impairment of right-of-use assets	29,672	–	29,672
Fair value gains on financial assets at FVPL	–	(1,011)	(1,011)
Gain on lease modifications	(66,258)	–	(66,258)
Investment in a joint venture	13,432	–	13,432
Capital expenditure [#]	<u>107,699</u>	<u>–</u>	<u>107,699</u>

[#] Capital expenditure consists of additions to property, plant and equipment (including additions related to a common control combination).

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2021/At 30 June 2021

	Cinema operation HK\$'000	Investments in films HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Sales to external customers	192,908	–	192,908
	<u>192,908</u>	<u>–</u>	<u>192,908</u>
Segment results	(219,283)	(797)	(220,080)
<i>Reconciliation:</i>			
Bank interest income			74
Fair value gains on financial assets at FVPL			801
Unallocated corporate and other expenses			(3,745)
Finance costs (other than interest on lease liabilities)			(5,128)
			<u>(5,128)</u>
Loss before tax			(228,078)
			<u>(228,078)</u>
Segment assets	1,663,114	5,489	1,668,603
<i>Reconciliation:</i>			
Corporate and other unallocated assets			57,144
			<u>57,144</u>
Total assets			1,725,747
			<u>1,725,747</u>
Segment liabilities	1,382,412	50	1,382,462
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			290,260
			<u>290,260</u>
Total liabilities			1,672,722
			<u>1,672,722</u>
Other segment information			
Depreciation of property, plant and equipment	72,913	–	72,913
Depreciation of right-of-use assets	106,940	–	106,940
Impairment of trade receivables	1,662	–	1,662
Fair value losses on financial assets at FVPL	–	733	733
Capital expenditure [#]	78,958	–	78,958
	<u>78,958</u>	<u>–</u>	<u>78,958</u>

[#] Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	122,925	133,201
Hong Kong	162,771	59,462
Macau	20,890	–
Other region in Asia Pacific	127	245
	<u>306,713</u>	<u>192,908</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	641,924	589,558
Hong Kong	745,069	704,683
Macau	170,377	261,550
Other region in Asia Pacific	13,055	15,848
	<u>1,570,425</u>	<u>1,571,639</u>

The non-current asset information above is based on the locations of the assets and excludes non-current deposits and other receivables.

Information about major customers

Revenue from transactions with an external customer derived from the cinema operation segment contributing over 10% of the total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
An external customer	<u>47,393</u>	<u>N/A*</u>

* Contributing less than 10% of the total revenue of the Group for that year.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Income from cinema operation	<u>306,713</u>	<u>192,908</u>
Revenue from contracts with customers		
<i>(a) Disaggregated revenue information</i>		
Segment	Cinema operation	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Types of goods or services		
Box office takings	270,093	164,097
Sale of concession goods	17,545	11,684
Screen advertising services	6,245	7,116
Others	<u>12,830</u>	<u>10,011</u>
Total revenue from contracts with customers	<u>306,713</u>	<u>192,908</u>
Geographical markets		
Mainland China	122,925	133,201
Hong Kong	162,771	59,462
Macau	20,890	–
Other region in Asia Pacific	<u>127</u>	<u>245</u>
	<u>306,713</u>	<u>192,908</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Short-term advances received from customers:		
Cinema operation	<u>19,325</u>	<u>12,907</u>

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Box office takings

The performance obligation is satisfied when the film is exhibited to the customer and payment in advance is normally required.

Sale of concession goods

The performance obligation is satisfied at a point in time when the customer takes possession of the goods and payment is received upon delivery.

Screen advertising services

The performance obligation is generally satisfied over time when the customer simultaneously receives and consumes the benefits as the Group makes the cinema available for screening of advertisements over the period of the agreement, while certain payments in advance are normally required.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed because all the remaining performance obligations are part of respective contracts that have an original expected duration of one year or less.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from:		
– Bank balances	77	74
– Deposits paid	2,771	1,427
Government subsidies	6,614	10,036
Gain on lease modifications	66,258	–
Others	404	405
	<u>76,124</u>	<u>11,942</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold [#]	4,276	3,910
Depreciation of property, plant and equipment ^{**}	89,637	72,913
Depreciation of right-of-use assets ^{**}	117,838	106,940
Fair value gains on financial assets at FVPL, net*		
– Mandatorily classified as such, including those held for trading	(1,011)	(68)
Impairment of trade receivables*	–	1,662
Impairment of property, plant and equipment*	11,077	–
Impairment of right-of-use assets*	29,672	–
	<u>29,672</u>	<u>–</u>

[#] Included in “Cost of sales” in the consolidated statement of profit or loss.

* Included in “Other expenses, net” in the consolidated statement of profit or loss.

** Depreciation of property, plant and equipment of HK\$89,345,000 (2021: HK\$72,562,000) and depreciation of right-of-use assets of HK\$116,038,000 (2021: HK\$103,857,000) are included in “Selling, marketing and other cinema operating expenses” in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and other borrowings	8,501	5,128
Interest on lease liabilities	54,445	55,973
	<u>62,946</u>	<u>61,101</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Year (2021: Nil).

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in Bermuda and the BVI.

No provision for People's Republic of China Enterprise Income Tax has been made in the current and prior years as the Group's subsidiaries established in Mainland China either had no assessable profits arising in Mainland China or had available tax losses brought forward from previous years to offset their assessable profits generated during the current and prior years.

No provisions for Macau Complementary Tax and Malaysia Corporate Income Tax have been made as the Group had no assessable profits arising in Macau and Malaysia for the current and prior years.

9. DIVIDEND

The Board has resolved not to recommend any final dividend in respect of the Year (2021: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

The calculation of the basic loss per share amount for the Year is based on the loss for the Year attributable to ordinary equity holders of the parent of HK\$201,379,000 (2021: HK\$219,775,000), and the weighted average number of ordinary shares of the Company of approximately 3,213,341,000 (2021: 3,213,341,000) in issue during the Year.

Diluted

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2022 and 2021.

11. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	20,854	9,727
Impairment	<u>(3,201)</u>	<u>(1,662)</u>
	<u>17,653</u>	<u>8,065</u>

For the Group's box office takings and sale of concession goods and other products, payments on demand or in advance in cash or by major credit/debit cards or other electronic/mobile payment methods are normally required, with the settlements from corresponding banks or other financial institutions normally within 2 to 30 days. The Group's trading terms with its other customers are mainly on credit. The credit period is generally 1 month from the date of billing. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	12,192	6,070
1 to 3 months	4,120	1,184
Over 3 months	1,341	811
	<u>17,653</u>	<u>8,065</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (note (a))	34,531	15,438
Accruals	24,369	11,953
Other payables (note (b))	58,260	40,497
	<u>117,160</u>	<u>67,888</u>

Notes:

- (a) An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	32,102	13,523
Over 3 months	2,429	1,915
	<u>34,531</u>	<u>15,438</u>

The trade payables are non-interest-bearing and are normally settled on 2-month terms.

- (b) Other payables are non-interest bearing and have an average term of 2 months.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Ernst & Young on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The consolidated financial statements for the Year had been reviewed by the Audit Committee of the Company in conjunction with the Group's auditors, Messrs. Ernst & Young. Based on this review and discussions with the management, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's consolidated financial position as at 30 June 2022 and the annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") throughout the Year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Year.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.EmpCulture.com>). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Emperor Culture Group Limited
Fan Man Seung, Vanessa
Chairperson

Hong Kong, 27 September 2022

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Fan Man Seung, Vanessa
Mr. Yeung Ching Loong, Alexander
Mr. Wong Chi Fai
Ms. Shirley Percy Hughes

Independent Non-executive Directors:

Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen
Ms. Tam Sau Ying