

*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.*



**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 RESULTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

The Board of Directors (the “Board” or “Directors”) of Emperor Culture Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2018 (the “Period”) together with the comparative figures for the corresponding period in 2017 as set out below:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2018*

		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2018</b>	2017
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	73,580	21,382
Cost of sales		<u>(34,399)</u>	<u>(11,238)</u>
Gross profit		39,181	10,144
Other revenue		2,629	2,954
Selling and distribution expenses		(58,475)	(23,082)
Administrative expenses		(22,325)	(18,719)
Other operating expenses	5	(28,393)	(25,568)
Change in fair value of financial assets at fair value through profit or loss		<u>(13,045)</u>	<u>(15,766)</u>
Loss from operations	5	(80,428)	(70,037)
Finance cost	6	<u>(874)</u>	<u>–</u>
Loss before taxation	4	(81,302)	(70,037)
Taxation credit	7	<u>–</u>	<u>91</u>
Loss for the period		<u>(81,302)</u>	<u>(69,946)</u>
<b>Other comprehensive (loss)/income for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(8,048)</u>	<u>7,450</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(8,048)</u>	<u>7,450</u>
Total comprehensive loss for the period		<u><u>(89,350)</u></u>	<u><u>(62,496)</u></u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(77,399)	(67,170)
Non-controlling interests		<u>(3,903)</u>	<u>(2,776)</u>
		<u><u>(81,302)</u></u>	<u><u>(69,946)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2018*

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
<i>Note</i>	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the Company	<b>(84,404)</b>	(61,040)
Non-controlling interests	<b>(4,946)</b>	(1,456)
	<b><u>(89,350)</u></b>	<b><u>(62,496)</u></b>
<b>Loss per share attributable to owners of the Company:</b>		
– Basic and diluted	<b><u>HK\$(0.02)</u></b>	<b><u>HK\$(0.02)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		As at	
		31 December 2018	30 June 2018
	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		214,039	236,902
Goodwill		39,987	68,260
Intangible assets		31,164	27,661
		<u>285,190</u>	<u>332,823</u>
<b>Current assets</b>			
Inventories		818	894
Film and TV programme rights		8,598	14,031
Film and TV programme production in progress		112,676	150,797
Investments in film production		68,486	35,302
Trade receivables	10	12,654	12,227
Other receivables, deposits and prepayments		70,895	64,432
Contingent consideration receivable		7,864	7,210
Financial assets at fair value through profit or loss		7,705	20,750
Cash and bank balances		240,858	264,142
		<u>530,554</u>	<u>569,785</u>
<b>Current liabilities</b>			
Trade and other payables	11	74,682	101,045
Contract liabilities		17,051	–
Amounts due to related companies		15,351	15,553
Amounts due to non-controlling interests		44,870	44,870
Other loan		994	–
		<u>152,948</u>	<u>161,468</u>
<b>Net current assets</b>		<u>377,606</u>	<u>408,317</u>
<b>Total assets less current liabilities</b>		<u>662,796</u>	<u>741,140</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	As at	
	31 December 2018 (Unaudited) HK\$'000	30 June 2018 (Audited) HK\$'000
<b>Non-current liability</b>		
Other loan	<u>11,006</u>	<u>—</u>
<b>Net assets</b>	<u><b>651,790</b></u>	<u><b>741,140</b></u>
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	32,133	32,133
Reserves	<u>636,169</u>	<u>720,573</u>
	<b>668,302</b>	752,706
<b>Non-controlling interests</b>	<u><b>(16,512)</b></u>	<u><b>(11,566)</b></u>
<b>Total equity</b>	<u><b>651,790</b></u>	<u><b>741,140</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements (the “Interim Financial Statements”) 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”).

The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2018.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial assets, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, the accounting policies and methods of computation used in the Interim Financial Statements for the Period are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2018.

### Application of new and amendments to HKFRSs

In the Period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2018 for the preparation of the Interim Financial Statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15, Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

During the Period, the Group has applied HKFRS 15. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- cinema operation
- film and TV programme investment and production and others
- event investment and others
- investment in securities

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

#### *Summary of effects arising from initial application of HKFRS 15*

The Directors reviewed and assessed the effect of application of HKFRS 15 in the current and prior periods and considered that there is no material impact on the timing and amounts of revenue recognised for both periods.

The following table illustrates the reclassification of receipt in advance to contract liabilities under HKFRS 15 at the date of initial application, 1 July 2018.

	<b>Receipt in advance (Unaudited) HK\$'000</b>	<b>Contract liabilities (Unaudited) HK\$'000</b>
Closing balance at 30 June 2018	10,934	–
<b>Reclassification</b>	<b>(10,934)</b>	<b>10,934</b>
<b>Opening balance at 1 July 2018</b>	<b>–</b>	<b>10,934</b>

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summaries the impact of applying HKFRS 15 on the Group's unaudited condensed consolidated statements of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not included.

	As reported (Unaudited) HK\$'000	Adjustments (Unaudited) HK\$'000	Amounts without application of HKFRS 15 (Unaudited) HK\$'000
Current liabilities			
Receipt in advance	–	17,051	17,051
Contract liabilities	17,051	(17,051)	–

### Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the Period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

#### Summary of effects arising from initial application of HKFRS 9

As at 1 July 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. According to the results of the assessment, no significant impairment allowance was recognised as at 1 July 2018.

Except as described above, the application of other new and amendments to HKFRSs in the Period has had no material effect on the amounts reported in the Interim Financial Statements and/or disclosures set out in the Interim Financial Statements.

The Group has not early applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.



### 3. REVENUE

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

	<b>Six months ended 31 December 2018 (Unaudited) HK\$'000</b>
<b>Recognised at a point in time:</b>	
Income from cinema operation	68,171
Income from investment in securities	—
	<hr/>
	<b>68,171</b>
	<hr/>
<b>Recognised over time:</b>	
Income from film and TV programme investment and production and others	5,409
Income from event investment and others	—
	<hr/>
	<b>5,409</b>
	<hr/>
<b>Revenue from contracts with customers</b>	<b>73,580</b>
	<hr/> <hr/>

### 4. SEGMENT INFORMATION

For the purposes of resource allocation and assessment of segment performance, information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), focus on types of goods or services delivered or provided.

In the manner consistent with the way in which information is reported internally to the CODM for the purposes of resource allocation and performance assessment, the business activities of the Group are organised into the following operating segments:

- Cinema operation
- Film and TV programme investment and production and others (including production, distribution and licensing of animated TV episodes and theatrical films)
- Event investment and others
- Investment in securities

#### 4. SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported as below:

##### Segment revenue and results

For the six months ended 31 December 2018

	Cinema operation (Unaudited) HK\$'000	Film and TV programme investment and production and others (Unaudited) HK\$'000	Event investment and others (Unaudited) HK\$'000	Investment in securities (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>68,171</u>	<u>5,409</u>	<u>–</u>	<u>–</u>	<u>73,580</u>
Segment results	<u>(33,680)</u>	<u>(32,643)</u>	<u>–</u>	<u>–</u>	<u>(66,323)</u>
Interest income					1,472
Gain on fair value change in respect of contingent consideration receivable					654
Unallocated corporate expenses					(3,186)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")					(13,045)
Finance cost					<u>(874)</u>
Loss before taxation					<u>(81,302)</u>

For the six months ended 31 December 2017

	Cinema operation (Unaudited) HK\$'000	Film and TV programme investment and production and others (Unaudited) HK\$'000	Event investment and others (Unaudited) HK\$'000	Investment in securities (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>18,335</u>	<u>2,185</u>	<u>862</u>	<u>–</u>	<u>21,382</u>
Segment results	<u>(25,207)</u>	<u>(22,954)</u>	<u>862</u>	<u>–</u>	<u>(47,299)</u>
Interest income					968
Loss on fair value change in respect of contingent consideration receivable					(4,775)
Unallocated corporate expenses					(3,165)
Change in fair value of financial assets at FVTPL					<u>(15,766)</u>
Loss before taxation					<u>(70,037)</u>

#### 4. SEGMENT INFORMATION (Continued)

Segment revenue reported above represents revenue generated from external customers. There is no inter-segment revenue for the Period (2017: Nil).

Segment results represent the profit earned/(loss suffered) by each segment without allocation of interest income, central administration costs which mainly include Directors' emoluments and corporate legal and professional fees, and fair value changes in respect of contingent consideration receivable and financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

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

#### 5. LOSS FROM OPERATIONS

	Six months ended	
	31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging/ (crediting):		
Amortisation of film and TV programme rights (included in cost of sales)	4,696	2,275
Amortisation of intangible assets (included in administrative expenses)	1,008	1,008
Cost of investments in film production (included in cost of sales)	1,494	589
Depreciation of property, plant and equipment	17,303	4,628
Impairment loss recognised in respect of:		
– goodwill*	28,273	–
– investments film production*	120	20,793
Loss on disposal of property, plant and equipment	–	35
Loss on fair value change in respect of contingent consideration receivable*	–	4,775
Bank interest income	(1,472)	(968)
Gain on fair value change in respect of contingent consideration receivable (included in other revenue)	(654)	–

\* The aggregation of these items are included in "Other operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

#### 6. FINANCE COST

The amount represents interest expenses arising from other loan for the Period (2017: Nil).

## 7. TAXATION CREDIT

The amount represented the deferred tax liability in relation to the fair value adjustment arising from acquisition of subsidiaries being credited to profit or loss during the six months ended 31 December 2017 (2018: Nil).

No provision for Hong Kong Profits Tax and Enterprise Income Tax of the People's Republic of China (the "PRC") has been made as the Group has no assessable profits arising in Hong Kong and the PRC for both periods.

## 8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2017: Nil).

## 9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company		
for the purpose of basic and diluted loss per share	<u>(77,399)</u>	<u>(67,170)</u>
	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the		
purpose of basic and diluted loss per share	<u>3,213,341</u>	<u>3,213,341</u>

During the Period and the six months ended 31 December 2017, diluted loss per share was the same as the basic loss per share since there was no dilutive potential ordinary share for both periods.

## 10. TRADE RECEIVABLES

	As at	
	31 December 2018 (Unaudited) <i>HK\$'000</i>	30 June 2018 (Audited) <i>HK\$'000</i>
Trade receivables, net	<u>12,654</u>	<u>12,227</u>

The Group allows an average credit periods of 30 to 180 days (2017: 30 to 180 days) to its customers. The ageing analysis of the trade receivables of the Group based on the date of credit granted or the invoice date at the end of the reporting period is follows:

	As at	
	31 December 2018 (Unaudited) <i>HK\$'000</i>	30 June 2018 (Audited) <i>HK\$'000</i>
0-90 days	12,280	12,302
91-180 days	382	-
Over 180 days	<u>1,700</u>	<u>1,700</u>
	14,362	14,002
Less: Impairment loss recognised in respect of trade receivables	<u>(1,708)</u>	<u>(1,775)</u>
	<u>12,654</u>	<u>12,227</u>

## 11. TRADE AND OTHER PAYABLES

	As at	
	31 December 2018 (Unaudited) <i>HK\$'000</i>	30 June 2018 (Audited) <i>HK\$'000</i>
Trade payables	9,116	5,684
Accruals	23,158	21,346
Receipt in advance	–	10,934
Other payables ( <i>note</i> )	<u>42,408</u>	<u>63,081</u>
	<u><u>74,682</u></u>	<u><u>101,045</u></u>

*Note:*

Other payables mainly include consideration payables to independent third parties for enhancement and expansion of cinemas.

The following is an ageing analysis of trade payables of the Group based on the invoice date at the end of the reporting period:

	As at	
	31 December 2018 (Unaudited) <i>HK\$'000</i>	30 June 2018 (Audited) <i>HK\$'000</i>
0–90 days	9,110	5,864
Over 90 days	<u>6</u>	<u>–</u>
	<u><u>9,116</u></u>	<u><u>5,864</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group principally engages in entertainment, media and cultural development business, particularly in Greater China, which include (i) cinema development and operation; (ii) investment and production of films, TV programmes and other media related projects; (iii) investment in a variety of cultural events including music concerts, live shows and theatrical performance; and (iv) investment in securities.

### **MARKET REVIEW**

Supported by the continued expansion in theatre network, the box office receipts of China, the world's second-largest movie market, recorded another year of growth in 2018. According to the State Film Administration, China's movie box office revenue grew 9% in 2018 to RMB61.0 billion. Data released by Entgroup\* (北京藝恩世紀數據科技股份有限公司), a leading research centre of China entertainment industry, revealed that 1,193 new cinemas with 8,476 screens were opened in 2018, bringing its total to 10,504 cinemas and 61,490 screens nationwide by the end of 2018, boasting the world's largest screen count. The rapid growth over the past years underlines the growing popularity of cinemas and lays a solid foundation for the sustained growth of China's film industry.

### **FINANCIAL REVIEW**

#### **Overall Review**

During the Period, the Group posted a threefold increase in revenue to HK\$73.6 million from HK\$21.4 million in the corresponding period of previous year, driven by the growth of film exhibition income from an expanding cinema network. However, due to an impairment loss on goodwill arisen from certain project investment, a loss for the Period attributable to the owners of the Company of HK\$77.4 million (2017: HK\$67.2 million) was recorded. Basic loss per share was HK\$0.02 (2017: HK\$0.02).

#### **Use of Proceeds from Equity Fund Raising**

During the Period, the Group fully utilised the remaining net proceeds of HK\$20.6 million raised from the issue of 1,000,000,000 ordinary shares of the Company subscribed by Giant Lead Profits Limited (now known as "Emperor Culture Group Holdings Limited") at a subscription price of HK\$0.19 per share on 23 March 2017 (the "Subscription") for expansion of cinema operation in mainland China as intended.

#### **Liquidity and Financial Resources**

The Group continued to fund its operations and capital expenditure during the Period by cash generated internally from its operations as well as the net proceeds from the Subscription. As at 31 December 2018, the Group's cash and bank balances amounted to HK\$240.9 million (30 June 2018: HK\$264.1 million) which are mainly denominated in Hong Kong dollars and Renminbi.

## **FINANCIAL REVIEW** (*Continued*)

### **Liquidity and Financial Resources** (*Continued*)

As at 31 December 2018, amounts due to non-controlling interests and related companies amounted to HK\$44.9 million and HK\$15.4 million (30 June 2018: HK\$44.9 million and HK\$15.5 million) respectively, which were denominated in Hong Kong dollars and Renminbi, unsecured, interest-free and repayable on demand. Other loan of HK\$12.0 million (30 June 2018: Nil) was denominated in Hong Kong dollars, secured by the issued share capital of a non-wholly owned subsidiary, interest bearing and has fixed repayment term. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was 10.8% (30 June 2018: 8.0%).

### **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 and Renminbi. The carrying amount of the Group's Renminbi denominated monetary net assets was less than 10% of its net assets as at 31 December 2018. Hence, the Group's exposure to fluctuations in exchange rates is insignificant.

### **Profit Guarantee**

Pursuant to the terms of the sale and purchase agreement (the "S&P Agreement") dated 4 May 2016 entered into by a wholly-owned subsidiary of the Company with Jade Sparkle Holdings Limited and Mr. Wong Chun Loong (now known as "Mr. Huang Tony Jademan Xian Zhen") (collectively referred to as the "Vendors"), both being independent third parties, in respect of the acquisition of approximately 78.64% equity interest in Jade Dynasty Multi-Media Limited and its subsidiaries (collectively referred to as "JDMM Group"), the Vendors have given a guarantee (the "Profit Guarantee") to the Group that the audited consolidated net profit after tax of JDMM Group for each of the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 (each as "Guarantee Period") would be no less than HK\$10.0 million (the "Guaranteed Sum").

In case the Profit Guarantee is not fulfilled in any of the Guaranteed Period, the Vendors shall pay 78.64% of the difference between the Guaranteed Sum and the audited consolidated profit after tax of JDMM Group of the relevant Guaranteed Period (the "Shortfall") to the Group, and for avoidance of doubt, if JDMM Group sustained a loss for such Guaranteed Period, 78.64% of the Guaranteed Sum shall be payable by the Vendors to the Group.

For the year ended 31 December 2018, JDMM Group recorded a loss after tax and hence, the Vendors were obliged to pay the Shortfall, amounting to HK\$7.9 million, being 78.64% of the Guaranteed Sum to the Group. Subsequent to the end of the reporting period, the Group had demanded payment from the Vendors of the Shortfall pursuant to the terms of the S&P Agreement. The Shortfall was settled by the Vendors on 25 February 2019.



## **BUSINESS REVIEW**

### **Film Exhibition**

The Group devotes to expand its film exhibition network in prominent locations through its label “*Emperor Cinemas*”. As at 31 December 2018, the Group has five branded “*Emperor Cinemas*” (31 December 2017: one) in operation, offering a total of 54 houses (31 December 2017: 13) with more than 6,200 seats (31 December 2017: 1,980). With an expanded capacity in place, revenue from film exhibition segment increased remarkably to HK\$68.2 million (2017: HK\$18.3 million) during the Period, representing a growth of 271.8%.

“*Emperor Cinemas*” are strategically located in either large-scale commercial and entertainment complex or upscale residential areas including MixC in Hefei, Chongqing Shin Kong Place in Chongqing, Emperor Group Centre in Beijing, Donghai Garden in Shenzhen as well as New Town Mansion in Tuen Mun, Hong Kong. They 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.

### **Film and TV Programme Investment and Production and Others**

During the Period, this segment generated a revenue of HK\$5.4 million (2017: HK\$2.2 million) to the Group which was mainly contributed by release of certain co-invested films and distribution and licensing income arisen from animation business.

As of 31 December 2018, the carrying values of the Group’s film and TV programme rights and production in progress were HK\$8.6 million and HK\$112.7 million (30 June 2018: HK\$14.0 million and HK\$150.8 million) respectively whilst the carrying amount of the investments in film production was HK\$68.5 million (30 June 2018: HK\$35.3 million). During the Period, the Group recognised an impairment loss of investments in film production of HK\$0.1 million (2017: HK\$20.8 million).

The expected income of certain animation projects was affected due to the deferral of release schedule amid market volatilities in mainland China. The management of the Group took a prudent view to forecast the production, distribution and licensing of animated TV episodes and theatrical films business. Accordingly, an impairment loss on goodwill of HK\$28.3 million (2017: Nil) was recognised during the Period.

### **Event Investment and Others**

The Group did not generate any revenue from the segment of event investment and others (2017: HK\$0.9 million) during the Period. The Group continues to take a prudent approach in the selection of events to be invested.

## **BUSINESS REVIEW** (Continued)

### **Investment in Securities**

During the Period, the Group did not have any transaction in relation to investment in listed securities (2017: Nil). Based on the stock market price of the securities portfolio held by the Group, a decrease in the fair value of HK\$13.0 million (2017: HK\$15.8 million) was recognised for the Period. As at 31 December 2018, the carrying amount of the listed securities held by the Group was HK\$7.7 million (30 June 2018: HK\$20.7 million).

### **PROSPECTS**

China remains the fastest growing film market in the world. Despite recent macro uncertainties, spending on entertainment by Chinese consumers is expected to exhibit solid growth, fueled by rising disposable income and improvement on their quality of life. Taking into account the robust development of China's film market, the Group is positive about the entertainment industry and will continue to expand its film exhibition network in Greater China. Going forward, the Group is forging ahead with a solid expansion pipeline of launching "*Emperor Cinemas*". A number of locations in mainland China, Hong Kong (including Tsim Sha Tsui, Ma On Shan and Tseung Kwan O), Macau and even beyond the borders in Malaysia have been secured. The planned network of openings will be launched subsequently after mid-2019.

To stay on track for long-term growth, the Group will focus on boosting a series of branding and marketing initiatives, strengthening its presence in strategic locations and delivering service excellence. Riding on an ongoing synergy with movie stars and pop singers under Emperor Entertainment Group, "*Emperor Cinemas*" will continue to receive positive publicity in Chinese-speaking communities.

The Group is optimistic about the long-term sustained growth of China's film and entertainment market. The Group also strives to respond to forthcoming market opportunities with flexibility and decisiveness, and to expand according to a strategy that is both disciplined and forward thinking.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2018, the Group's number of employees was 295 (30 June 2018: 316). Total staff costs including the Directors' remuneration during the Period were HK\$18.3 million (2017: HK\$9.2 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits. The Company adopted a share option scheme to provide incentive or rewards to staff.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period (2017: Nil).

## **REVIEW OF INTERIM RESULTS**

The Interim Financial Statements had not been audited nor reviewed by the Company's auditor, HLB Hodgson Impey Cheng Limited, but had been reviewed by the audit committee of the Company, which comprises three Independent Non-executive Directors of the Company.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

During the Period, the Company had complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

### **Model Code for Securities Transactions**

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of 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 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.

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

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

**PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.empculture.com>. The interim report of the Company for the Period will be dispatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

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

Hong Kong, 26 February 2019

As at the date hereof, the Board comprises:

*Executive Directors:*

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

*Independent Non-executive Directors:*

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