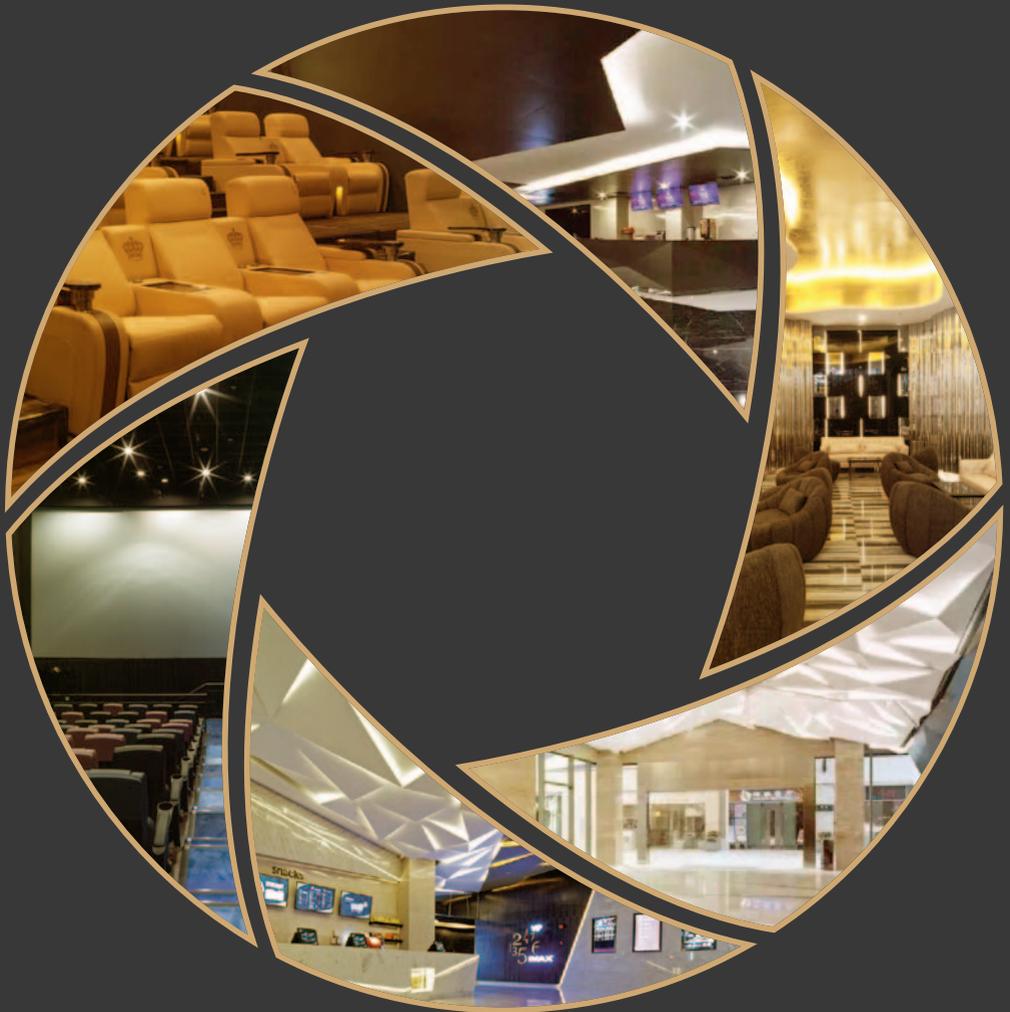




英皇文化產業集團有限公司
Emperor Culture Group Limited

Incorporated in Bermuda with limited liability (Stock Code: 491)



INTERIM REPORT
2017/2018

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MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Culture Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged 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.

FINANCIAL REVIEW

Overall review

During the six months ended 31 December 2017 (the “**Period**”), revenue of the Group declined by 36.6% to HK\$21.4 million (2016: HK\$33.7 million) and loss for the Period amounted to HK\$69.9 million (2016: HK\$17.6 million).

Loss for the Period attributable to the owners of the Company was HK\$67.2 million (2016: HK\$14.8 million). Such increase is mainly due to (i) the decrease in revenue generated from film and TV programme investment and production business; (ii) a fair value loss derived from the financial assets under the segment of investment in securities; and (iii) a non-recurring gain on disposal of associates which was recorded in the previous corresponding period. Basic loss per share was HK\$0.02 (2016: HK\$0.01).

Use of proceeds from equity fund raising

During the Period, the Group utilised part of the net proceeds of HK\$39.9 million raised from the issue of 1,000,000,000 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**”) to expand its cinema operation in Mainland China. As at 31 December 2017, the remaining proceeds of HK\$142.5 million was retained at bank.

Capital structure, liquidity and financial resources

There was no change in the capital structure during the Period. The Group continued to fund its operations and capital expenditure by cash generated internally from its operations as well as the net proceeds from the Subscription. As at 31 December 2017, the Group’s cash and bank balances amounted to HK\$435.3 million (30 June 2017: HK\$452.6 million) which are mainly denominated in Hong Kong dollars and Renminbi.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital structure, liquidity and financial resources (Continued)

Total borrowings of the Group as at 31 December 2017 was HK\$105.9 million (30 June 2017: HK\$60.9 million) comprising the amounts due to non-controlling interests and related companies of HK\$44.9 million and HK\$61.0 million (30 June 2017: HK\$44.9 million and HK\$16.0 million) respectively, which are denominated in Hong Kong dollars and Renminbi, unsecured, interest-free and repayable on demand. The gearing ratio (expressed as a percentage of total borrowings over net asset value) was 12.6% (30 June 2017: 6.7%).

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 only less than 10% of its net assets as at 31 December 2017. Hence, the Group's exposure to fluctuations in exchange rates is insignificant.

Disposals of film rights

On 3 July 2017, the Group completed the disposals of certain film rights at total cash consideration of HK\$47.6 million. No gain or loss on the disposals was recorded as the carrying amounts of these film rights had been adjusted to their net realisable values as at 30 June 2017. Details of the disposals were set out in the Company's announcements dated 30 November 2016 and 15 June 2017.

Profit guarantee

Pursuant to the terms of the sale and purchase agreement (the "**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 (collectively referred to as the "**Vendors**") 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 ending 31 December 2016, 31 December 2017 and 31 December 2018 (each of the "**Guarantee Period**") would be no less than HK\$10.0 million (the "**Guaranteed Sum**") for each of the Guaranteed Period.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Profit guarantee (Continued)

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

For the year ended 31 December 2016, JDMM Group recorded a loss after tax and hence, the Vendors were obliged to pay the Shortfall of approximately HK\$7.9 million, being 78.64% of the Guaranteed Sum to the Group. The Group had recorded the Shortfall as compensation income and compensation income receivable in its audited consolidated financial statements for the year ended 30 June 2017, and also demanded payment from the Vendors of the Shortfall pursuant to the terms of the Agreement. The Shortfall was settled by the Vendors on 22 August 2017.

BUSINESS REVIEW

Film exhibition

As for the Group’s first cinema located in MixC, Hefei, China where is a large-scale shopping, commercial and entertainment complex in a contemporary central business district, it is positioned as high-end premium cinema equipped with advanced technologies including IMAX theater system, 4DX motion system, D-Box seats and Dolby Atmos audio system. The cinema has 13 houses which can accommodate around 2,000 audiences. It also features a luxury VIP house and a VIP lounge where the audiences can enjoy premium and exclusive entertainment services. During the Period, the Group recorded a revenue of HK\$18.3 million (2016: HK\$15.0 million) from this segment, representing 21.9% growth. It was ranked as number two in Hefei city in terms of box office and attendance.

Film and TV programme investment and production and others

During the Period, this segment generated a revenue of HK\$2.2 million (2016: HK\$19.2 million) to the Group which was mainly contributed by release of certain co-invested films. The decrease in revenue was due to the disposals of certain film rights during the Period. Such disposals had brought in cash proceeds of HK\$47.6 million to the Group prior to the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Film and TV programme investment and production and others *(Continued)*

As of 31 December 2017, the carrying values of the Group's film and TV programme rights and production in progress were HK\$10.4 million and HK\$146.2 million (30 June 2017: HK\$12.0 million and HK\$215.5 million) respectively. The carrying amount of the investments in film production was HK\$58.4 million (30 June 2017: HK\$1.7 million). Due to challenges of marketability of certain films, an impairment loss of investments in film production of HK\$20.8 million (2016: HK\$50.1 million) was recognised for the Period. However, whether the audiences find the film products attractive depend on certain variables, the Group remains cautious in the selection of stories and scripts for film investment.

Event investment and others

The segment of event investment and others derived a revenue of HK\$0.9 million (2016: Nil) for the Period. Revenue of this segment was contributed by a co-invested concert. The Group continues to keep prudent approach in the selection of events to be invested.

Investment in securities

During the Period, the Group did not have any transactions in relation to investments in listed securities (2016: a loss of HK\$0.5 million). Based on the stock market price of the securities portfolio held by the Group, a decrease in the fair value of HK\$15.8 million (2016: an increase in fair value of HK\$3.0 million) was recognised for the Period. As at 31 December 2017, the Group continued to hold these investments in listed securities with the carrying amount of HK\$36.7 million (30 June 2017: HK\$52.4 million).

FUTURE BUSINESS PROSPECTS AND PLANS

Along with the growth in China's film market, the Group continues to dedicate its efforts in expanding its film exhibition network. Another cinema located in Shin Kong Place in Chongqing, as the Group's second cinema, was opened in January 2018 starring various prominent singers and popular actors such as Joey Yung, Simon Yam, Kathy Yuen and Carlos Chan at its grand opening ceremony. Meanwhile, a cinema at Tuen Mun in Hong Kong was also opened before this Chinese New Year and was almost full-housed during this golden holiday. Other new cinemas in Beijing, Shenzhen and Chengdu, one after another, will be launched soon in 2018. These new cinemas will not only bring in new income stream and stable return to the Group, but also lay a strong foundations for film exhibition in Greater China.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE BUSINESS PROSPECTS AND PLANS *(Continued)*

Emperor Cinemas has recently signed a cinema co-operation strategic agreement with China Gezhouba Group Real Estate Development Co. Ltd., one of the leading property developers in Mainland China, aiming to provide premium and high-end entertainment services to the audiences in potential cities in Mainland China for accelerating the expansion of film exhibition network.

The Group 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. The Group is cautious but optimistic about the long-term sustainable growth of China's film and entertainment market. The Group will put more efforts in extending its cinema coverage in first tier and second tier cities of Mainland China as well as Hong Kong.

EMPLOYEES AND REMUNERATION POLICY

Following the expansion of cinema operation in Mainland China, the Group's number of employees increased to 203 (30 June 2017: 95) as at 31 December 2017. Total staff costs including the remuneration of the Company's directors for the Period were HK\$9.2 million (2016: HK\$2.8 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.

To provide incentive or rewards to staff, the Company has adopted a share option scheme, particulars of which are set out in the section headed "Share Options" on page 29.

INTERIM DIVIDEND

The Board of Directors of the Company (the "**Board**" or the "**Directors**") has resolved not to declare any interim dividend for the Period (2016: Nil).



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

The Board announces the unaudited condensed consolidated results of the Group for the Period together with the comparative figures for the corresponding period in 2016 as set out below:

	Notes	Six months ended 31 December	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	21,382	33,742
Cost of sales		(11,238)	(23,714)
Gross profit		10,144	10,028
Other revenue		2,954	6,450
Selling and marketing expenses		(4,875)	(3,938)
Administrative expenses		(36,926)	(16,372)
Other operating expenses	4	(25,568)	(51,580)
Change in fair value of financial assets at fair value through profit or loss		(15,766)	2,975
Loss from operations	4	(70,037)	(52,437)
Gain on disposal of associates		–	34,825
Finance costs		–	(6)
Loss before taxation	3	(70,037)	(17,618)
Tax credit	5	91	–
Loss for the period		(69,946)	(17,618)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Note	Six months ended 31 December	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other comprehensive income/ (loss) for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		7,450	(4,089)
Other comprehensive income/ (loss) for the period, net of tax		7,450	(4,089)
Total comprehensive loss for the period		(62,496)	(21,707)
Loss for the period attributable to:			
Owners of the Company		(67,170)	(14,835)
Non-controlling interests		(2,776)	(2,783)
		(69,946)	(17,618)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(61,040)	(17,413)
Non-controlling interests		(1,456)	(4,294)
		(62,496)	(21,707)
Loss per share attributable to owners of the Company:			
– Basic and diluted	7	HK\$(0.02)	HK\$(0.01)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	148,636	72,241
Goodwill		95,614	95,614
Intangible assets		24,481	25,489
Contingent consideration receivable		–	485
		268,731	193,829
Current assets			
Inventories		424	131
Film and TV programme rights		10,377	11,986
Film and TV programme production in progress		146,160	215,463
Investments in film production		58,373	1,683
Trade receivables	9	9,300	16,642
Other receivables, deposits and prepayments		37,997	53,553
Contingent consideration receivable		3,708	7,998
Financial assets at fair value through profit or loss		36,675	52,441
Cash and bank balances		435,270	452,616
		738,284	812,513
Asset classified as held for sale	10	–	47,600
		738,284	860,113



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
	Note		
Current liabilities			
Trade and other payables	11	82,582	111,887
Amounts due to related companies		61,015	16,049
Amount due to non-controlling interests		44,869	44,870
		188,466	172,806
Net current assets		549,818	687,307
Total assets less current liabilities		818,549	881,136
Non-current liability			
Deferred tax liability		151	242
Net assets		818,398	880,894
Capital and reserves attributable to owners of the Company			
Share capital		32,133	32,133
Reserves		811,006	872,046
		843,139	904,179
Non-controlling interests		(24,741)	(23,285)
Total equity		818,398	880,894



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to owners of the Company						Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 July 2016 (Audited)	22,133	733,016	50	58,658	(2,640)	(35,040)	776,177	(24,888)	751,289
Loss for the period	-	-	-	-	-	(14,835)	(14,835)	(2,783)	(17,618)
Other comprehensive loss for the period	-	-	-	-	(2,578)	-	(2,578)	(1,511)	(4,089)
Total comprehensive loss for the period	-	-	-	-	(2,578)	(14,835)	(17,413)	(4,294)	(21,707)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	8,756	8,756
At 31 December 2016 (Unaudited)	22,133	733,016	50	58,658	(5,218)	(49,875)	758,764	(20,426)	738,338
At 1 July 2017 (Audited)	32,133	912,843	50	58,658	(2,138)	(97,367)	904,179	(23,285)	880,894
Loss for the period	-	-	-	-	-	(67,170)	(67,170)	(2,776)	(69,946)
Other comprehensive income for the period	-	-	-	-	6,130	-	6,130	1,320	7,450
Total comprehensive income/(loss) for the period	-	-	-	-	6,130	(67,170)	(61,040)	(1,456)	(62,496)
At 31 December 2017 (Unaudited)	32,133	912,843	50	58,658	3,992	(164,537)	843,139	(24,741)	818,398



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	11,435	(200,177)
Net cash used in investing activities	(76,936)	(73,547)
Net cash from financing activities	44,965	83,077
Net decrease in cash and cash equivalents	(20,536)	(190,647)
Effect of foreign exchange rate changes	3,190	(412)
Cash and cash equivalents at the beginning of the period	452,616	398,515
Cash and cash equivalents at the end of the period, representing cash and bank balances	435,270	207,456



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and 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 2017.

Certain comparative amounts have been reclassified to conform 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.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2017, except as described below.

In the Period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standards (“**HKASs**”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 July 2017.

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendments)	As part of the annual improvements to HKFRSs 2014-2016 cycles



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the above amendments to HKFRSs and HKASs in the Period has had no material effect on the amounts reported in the Interim Financial Statements and/or on the disclosures set out in the Interim Financial Statements, but additional disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes on application of HKAS 7 (Amendments) will be provided in the consolidated financial statements for the year ending 30 June 2018.

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. SEGMENT INFORMATION

For the purposes of resource allocation and assessment of segment performance, information reported to the Executive Directors, 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 (including artiste management and music production)
- Investment in securities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments is presented as below:

Segment revenue and results

For 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	18,335	2,185	862	–	21,382
Segment results	(25,207)	(22,954)	862	–	(47,299)
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 fair value through profit or loss					(15,766)
Loss from operations and loss before taxation					(70,037)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For six months ended 31 December 2016

	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	15,039	19,167	–	(464)	33,742
Segment results	(6,440)	(50,509)	–	3,356	(53,593)
Interest income					417
Unallocated corporate expenses					(2,236)
Change in fair value of financial assets at fair value through profit or loss					2,975
Loss from operations					(52,437)
Gain on disposal of associates					34,825
Finance costs					(6)
Loss before taxation					(17,618)

Segment revenue reported above represents revenue generated from external customers. There is no inter-segment revenue for the Period (2016: Nil). For the segment revenue in respect of investment in securities during the six months ended 31 December 2016, it represented the difference between the sale proceeds of HK\$3,377,000 (2017: Nil) and the investment costs of those securities disposed of during that period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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, fair value changes in respect of contingent consideration receivable and financial assets at fair value through profit or loss ("FVTPL"), and gain on disposal of associates. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

4. LOSS FROM OPERATIONS

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Amortisation of film and TV programme rights (included in cost of sales)	2,275	1,338
Amortisation of intangible assets (included in administrative expenses)	1,008	404
Cost of investments in film production (included in cost of sales)	589	15,690
Depreciation of property, plant and equipment	4,628	4,310
Impairment loss recognised in respect of investments in film production*	20,793	50,069
Loss on fair value change in respect of contingent consideration receivable*	4,775	–
Bank interest income	(968)	(417)
Dividend income	–	(4,861)
Listed corporate bond interest income	–	(692)

- * The aggregation of these items are included in “Other 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 2017

5. TAX CREDIT

The amount represents the deferred tax liability in relation to the fair value adjustment arising from acquisition of subsidiaries credited to profit or loss for the Period (2016: 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.

6. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2016: Nil).

7. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(67,170)	(14,835)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

	Six months ended 31 December	
	2017 (Unaudited) '000	2016 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share	3,213,341	2,213,341

During the Period and the six months ended 31 December 2016, diluted loss per share was the same as the basic loss per share since there was no dilutive potential ordinary share for both periods.

8. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group paid HK\$77,522,000 (2016: Nil) for establishment and renovation of cinemas in Mainland China and Hong Kong and also acquired certain items of property, plant and equipment with a cost of HK\$382,000 (2016: HK\$512,000). In addition, certain items of property, plant and equipment with carrying amount of HK\$35,000 (2016: Nil) were disposed of, which resulted in a loss of HK\$35,000 (2016: Nil) for the Period.

9. TRADE RECEIVABLES

	As at	
	31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
Trade receivables, net	9,300	16,642



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

9. TRADE RECEIVABLES (Continued)

The Group allows an average credit period of 30 to 180 days (30 June 2017: 30 to 180 days) to its trade 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 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
0 – 90 days	5,650	9,992
91 – 180 days	–	–
Over 180 days	9,822	12,822
	15,472	22,814
Less: Impairment loss recognised in respect of trade receivables	(6,172)	(6,172)
	9,300	16,642

Trade receivables of HK\$3,650,000 (30 June 2017: HK\$6,650,000) were neither past due nor impaired. The outstanding amounts were contract bound. The management has assessed the credit history of the aforesaid trade receivables and concluded that there is no adverse change in the credit quality of these customers and these trade receivables are recoverable.

Trade receivables of HK\$6,172,000 (30 June 2017: HK\$6,172,000) that were past due for over 180 days were impaired. In determining the recoverability of trade receivables, the management has considered any change in the credit quality of the trade receivables from the date of credit initially granted and up to the end of the reporting period. Accordingly, the management believed that the provision for impairment in values of the trade receivables had been adequately made to their recoverable values and no further credit provision was required in excess of the allowance for doubtful debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

10. ASSET CLASSIFIED AS HELD FOR SALE

The amount was the contract price for sales representing the fair value less costs to sell of certain film rights which were not completed as at 30 June 2017. Shortly after the end of that reporting period, the disposals were completed on 3 July 2017.

11. TRADE AND OTHER PAYABLES

	As at 31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
Trade payables	10,258	11,614
Accruals	19,748	12,613
Deposits received for disposals of film rights	–	47,600
Deposits received from customers	34,586	34,223
Other payables	17,990	5,837
	82,582	111,887

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

	As at 31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
0 – 90 days	2,484	5,036
Over 90 days	7,774	6,578
	10,258	11,614



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000		
Financial assets at FVTPL:				
Contingent consideration receivable	3,708	8,483	Level 3	Income approach was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration, based on an appropriate discount rate.
Equity securities listed in Hong Kong	36,675	52,441	Level 1	Quoted bid prices in an active market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

The fair value of contingent consideration receivable in relation to the acquisition of JDMM Group are measured at fair value under the income approach and are taken into consideration of whether the Profit Guarantee given by the Vendors is probable to be fulfilled. The unobservable inputs used in respect of the valuation are (i) expected future profitability for three scenarios and (ii) probability distribution of three conditions.

The fair value measurement is negatively correlated to the expected future results of JDMM Group.

The Directors have engaged with an independent firm of valuers, Flagship Appraisals and Consulting Limited, to determine the appropriate valuation techniques and inputs for fair value measurement.

In estimating the fair value of the asset, the management worked closely with Flagship Appraisals and Consulting Limited to establish the appropriate valuation techniques and inputs to the model and reported the findings to the Directors at the end of the reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of contingent consideration receivable are disclosed above.

The following table presents the change in the contingent consideration receivable which is classified as Level 3 instrument for the Period:

	HK\$'000
At 1 July 2017 (Audited)	8,483
Loss on fair value change for the Period (note 4)	(4,775)
At 31 December 2017 (Unaudited)	3,708



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(Continued)

Due to the variety of basis of determination used in profit forecast, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of acquired business and the potential impact on the fair value change of the contingent consideration receivable at the end of the reporting period.

For illustrative purpose, if the probability of worst and best scenarios is 5% lower or higher and the probability of normal scenario is 10% lower or higher, there will be no material impact on the fair value change of the contingent consideration receivable. Similarly, if expected profit after tax of the acquired business is 10% lower or higher, there will be no material impact on the fair value change of the contingent consideration receivable.

There were no transfers between Levels 1, 2 and 3 during the Period and the year ended 30 June 2017.

Other than disclosed above, the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of all other financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their corresponding fair values, except that asset classified as held for sale as at 30 June 2017 of which its fair value was HK\$47,600,000 was measured at the lower of its carrying amount or the fair value less costs to sell.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

13. CAPITAL COMMITMENTS

	As at 31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
Contracted for but not provided in the Interim Financial Statements, net of amounts paid, in respect of acquisition of property, plant and equipment	110,132	61,781

14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following significant transactions with related parties during both periods:

	Six months ended 31 December 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Event investment cost to a related company	1,989	–
Professional service fee to a related company	240	–
Reimbursement of administrative expenses to a related company	3,665	–
Rental expenses to related companies	4,680	–

The above related companies are indirectly controlled by Albert Yeung Holdings Limited (“**AY Holdings**”) which is held by STC International Limited (“**STC International**”) in trust of The Albert Yeung Discretionary Trust (“**AY Trust**”), a discretionary trust under which Mr. Yeung Ching Loong, Alexander, a director of the Company, is one of the eligible beneficiaries. AY Holdings is the ultimate controlling shareholder of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

14. RELATED PARTY TRANSACTIONS (Continued)

- (b) The key management personnel of the Company are the Directors and the total remuneration paid to them is set out as follows:

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Fees	634	467

- (c) At the end of the reporting period, the Group had the following balances with the related parties:

	As at	
	31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
Amounts due to related companies	61,015	16,049
Amount due to non-controlling interests	44,869	44,870

15. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 27 February 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2017, 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 or its associated corporation(s) (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”):

LONG POSITIONS INTERESTS IN THE COMPANY

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

Name of Director	Capacity/Nature of interests	Number of issued Shares held	Approximate % holding
Mr. Yeung Ching Loong, Alexander	Eligible beneficiary of the AY Trust	1,064,200,000	33.12%

Note:

These Shares were held by Emperor Culture Group Holdings Limited, a wholly-owned subsidiary of AY Holdings. AY Holdings in turn is owned by the AY Trust of which Mr. Yeung Ching Loong, Alexander is one of the eligible beneficiaries.

Save as disclosed above, as at 31 December 2017, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).



OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2017, so far as is known to any Directors or chief executives of the Company, the persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest 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”) or as otherwise notified to the Company were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name	Capacity/Nature of interests	Number of issued Shares held	Approximate % holding
AY Holdings	Interest in a controlled corporation	1,064,200,000 (Note 1)	33.12%
STC International	Trustee of the AY Trust	1,064,200,000 (Note 1)	33.12%
Dr. Yeung Sau Shing, Albert (“ Dr. Albert Yeung ”)	Founder of the AY Trust	1,064,200,000 (Note 1)	33.12%
	Interest in a controlled corporation	97,000,000	3.02%
Ms. Luk Siu Man, Semon	Interest of spouse	1,161,200,000 (Note 2)	36.14%
Golden Skill Limited	Beneficial owner	350,000,000	10.89%
Mr. Tse Nicholas	Interest in a controlled corporation	350,000,000 (Note 3)	10.89%

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

LONG POSITIONS IN SHARES OF THE COMPANY *(Continued)*

Notes:

1. These Shares were the same shares of which Mr. Yeung Ching Loong, Alexander had deemed interests as set out under the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.
2. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon also had deemed interests in the same Shares held by Dr. Albert Yeung.
3. These Shares were the same shares held by Golden Skill Limited.

All interests stated above represent long position. As at 31 December 2017, no short positions were recorded in the DI Register.

Save as disclosed above, as at 31 December 2017, 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 Shares or underlying Shares as recorded in the DI Register or as otherwise notified to the Company.

SHARE OPTIONS AND OTHER INFORMATION

SHARE OPTIONS

The Company has adopted a share option scheme on 8 November 2011 ("**Share Option Scheme**") under which the Directors may, at their discretion, grant options to employees, including any director of the Company or its subsidiaries to subscribe for Shares, subject to the term and conditions stipulated therein. No option was granted under the Share Option Scheme since its adoption.



SHARE OPTIONS AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company had complied throughout the Period with all the code provisions of 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 as set out in the Appendix 10 of the Listing Rules. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the 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.

REVIEW OF INTERIM REPORT

The Interim Financial Statements as set out in this interim report have not been audited nor reviewed by the Company's auditor, HLB Hodgson Impey Cheng Limited, but this report has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to the requirements of Rules 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2016/2017 Annual Report are set out below:-

The shares of Ulferts International Limited, of which Ms. Fan Man Seung, Vanessa, Mr. Wong Chi Fai and Mr. Ng Hoi Yue are also directors and members of its relevant board committees, are listed on the Stock Exchange on 29 January 2018 with Stock Code: 1711.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2016/2017 Annual Report.



SHARE OPTIONS 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, 27 February 2018

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:

Mr. Ng Hoi Yue
Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen

This Interim Report (in both English and Chinese versions) is available to any shareholder of the Company either in printed form or on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://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 or the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-ecom@hk.tricorglobal.com.

