

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 2019

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 2019 (the “**Period**”) together with the comparative figures for the corresponding period in 2018 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	<i>Notes</i>	Six months ended 31 December	
		2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
Revenue	3	96,062	73,580
Cost of sales		<u>(38,815)</u>	<u>(34,399)</u>
Gross profit		57,247	39,181
Other income and gains		3,113	2,629
Selling and distribution expenses		(103,138)	(58,475)
Administrative expenses		(28,919)	(22,325)
Other operating expenses		–	(28,393)
Change in fair value of financial assets at fair value through profit or loss		(4,724)	(13,045)
Finance costs	6	<u>(22,553)</u>	<u>(874)</u>
Loss before taxation	5	(98,974)	(81,302)
Income tax	7	<u>–</u>	<u>–</u>
Loss for the period		<u>(98,974)</u>	<u>(81,302)</u>
 Other comprehensive loss for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(4,189)</u>	<u>(8,048)</u>
Other comprehensive loss for the period, net of tax		<u>(4,189)</u>	<u>(8,048)</u>
Total comprehensive loss for the period		<u>(103,163)</u>	<u>(89,350)</u>

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

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Loss for the period attributable to:		
Owners of the Company	(94,807)	(77,399)
Non-controlling interests	(4,167)	(3,903)
	<u>(98,974)</u>	<u>(81,302)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(98,611)	(84,404)
Non-controlling interests	(4,552)	(4,946)
	<u>(103,163)</u>	<u>(89,350)</u>
Loss per share attributable to owners of the Company:		
– Basic and diluted	9 <u>HK\$(0.03)</u>	<u>HK\$(0.02)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at	
		31 December	30 June
		2019	2019
		(Unaudited)	(Audited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		555,876	262,699
Right-of-use assets		1,018,734	–
Deposits paid		41,817	56,002
		1,616,427	318,701
Current assets			
Inventories		1,734	641
Trade receivables	10	4,374	4,761
Other receivables, deposits and prepayments		54,248	38,922
Financial assets at fair value through profit or loss		6,919	170,783
Cash and cash equivalents		42,908	166,465
		110,183	381,572
Current liabilities			
Trade and other payables	11	102,315	40,776
Contract liabilities		14,338	11,128
Amounts due to related companies		5,987	5,651
Amount due to non-controlling interests		43,589	43,589
Lease liabilities		44,802	–
		211,031	101,144
Net current (liabilities) assets		(100,848)	280,428
Total assets less current liabilities		1,515,579	599,129

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	As at	
	31 December	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current liabilities		
Lease liabilities	<u>998,234</u>	<u>–</u>
Net assets	<u>517,345</u>	<u>599,129</u>
Capital and reserves attributable to owners of the Company		
Share capital	32,133	32,133
Reserves	<u>514,153</u>	<u>591,385</u>
	546,286	623,518
Non-controlling interests	<u>(28,941)</u>	<u>(24,389)</u>
Total equity	<u>517,345</u>	<u>599,129</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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 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 preparing these condensed consolidated financial statements, the Directors have careful consideration to the future liquidity of the Group in the light of the Group incurring a loss of HK\$98,974,000 for the Period and as of 31 December 2019, the Group’s current liabilities exceeded its current assets by HK\$100,848,000. The condensed consolidated financial statements have been prepared on a going concern basis as the Group has obtained a loan facility from a related party in amount of HK\$1,200,000,000 with a fixed repayment term of 2 years and a revolving loan facility from a bank in amount of HK\$20,000,000. The Group is actively negotiating with another bank to obtain an additional new financing and other source of funding. The Directors believe that in obtaining these new financing facilities, it will be able to provide continuing financial support to the Group. The Directors will also closely monitor the operation, cash flows and capital expenditure of the Group and consider to make appropriate actions such as fund raising activities as and when required to cope with its need. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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 2019.

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

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 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 July 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16	<i>Leases</i>
HK (IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and amendments to HKFRSs are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of this new HKFRS are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK (SIC)-Int 15 *Operating Leases – Incentives* and HK (SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses as at 1 July 2019, and the comparative information was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

New definition of a lease *(continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities as at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019 and presented separately in the unaudited condensed consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the unaudited condensed consolidated statement of financial position immediately before 1 July 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the unaudited condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 as at 1 July 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 July 2019 are as follows:

	Increase/ (decrease) (Unaudited) HK\$'000
Assets	
Increase in right-of-use assets	637,778
Decrease in deposits paid	<u>(7,673)</u>
Increase in total assets	<u>630,105</u>
Liabilities	
Decrease in trade and other payables	(21,379)
Increase in lease liabilities	<u>630,105</u>
Increase in total liabilities	<u>608,726</u>
Decrease in accumulated losses	<u>(21,379)</u>

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	HK\$'000
Operating lease commitments as at 30 June 2019 (Audited)	1,876,307
Add: Payments for optional extension periods not recognised as at 30 June 2019	147,760
Less: Lease commitments not yet commenced	(1,151,551)
Lease liabilities discounted at weighted average incremental borrowing rate of 5%	<u>(242,411)</u>
Lease liabilities as at 1 July 2019 (Unaudited)	<u>630,105</u>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 July 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Significant judgement in determining the lease term of contracts with renewal options (continued)

The Group has the option, under some of its leases, to lease properties for additional terms from 2 to 6 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of properties due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the Period are as follow:

	Right-of-use assets (Unaudited) HK\$'000	Lease liabilities (Unaudited) HK\$'000
At 1 July 2019	637,778	630,105
Additions	428,826	417,399
Depreciation charge	(41,395)	–
Interest expense	–	22,553
Payments	–	(20,546)
Exchange realignment	(6,475)	(6,475)
	<hr/>	<hr/>
At 31 December 2019	1,018,734	1,043,036

3. REVENUE

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Recognised at a point in time:		
Income from cinema operation	96,062	68,171
Recognised over time:		
Income from film and TV programme investment and production and others	–	5,409
Revenue from contracts with customers	96,062	73,580

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 prior year, the Group reorganised its internal reporting structure which resulted in changes in the composition of its reportable segments. In accordance with the way in which information is now reported internally to the CODM for purpose of resource allocation and performance assessment and the streamlining of certain reportable segments, the financial information of the Group's “Film, TV programme investment and production and others” and “Event investment and others” segments are now reported within “Investment in films and cultural events” segment while “Investment in securities” segment is no longer a part of an operating segment. Prior corresponding period's segment disclosures have been represented to conform with the current period's presentation.

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
- Investment in films and cultural events (including investments in film and event projects; and production, distribution and licensing of animated TV episodes and theatrical films)

Information regarding the above segments is reported as below:

4. SEGMENT INFORMATION *(continued)*

Segment revenue and results

For the six months ended 31 December 2019

	Cinema operation (Unaudited) <i>HK\$'000</i>	Investment in films and cultural events (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>96,062</u>	<u>–</u>	<u>96,062</u>
Segment results	<u>(68,688)</u>	<u>(34)</u>	<u>(68,722)</u>
Bank interest income			281
Unallocated corporate expenses			(3,256)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(4,724)
Finance cost			<u>(22,553)</u>
Loss before taxation			<u>(98,974)</u>

For the six months ended 31 December 2018

	Cinema operation (Unaudited) <i>HK\$'000</i>	Investment in films and cultural events (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>68,171</u>	<u>5,409</u>	<u>73,580</u>
Segment results	<u>(33,680)</u>	<u>(32,643)</u>	<u>(66,323)</u>
Bank 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 FVTPL			(13,045)
Finance cost			<u>(874)</u>
Loss before taxation			<u>(81,302)</u>

4. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Segment revenue reported above represents revenue generated from external customers. There is no inter-segment revenue for the Period (2018: Nil).

Segment results represent the loss suffered by each segment without allocation of bank interest income, central administration costs which mainly include Directors' emoluments and corporate legal and professional fees, fair value changes in respect of contingent consideration receivable and financial assets at FVTPL, and finance costs. 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 BEFORE TAXATION

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging/ (crediting):		
Amortisation of film and TV programme rights (included in cost of sales)	–	4,696
Amortisation of intangible assets (included in administrative expenses)	–	1,008
Cost of investments in film production (included in cost of sales)	–	1,494
Depreciation of property, plant and equipment	20,471	17,303
Depreciation of right-of-use assets	41,395	–
Impairment loss recognised in respect of:		
– goodwill*	–	28,273
– investments in film production*	–	120
Bank interest income	(281)	(1,472)
Gain on fair value change in respect of contingent consideration receivable (included in other income and gains)	–	(654)
	–	(654)

* *The aggregation of these items for the six months ended 31 December 2018 were included in "Other operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.*

10. TRADE RECEIVABLES

	As at	
	31 December	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables, net	<u>4,374</u>	<u>4,761</u>

The Group allows an average credit periods of 30 to 180 days (2018: 30 to 180 days) to its customers. The ageing analysis of the trade receivables of the Group based on the invoice date at the end of the reporting period is as follows:

	As at	
	31 December	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 90 days	4,363	4,734
91 – 180 days	11	408
Over 180 days	<u>381</u>	<u>–</u>
	4,755	5,142
Less: Allowance for expected credit losses	<u>(381)</u>	<u>(381)</u>
	<u>4,374</u>	<u>4,761</u>

11. TRADE AND OTHER PAYABLES

	As at	
	31 December	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade payables	12,870	8,678
Accruals	6,354	19,061
Other payables (<i>note</i>)	83,091	13,037
	<u>102,315</u>	<u>40,776</u>

Note:

Other payables mainly comprise of HK\$80,818,000 (30 June 2019: HK\$7,865,000) for consideration payable 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	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 90 days	12,351	8,678
91 – 180 days	519	–
	<u>12,870</u>	<u>8,678</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in entertainment, media and cultural development businesses, particularly in Greater China, which include (i) cinema operation; and (ii) investment in films and a variety of cultural events.

MARKET REVIEW

In recent years, the government of mainland China has been increasing its investment in the cultural industry, leading to a rapid development of the industry within the nation. In December 2018, China Film Administration has issued the “Opinions on Accelerating the Construction of Cinemas to Promote the Prosperity and Development of the Film Market”, aiming to enhance the film industry. According to the China Movie Data Information Network, China’s movie box office revenue increased by 14.3% to RMB32.8 billion (2018: RMB28.7 billion) during the Period. The number of cinema screens in China reached over 68,000 (2018: 62,000), maintaining its position as the world’s number one country.

FINANCIAL REVIEW

Overall Review

During the Period, the Group’s total revenue increased by 30.6% to HK\$96.1 million (2018: HK\$73.6 million), which was contributed by the increase in income from box-office takings for film exhibition. Due to the commencement of operation of a number of new cinemas during the Period which resulted in an increase in selling and distribution costs, a loss for the Period attributable to the owners of the Company of HK\$94.8 million (2018: HK\$77.4 million) was recorded. Basic loss per share was HK\$0.03 (2018: HK\$0.02).

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 at 31 December 2019, the Group’s cash and cash equivalents amounted to HK\$42.9 million (30 June 2019: HK\$166.5 million), which are mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2019, amounts due to non-controlling interests and related companies totalled HK\$43.6 million (30 June 2019: HK\$43.6 million) and HK\$6.0 million (30 June 2019: HK\$5.7 million), respectively. They were denominated in Hong Kong dollars and Renminbi, unsecured, interest-free and repayable on demand. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was 8.0% (30 June 2019: 7.0%).

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 10.0% of its net assets as at 31 December 2019. In view of the recent volatility of foreign currency rate of Renminbi, the Board will closely monitor the Group’s exposure to fluctuations in foreign exchange rates and take appropriate actions, if necessary, to mitigate the risk.

FINANCIAL REVIEW *(continued)*

Mandatory Unconditional Cash Offer

Upon completion of acquisition of 585,980,000 issued shares of the Company (the “**Shares**”) by Emperor Culture Group Holdings Limited (the “**Offeror**”), the controlling shareholder of the Company, from Win World Profits Limited, an associate of and a party acting in concert with the Offeror and several independent third parties on 12 November 2019, the Offeror and parties acting in concert with it were interested in approximately 51.35% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, the Offeror was required to make a mandatory unconditional cash offer (the “**Offer**”) for all the Shares, other than those already owned and/or agreed to be acquired by the Offeror or parties acting in concert with it (the “**Offer Share(s)**”). The offer price for each Offer Share was HK\$0.08 in cash and the Offer was unconditional in all respects.

From the commencement of the offer period and up to the closing date of the Offer (i.e. 10 January 2020) (“**Closing Date**”), the Offeror has made on-market purchases of an aggregate of 217,760,000 Shares, representing approximately 6.78% of the total issued Shares. During the offer period, there were valid acceptances in respect of 503,373,094 Offer Shares under the Offer, representing approximately 15.67% of the Shares as at the Closing Date of the Offer. Taking into account the valid acceptances in respect of the aforesaid Offer Shares under the Offer, the Offeror and parties acting in concert with it held an aggregate of 2,371,313,094 Shares, representing approximately 73.80% of the Shares of the Company right after the close of the Offer.

Details of the Offer were set out in the joint announcements made by the Company and the Offeror dated 15 November 2019 and 10 January 2020, as well as in the composite document issued by the Company dated 20 December 2019.

BUSINESS REVIEW

Film Exhibition

During the Period, with the commencement of operation of 6 new cinemas in mainland China, Hong Kong and Malaysia, revenue from the film exhibition segment increased significantly by 40.9% to HK\$96.1 million (2018: HK\$68.2 million). As at 31 December 2019, the Group ran 11 (2018: 5) cinemas in mainland China, Hong Kong and Malaysia under “*Emperor Cinemas*”, offering a total of 95 (2018: 54) houses with more than 12,400 (2018: 6,200) seats, all of which are situated in strategic locations providing premium entertainment services. The details of the film exhibition network as at 31 December 2019 are as follows:

BUSINESS REVIEW (continued)

Film Exhibition (continued)

	<i>No. of houses</i>	<i>No. of seats</i>
Mainland China		
1. Emperor Group Centre, Beijing	10	1,154
2. Shin Kong Place, Chongqing	18	2,298
3. MixC, Hefei	13	1,980
4. East Pacific Shopping Mall, Shenzhen	9	458
5. Shanshan Outlet Plaza, Ganzhou	9	1,500
6. Wenjiang Shin Kong Place, Chengdu	10	1,836
Hong Kong		
7. New Town Commercial Arcade, Tuen Mun	4	385
8. MOSTown, Ma On Shan	4	435
9. iSQUARE, Tsim Sha Tsui	5	979
10. Citywalk, Tsuen Wan	5	669
Malaysia		
11. R&F Mall Johor Bahru	8	743
Total	95	12,437

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.

The “*Emperor Cinemas*” in iSQUARE, Tsim Sha Tsui, Hong Kong, which commenced operation in December 2019, features VIP house “*the CORONET*”, offering guests a 5-star experience in an intimate setting, coupled with gourmet delights prepared by master chefs. Each chair features a service button, enabling service ambassadors to promptly attend to guests during screenings. In addition, its IMAX® House has the biggest IMAX® with Laser screen in Hong Kong, together with a new-generation IMAX® with Laser projection system, creating a remarkable visual experience for audiences.

Investment in Films and Cultural Events

During the Period, the segment did not generate any distribution and licensing income from animation business as it was disposed of in June 2019. Hence, the segment revenue was nil (2018: HK\$5.4 million) for the Period.

PROSPECTS

Riding on the development of the film industry, the Group has dedicated considerable efforts to developing its film exhibition business in various locations in recent years, and has established a strategic network comprising 11 cinemas in mainland China, Hong Kong and Malaysia. Going forward, the Group will continue to source premium locations in mainland China and Hong Kong in order to expand its film exhibition business.

In view of audiences' pursuit of total experience, the Group will strive to curate best-in-class entertainment with exquisite contents, experiences and taste for its audiences. The Group will focus on enhancing hardware as well as delivering excellent services, in order to increase the competitiveness of its cinemas, whilst boosting customer loyalty. The Group will also continue to roll out branding and marketing campaigns, to enhance its brand exposure and maximise the reach to target customer groups. In the light of an unfavourable business environment in the near term, the Group will implement more promotions, to drive ticket sales.

By November 2019, "*Emperor*" was recognised as a well-known trademark in mainland China, and had obtained cross-class protection from the National Intellectual Property Administration, affirming Emperor Group's wide acknowledgement in China and its brand value. Leveraging its long established "*Emperor*" brand label as well as synergy with Emperor Entertainment Group artistes, the Group will strive to further enhance the promotion of its cinemas via different media, in order to strengthen its position in the industry and maintain stable business growth in the long-term.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group's number of employees was 584 (30 June 2019: 333). Total staff costs including the Directors' remuneration during the Period were HK\$32.5 million (2018: HK\$18.3 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 (2018: Nil).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the Period have not been audited nor reviewed 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 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 contained 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 <https://www.hkexnews.hk> and the Company at <https://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, 25 February 2020

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