



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)

Interim Report 2022/2023





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RESULTS SUMMARY

The board of directors (the “**Board**” or “**Directors**”) of Emperor Culture Group Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2022 (the “**Period**”).

	For the six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Revenue	212,231	180,984
Gross profit	124,600	107,804
Loss for the period	145,230	99,940
Loss per share	HK\$0.04	HK\$0.03

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Period, despite the drop in revenue from mainland China due to the intermittent suspension of cinema operations during the pandemic, the Group achieved an increase in its total revenue by 17.2% to HK\$212.2 million (2021: HK\$181.0 million), mainly due to an increase in revenue from the Hong Kong market. Nevertheless, the drop in revenue from the mainland China market has led to a net loss for the Period of HK\$145.2 million (2021: HK\$99.9 million). Loss per share was HK\$0.04 (2021: HK\$0.03).

BUSINESS REVIEW

The Group principally engages in entertainment, media and cultural development businesses, which include cinema operation and investments in films.

Cinema Operation

Revenue from the cinema operation segment increased to HK\$212.2 million (2021: HK\$181.0 million), which mainly included the revenue from box office takings amounting to HK\$184.4 million (2021: HK\$160.0 million), accounting for 86.9% (2021: 88.4%) of the cinema operation revenue. In terms of revenue by geographical segment, revenues from the Hong Kong and mainland China markets were HK\$147.1 million (2021: HK\$101.1 million) and HK\$53.8 million (2021: HK\$72.6 million), respectively, accounting for 69.3% (2021: 55.9%) and 25.4% (2021: 40.1%) of the cinema operation revenue, respectively.

During the Period, the Group announced the cessation of operation of *Emperor UA Cinemas* in mainland China. Details of the cessation were set out in the Company's announcement dated 21 November 2022. As a result, the Group was operating a total of 17 cinemas in mainland China, Hong Kong, Macau and Malaysia under *Emperor Cinemas*, offering a total of 135 houses with approximately 17,600 seats as at 31 December 2022. All these cinemas are in strategic locations, providing 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.

Investments in Films

As at 31 December 2022, the Group had investments in certain film productions at the fair value of HK\$5.9 million (30 June 2022: HK\$5.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead, leveraging its long-established *Emperor* brand label, the Group will continue to expand its cinema network, and strengthen its core competencies by offering impeccable services to its customers, in order to expand its revenue base as the industry recovers. In 2023, *Emperor Cinemas* are expected to be opened in Changsha, Chengdu and Shenzhen in mainland China, while *Emperor Cinemas Plus+* are expected to be opened in Wong Chuk Hang and Tai Wai, Hong Kong.

Subsequent to the Period, borders between Hong Kong, Macau and mainland China have reopened, which will contribute to a solid improvement in consumption sentiment and in turn boost the film production and film exhibition industries. In mainland China, following the relaxation of the pandemic containment measures, box office sales bounced back and achieved approximately RMB10.1 billion in January 2023, with Chinese-made blockbusters leading the box office, which is a strong sign of recovery of China's movie sector. With the continued rising disposable income of citizens and improving living standards in mainland China, as well as the five-year plan outlined by the China Film Administration, the Group remains positive about the long term prospects of the film exhibition market.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 31 December 2022, the Group's cash and cash equivalents amounted to HK\$80.3 million (30 June 2022: HK\$117.4 million), which were mainly denominated in Hong Kong dollar and Renminbi.

To finance its operations and capital expenditure, the Group utilises cash flow generated from operations and from loan facilities granted by a related party and a bank. As at 31 December 2022, the Group had total borrowings of HK\$578.0 million (30 June 2022: HK\$542.7 million), which comprised a loan from a related party of HK\$487.8 million (30 June 2022: HK\$452.5 million), bank loan of HK\$20.0 million (30 June 2022: HK\$20.0 million) and amount due to non-controlling interests of HK\$70.2 million (30 June 2022: HK\$70.2 million), respectively. Except for the amount due to non-controlling interests, which was unsecured and interest-free, all these borrowings were unsecured, interest-bearing and had fixed repayment terms. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) was 38.6% (30 June 2022: 30.0%) as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Management has closely monitored the development of the 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 dollar, 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 fluctuation in foreign exchange rates during the Period.

LEGAL LITIGATION

On 15 July 2022, the Company announced that Emperor UA Cinemas Limited ("**Emperor UA**", a 70%-owned subsidiary of the Company) commenced a proceeding 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 ("**Statutory Demand**") was served on Emperor UA by UA Minority Shareholder. On 26 July 2022, the Company announced that the High Court granted a permanent full injunction order in favour of Emperor UA restraining the presentation of a 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. On 21 November 2022, the Company announced the cessation of the entire operation of a wholly-owned operating company of Emperor UA, 英皇娛樂影院(廣東)有限公司 (Emperor UA Cinemas (Guangdong) Company Limited*), which was primarily engaged in the operation of seven *Emperor UA Cinemas* in mainland China.

Subsequent to the Period, UA Minority Shareholder has withdrawn the Petition, and thus the winding up proceedings have come to an end. Details were set out in the Company's announcements dated 15 July 2022, 26 July 2022, 21 November 2022 and 4 January 2023.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

After the cessation the business operation of Emperor UA, the Group's number of employees decreased to 598 as at 31 December 2022 (30 June 2022: 745). Total staff costs including the Directors' remuneration and other staff costs for the Period were HK\$58.5 million (2021: HK\$37.1 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" of this interim report.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2021: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Notes	Six months ended 31 December	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	212,231	180,984
Cost of sales		(87,631)	(73,180)
Gross profit		124,600	107,804
Other income	5	8,425	1,886
Selling, marketing and other cinema operating expenses		(205,998)	(156,564)
General and administrative expenses		(26,876)	(23,157)
Other gains, net		8,866	—
Finance costs	7	(39,024)	(29,909)
Share of loss of a joint venture		(15,223)	—
LOSS BEFORE TAX	6	(145,230)	(99,940)
Income tax	8	—	—
LOSS FOR THE PERIOD		(145,230)	(99,940)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(4,974)	4,734
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(4,974)	4,734
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(150,204)	(95,206)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

		Six months ended 31 December	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
	Note		
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(141,848)	(95,399)
Non-controlling interests		(3,382)	(4,541)
		(145,230)	(99,940)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(148,348)	(90,630)
Non-controlling interests		(1,856)	(4,576)
		(150,204)	(95,206)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	HK\$(0.04)	HK\$(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at	
		31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	467,487	555,973
Right-of-use assets		827,000	1,001,020
Investment in a joint venture	12	11,709	13,432
Prepayments, deposits and other receivables		61,513	60,431
Total non-current assets		1,367,709	1,630,856
CURRENT ASSETS			
Inventories		3,580	2,989
Trade receivables	13	17,928	17,653
Prepayments, deposits and other receivables		22,796	34,443
Financial assets at fair value through profit or loss		5,850	5,850
Cash and cash equivalents		80,347	117,412
Total current assets		130,501	178,347
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	154,571	117,160
Contract liabilities		40,767	43,102
Interest-bearing bank and other borrowings		20,041	20,018
Lease liabilities		147,081	183,083
Amounts due to related companies		5,164	3,249
Amount due to a joint venture		250	250
Amount due to non-controlling interests		70,247	70,225
Total current liabilities		438,121	437,087
NET CURRENT LIABILITIES		(307,620)	(258,740)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,060,089	1,372,116

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Provisions	53,642	64,695
Interest-bearing bank and other borrowings	487,790	452,476
Lease liabilities	1,000,559	1,186,643
Total non-current liabilities	1,541,991	1,703,814
Net liabilities	(481,902)	(331,698)
EQUITY		
Equity attributable to owners of the parent		
Issued capital	32,133	32,133
Reserves	(413,933)	(265,585)
Non-controlling interests	(381,800)	(233,452)
	(100,102)	(98,246)
Total equity	(481,902)	(331,698)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	Attributable to owners of the parent									
	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Other reserve	Accumulated losses	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
At 1 July 2021 (Audited)	32,133	912,843	50	58,658	7,599	—	(914,417)	96,866	(43,841)	53,025
Loss for the period	—	—	—	—	—	—	(95,399)	(95,399)	(4,541)	(99,940)
Other comprehensive income for the period: Exchange differences related to foreign operations	—	—	—	—	4,769	—	—	4,769	(35)	4,734
Total comprehensive income/ (loss) for the period	—	—	—	—	4,769	—	(95,399)	(90,630)	(4,576)	(95,206)
At 31 December 2021 (Unaudited)	32,133	912,843	50	58,658	12,368	—	(1,009,816)	6,236	(48,417)	(42,181)
At 1 July 2022 (Audited)	32,133	912,843	50	58,658	5,827	(127,167)	(1,115,796)	(233,452)	(98,246)	(331,698)
Loss for the period	—	—	—	—	—	—	(141,848)	(141,848)	(3,382)	(145,230)
Other comprehensive income/ (loss) for the period: Exchange differences related to foreign operations	—	—	—	—	(6,500)	—	—	(6,500)	1,526	(4,974)
Total comprehensive loss for the period	—	—	—	—	(6,500)	—	(141,848)	(148,348)	(1,856)	(150,204)
At 31 December 2022 (Unaudited)	32,133	912,843	50	58,658	(673)	(127,167)	(1,257,644)	(381,800)	(100,102)	(481,902)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash from operating activities	30,482	13,298
Net cash used in investing activities	(15,751)	(47,133)
Net cash (used in)/from financing activities	(50,239)	112,311
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(35,508)	78,476
Cash and cash equivalents at the beginning of the reporting period	117,412	56,858
Effect of foreign exchange rate changes, net	(1,557)	460
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	80,347	135,794
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	80,347	135,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In addition, they have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2022.

Certain comparative figures have been reclassified to be consistent with the current period’s presentation.

The ongoing Covid-19 pandemic and the corresponding quarantine measures continued to disrupt the business operations and development 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 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\$141,848,000 (2021: HK\$95,399,000) for the Period and net current liabilities of HK\$307,620,000 (30 June 2022: HK\$258,740,000) and net liabilities of HK\$481,902,000 (30 June 2022: net assets of HK\$331,698,000) as at 31 December 2022. The Group’s net loss for the Period included certain non-cash expenses/charges in an aggregate amount of HK\$105,111,000 (2021: HK\$96,044,000). The Group had total cash and cash equivalents of HK\$80,347,000 (30 June 2022: HK\$117,412,000) as at 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. BASIS OF PREPARATION (CONTINUED)

In preparing these condensed consolidated financial statements, the Directors have 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 Measurements**").

In addition, the Group has obtained a long term loan facility from a related party in amount of HK\$1,200,000,000 (the "**Other Loan Facility**"), of which an aggregate loan principal amount of HK\$472,486,000 was utilised as at 31 December 2022. The Group has also obtained a revolving loan facility from a bank in amount of HK\$20,000,000 (the "**Bank Loan Facility**"), of which the entire loan principal amount of HK\$20,000,000 was utilised as at 31 December 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 these condensed consolidated financial statements for the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 3

Amendments to HKAS 16

Amendments to HKAS 37

Annual Improvements to

HKFRSs 2018–2020

Reference to the Conceptual Framework

Property, Plant and Equipment: Proceeds before Intended Use

Onerous Contracts — Cost of Fulfilling a Contract

Amendments to HKFRS 1, HKFRS 9, Illustrative

Examples accompanying HKFRS 16, and

HKAS 41

The application of the revised HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Application of accounting policies in respect of investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the condensed consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the condensed consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the condensed consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

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, non-lease-related finance costs as well as unallocated corporate and other expenses are excluded from such measurement.

Information regarding the above segments is reported as below:

Segment revenue and results

For the six months ended 31 December 2022

	Cinema operation (Unaudited) HK\$'000	Investments in films (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue (note 4)			
Sales to external customers	212,231	—	212,231
Segment results	(131,751)	(9)	(131,760)
<i>Reconciliation:</i>			
Bank interest income			49
Unallocated corporate and other expenses			(2,753)
Finance costs (other than interest on lease liabilities)			(10,766)
Loss before tax			(145,230)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 31 December 2021

	Cinema operation (Unaudited) HK\$'000	Investments in films (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue (note 4)			
Sales to external customers	180,984	–	180,984
Segment results	(94,663)	266	(94,397)
<i>Reconciliation:</i>			
Bank interest income			32
Unallocated corporate and other expenses			(2,304)
Finance costs (other than interest on lease liabilities)			(3,271)
Loss before tax			(99,940)

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to management for review.

Other than the segment information disclosed above, there was no other information reviewed by management for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

4. REVENUE

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

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with customers		
Income from cinema operation	212,231	180,984

(a) Disaggregated revenue information

Segment

	Cinema operation Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Type of goods or services		
Box office takings	184,386	159,997
Sale of concession goods	18,423	7,752
Screen advertising services	2,252	4,554
Others	7,170	8,681
Total revenue from contracts with customers	212,231	180,984
Geographical markets		
Mainland China	53,827	72,641
Hong Kong	147,119	101,123
Other regions in Asia Pacific	11,285	7,220
	212,231	180,984

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

4. REVENUE (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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

5. OTHER INCOME

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest income from:		
– Bank balances	49	32
– Deposits paid	976	1,188
Fair value gain on financial assets at fair value through profit or loss (“ FVPL ”), net		
– Mandatorily classified as such, including those held for trading	—	275
Foreign exchange gain, net	71	—
Government subsidies*	6,628	222
Others	701	169
	8,425	1,886

- * The government subsidies mainly represent subsidies received by certain subsidiaries from the local government authorities in the People’s Republic of China (the “**PRC**”), Hong Kong and Macau (2021: the PRC and Macau), mainly as incentive to support the Group’s relevant business development and to cope with the operating pressure caused by Covid-19. There were no unfulfilled conditions or contingencies relating to these government subsidies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

6. LOSS BEFORE TAX

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
The Group's loss before tax arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	49,931	39,964
Depreciation of right-of-use assets*	64,045	56,080
Impairment of property, plant and equipment#	28,737	—
Impairment of right-of-use assets#	89,061	—
Gain on derecognition of lease liabilities and provisions of reinstatement costs#	(126,663)	—
Covid-19-related rent concessions from lessors^	(12,340)	(9,440)

* Depreciation of property, plant and equipment of HK\$49,845,000 (2021: HK\$39,806,000) and depreciation of right-of-use assets of HK\$63,250,000 (2021: HK\$55,185,000) are included in "Selling, marketing and other cinema operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

Included in "Other gains, net" in the condensed consolidated statement of profit or loss and other comprehensive income.

^ An amount of HK\$12,340,000 (2021: HK\$9,380,000) is included in "Selling, marketing and other cinema operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

7. FINANCE COSTS

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other borrowings	10,779	3,271
Interest on lease liabilities	28,245	26,638
	39,024	29,909

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 Period (2021: Nil).

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

No provision for PRC Enterprise Income Tax has been made in current and prior periods 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 periods.

No provision for Macau Complementary Income Tax and Malaysia Corporate Income Tax have been made as the Group had no assessable profits arising in Macau and Malaysia for both periods.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend for the year ending 30 June 2023 (2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

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

Basic

The calculation of the basic loss per share amounts for the Period is based on the loss for the Period attributable to ordinary equity holders of the parent of HK\$141,848,000 (2021: HK\$95,399,000), and the weighted average number of the ordinary shares of the Company of approximately 3,213,341,000 (2021: 3,213,341,000) in issue during the Period.

Diluted

No adjustment has been made to the basic loss per share amounts presented for both periods as the Group had no potentially dilutive ordinary shares in issue during those periods.

11. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Carrying amount	
At 1 July 2022 (Audited)	555,973
Additions	3,276
Depreciation provided during the Period	(49,931)
Impairment loss provided during the Period	(28,737)
Exchange realignment	(13,094)
At 31 December 2022 (Unaudited)	467,487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

12. INVESTMENT IN A JOINT VENTURE

Investment in a joint venture represents the investment in H Cinematic Limited in which the Group holds 50% equity interest. All decisions about the relevant activities of the joint venture require the unanimous consent of the joint venture partner. The principal activity of H Cinematic Limited is engaged in cinema operation in Hong Kong.

During the Period, the share of loss of the joint venture was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Period is HK\$15,223,000 (2021: Nil).

13. TRADE RECEIVABLES

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Trade receivables	21,053	20,854
Impairment	(3,125)	(3,201)
	17,928	17,653

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 the corresponding banks or other financial institutions normally within 2 to 30 days. The Group's trading term 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

13. 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:

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Within 1 month	14,593	12,192
1 to 3 months	1,805	4,120
Over 3 months	1,530	1,341
	17,928	17,653

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Trade payables	64,118	34,531
Accruals	16,518	24,369
Other payables	73,935	58,260
	154,571	117,160

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

(CONTINUED)

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

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Within 3 months	34,555	32,102
Over 3 months	29,563	2,429
	64,118	34,531

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

16. RELATED PARTY TRANSACTIONS

The related parties referred herein or elsewhere in these condensed consolidated financial statements include (1) entities beneficially owned/controlled by entity/entities owned by relevant private discretionary trust(s) of which Dr. Yeung Sau Shing, Albert (“**Dr. Albert Yeung**”), being a deemed substantial shareholder of the Company, is the founder, whilst Mr. Yeung Ching Loong, Alexander (“**Mr. Alex Yeung**”), a Director, is one of the eligible beneficiaries; (2) an entity beneficially owned by a Director; (3) a deemed substantial shareholder of the Company; and (4) a family member of a deemed substantial shareholder of the Company and a Director.

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following significant transactions with related parties during the Period:

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Company secretarial fee	140	100
Film rental expenses	143	535
Financial advisory fee	240	240
Interest expense on lease liabilities	2,213	2,526
Interest expense on other borrowing	10,314	3,121
Lease payments not included in the measurement of lease liabilities	1,075	844
Purchase of furniture	26	2,021
Reimbursement of administrative expenses	7,077	6,970
Sales of goods	546	795

- (b) Other borrowing with a carrying amount of HK\$487,790,000 (30 June 2022: HK\$452,476,000) from a family member of both Dr. Albert Yeung and a Director is unsecured, bears interest at Hong Kong Interbank Offered Rate plus 2% per annum and has a fixed repayment term of which the lender has agreed not to demand repayment of the other loan together with all accrued interest and all outstanding amounts until 20 January 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

16. RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) The amounts due to the related companies and the joint venture are unsecured, interest-free and repayable on demand.
- (d) The amount due to non-controlling interests is unsecured and interest-free.
- (e) **Compensation of key management personnel of the Group**

	Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Fees	830	830

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, is as follows:

	Carrying amount at		Fair value at	
	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Investments in film productions	5,850	5,850	5,850	5,850

For investments in film productions which were released for theatrical release in their primary markets, their fair values as at 31 December 2022 and 30 June 2022 were estimated with reference to the remaining net proceeds receivable from the exploitation of the films.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of the financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 30 June 2022:

Financial instruments	Fair value hierarchy	Valuation technique(s)	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments in film productions	Level 3	Income approach, discounted cash flow method	Discount rates	6.50% (30 June 2022: 6.50%)	5% (30 June 2022: 5%) increase/decrease in discount rate would result in decrease/increase in fair value by HK\$1,500 (30 June 2022: HK\$2,000)

The movements in fair value measurements within Level 3 during both periods are as follows:

	HK\$' 000
Financial assets at FVPL	
At 1 July 2022 (Audited)	5,850
Total gains recognised in profit or loss	—
Settlements	—
At 31 December 2022 (Unaudited)	5,850
At 1 July 2021 (Audited)	5,489
Total gains recognised in profit or loss	275
Settlements	(650)
At 31 December 2021 (Unaudited)	5,114

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 30 June 2022.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2022, the following Directors and chief executives of the Company had or were deemed or taken to have interests and short positions in the following shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“Model Code”):

(A) LONG POSITION INTERESTS IN THE COMPANY

Ordinary shares of the Company of HK\$0.01 each (the “Shares”)

Name of Director	Capacity/ Nature of interests	Number of issued Shares interested	% of issued voting Shares
Mr. Alex Yeung	Eligible beneficiary of a private discretionary trust	2,371,313,094	73.80

Note: These Shares were held by Emperor Culture Group Holdings Limited, a wholly-owned subsidiary of Albert Yeung Entertainment Holdings Limited (“AY Entertainment Holdings”). AY Entertainment Holdings is held by Alto Trust Limited in trust for a private discretionary trust of which Mr. Alex Yeung is one of the eligible beneficiaries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(B) LONG POSITION INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY

(i) Ordinary shares

Name of Directors	Name of associated corporations	Capacity/ Nature of interests	Number of shares interested	% of issued voting shares
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan")	Emperor International Holdings Limited ("Emperor International")	Beneficial owner	10,500,000	0.29
Mr. Alex Yeung	Emperor International	Eligible beneficiary of a private discretionary trust	2,747,611,223 (Note)	74.71
	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	-Ditto-	851,353,645 (Note)	71.63
	Emperor Watch & Jewellery Limited ("Emperor W&J")	-Ditto-	4,298,630,000 (Note)	63.41
	Ulferts International Limited ("Ulferts")	-Ditto-	600,000,000 (Note)	75.00

Note: Emperor International, Emperor E Hotel, Emperor W&J and Ulferts are companies with their shares listed on the Stock Exchange. These shares were ultimately owned by the respective private discretionary trusts which are also founded by Dr. Albert Yeung. Mr. Alex Yeung had deemed interests in the same shares by virtue of being one of the eligible beneficiaries of such private discretionary trusts.

(ii) Debentures

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Amount of debentures held
Mr. Wong Chi Fai ("Mr. Bryan Wong")	Emperor International	Interest in a controlled corporation	HK\$2,000,000

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executives of the Company, as at 31 December 2022, the persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have interests and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO (“**DI Register**”) were as follows:

LONG POSITION IN SHARES

Names	Capacity/ Nature of interests	Number of Shares interested	% of issued voting Shares
AY Entertainment Holdings	Interest in a controlled corporation	2,371,313,094	73.80
Alto Trust Limited	Trustee of a private discretionary trust	2,371,313,094	73.80
Dr. Albert Yeung	Founder of a private discretionary trust	2,371,313,094	73.80
Ms. Luk Siu Man, Semon (“ Ms. Semon Luk ”)	Interest of spouse	2,371,313,094	73.80

Note: These Shares were the same Shares of which Mr. Alex Yeung had deemed interests as those set out under the Section (A) of “Directors’ and Chief Executives’ Interests in Securities” above. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk had deemed interests in the same Shares.

Save as disclosed above, as at 31 December 2022, the Directors or chief executives of the Company were not aware of any other persons or corporations (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the DI Register.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTIONS

The Company has adopted a share option scheme on 2 December 2021 to enable the Group to attract, retain and motivate talent participants to strive for future developments and expansion of the Group. No share options have been granted under the share option scheme since its adoption.

CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period.

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 own code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Period.

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 during the Period.

CHANGE OF INFORMATION OF DIRECTORS

Ms. Vanessa Fan and Mr. Bryan Wong were appointed as executive directors of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange, with effect from 1 December 2022.

REVIEW OF INTERIM REPORT

These condensed consolidated financial statements of the Group for the Period have not been reviewed nor audited by the Company’s auditor, Ernst & Young, but have been reviewed by the audit committee of the Company, which comprises three independent non-executive Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

Hong Kong, 23 February 2023

As at the date of this report, 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

This interim report (in both English and Chinese versions) is available to any shareholder of the Company in printed form or on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.EmpCulture.com>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this interim report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, by post at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email at is-ecom@hk.tricorglobal.com.