



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)



2020/2021 INTERIM REPORT

CONTENTS

Results	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Condensed Consolidated Financial Statements	17
Directors' and Chief Executives' Interests in Securities	36
Other Persons' Interests in Shares and Underlying Shares	38
Corporate Governance and Other Information	39

RESULTS

During the six months ended 31 December 2020 (the “**Period**”), the total revenue of Emperor Culture Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) decreased by 24.9% to HK\$72.1 million (2019: HK\$96.1 million), which was mainly attributable to the temporary closure of the Group’s cinemas as a result of the COVID-19, and led to a decrease in film exhibition revenue, despite the Group had 3 new cinemas during the Period.

The Group continued adopting various measures to alleviate the adverse impacts, including negotiating with landlords for rental reductions, implementing staff cost saving measures, improving the customers experience, and launching various promotional programs. With an increase in operating expenses arising from the opening of 3 new cinemas and maintenance of the existing cinemas, as well as the decline in film exhibition revenue, the Group incurred a net loss for the Period amounting to HK\$128.1 million (2019: HK\$99.0 million). Basic loss per share was HK\$0.04 (2019: HK\$0.03).

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

Film Exhibition

During the Period, the number of days of closure of the Group's cinemas in several regions ranged from 23 to 74 days as a result of the COVID-19. For the remaining days when the cinemas were in operation during the Period, there were restrictions on the seating capacity and food consumption within the cinema houses, as required by the respective regulatory bodies. In addition, the release of majority of potential blockbusters have been postponed pending better business environment. Revenue from the film exhibition segment therefore inevitably decreased by 24.9% to HK\$72.1 million (2019: HK\$96.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Film Exhibition (Continued)

As at 31 December 2020, the Group had 14 (2019: 11) cinemas in mainland China, Hong Kong and Malaysia under “**Emperor Cinemas**”, offering a total of 116 (2019: 95) houses with approximately 15,300 (2019: 12,400) seats, all of which are situated in strategic locations providing premium entertainment services. The details of the film exhibition network as at 31 December 2020 are as follows:

	No. of houses	No. of seats
Mainland China		
1. Shin Kong Place, Chongqing	18	2,298
2. MixC, Hefei	13	1,980
3. Wenjiang Shin Kong Place, Chengdu	10	1,836
4. Shanshan Outlet Plaza, Ganzhou	9	1,500
5. Emperor Group Centre, Beijing	10	1,154
6. PAFC Mall, Shenzhen *	7	984
7. Shengjing Long City, Shenyang *	8	966
8. East Pacific Shopping Mall, Shenzhen	9	449
Hong Kong		
9. iSQUARE, Tsim Sha Tsui	5	979
10. The LOHAS, Tseung Kwan O *	6	885
11. Citywalk, Tsuen Wan	5	687
12. MOSTown, Ma On Shan	4	435
13. New Town Commercial Arcade, Tuen Mun	4	363
Malaysia		
14. R&F Mall Johor Bahru	8	743
Total	116	15,259

* Newly opened during the Period

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Film Exhibition *(Continued)*

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

During the Period, 2 new cinemas were opened in mainland China, and another in Hong Kong. “**Emperor Cinemas**” in The LOHAS, Tseung Kwan O, Hong Kong, commenced operation in November 2020. This is the biggest cinema complex in that district, with 6 houses and offering a total of 885 seats. Its design concept is based on the theme of urban nourishment, in order to align with the shopping mall’s theme of Lifestyles of Health and Sustainability. Also, the exceptional design of the herringbone roof, which is made of wood and resembles a farmhouse, creates an amiable feeling for the patrons of “**Emperor Cinemas**”.

Investments in Films and Cultural Events

As at 31 December 2020, the Group had investments in certain film productions at the fair value of HK\$6.3 million (30 June 2020: HK\$6.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

China's film industry has been developing rapidly in recent years. With China's effective containment of the COVID-19 and the pent-up moviegoer demand, China's box office has shown a remarkable recovery since reopening of cinemas in July 2020, overtaking North America to become the world's largest movie market in 2020, according to the 2020 China Film Market Report (2020年電影市場資料洞察) jointly released by Maoyan Entertainment (貓眼娛樂) and Weibo (微博). Stepping into 2021, the market continued robust growth with China's box office revenue reaching approximately RMB600 million on New Year's Day, and exceeding RMB2 billion in the first 10 days of 2021, according to the Maoyan ticketing platform. This was a positive sign indicating the rebound of the market.

Subsequent to the Period, the COVID-19 is still raging in many locations around the world, including those in which the Group's cinemas operate. Although various governments have been pushing ahead with vaccination programmes, it takes time to achieve mass inoculation. Thus, it is anticipated that the containment measures may continue in the near term. Closures of cinemas may continue intermittently, seating capacity may be restricted when cinemas are allowed to reopen, and major studios may further postpone film releases. Hence, the film industry's operating environment will remain challenging at least in the first half of 2021. In view of this, the Group will adhere to its prudent approach and continuously review its cost structures, in order to enhance its overall operating efficiency. The Group will also utilise social media to promote its brand image and drive ticket sales and visitations, as well as enhance customer loyalty.

The Group has already built a strategic cinema network across the region. Leveraging its long established "**Emperor**" brand label as well as synergy with Emperor Entertainment Group artistes, plus the positive long-term outlook for China's movie industry, the Group will endeavour to strengthen its position in the industry and maintain stable business growth.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to HK\$44.5 million (30 June 2020: HK\$40.6 million), which are mainly denominated in Hong Kong dollars, Renminbi and Malaysian Ringgit.

To finance its operations and capital expenditure, the Group utilises cash flow generated from operations and from loan facilities granted by a related party and a bank. As at 31 December 2020, the Group had total borrowings of HK\$270.3 million (30 June 2020: HK\$191.9 million), which comprised a loan from a related party of HK\$224.7 million (30 June 2020: HK\$146.3 million), bank loan of HK\$2.0 million (30 June 2020: HK\$2.0 million) and amount due to non-controlling interests of HK\$43.6 million (30 June 2020: HK\$43.6 million), respectively. Except for the amount due to non-controlling interests, which is unsecured, interest-free and was provided with an agreement not to demand repayment within 12 months from the date of the end of the Period, all these borrowings are unsecured, interest-bearing and had fixed repayment terms. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset attributable to owners of the parent) was 142.5% (30 June 2020: 65.3%) as of 31 December 2020. Such increase is mainly due to the increase in total borrowings for expansion of cinema operation as well as the decrease in net asset value affected by the COVID-19.

The Group has closely monitored the development of the COVID-19 and its impact on the current and anticipated liquidity of the Group in the future. Having considered the existing improvement measures implemented by the Group and the available loan facilities granted by the related party and the bank, the board of directors of the Company (the “**Board**” or “**Directors**”) believed that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION *(Continued)*

Exposure to Fluctuation in Exchange Rates and Related Hedges

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

Termination of Possible Acquisition and Possible Voluntary Offer of Shares of SMI Culture & Travel Group Holdings Limited ("SMI Culture" or the "Target Company")

On 24 February 2020, a wholly-owned subsidiary of the Company ("**Potential Purchaser**") issued a letter of intent to the receivers of SMI Culture (the "**Receivers**") for the potential acquisition of all or certain of 829,185,517 shares (the "**Received Shares**") of the Target Company ("**Possible Acquisition**"), representing approximately 52.51% of its issued share capital. This letter of intent was non-legally binding in nature.

In the event such Possible Acquisition was concluded, the Potential Purchaser might incur an obligation to conduct the mandatory general cash and/or securities exchange offer for all the issued shares and relevant securities of the Target Company (other than those which might be acquired or agreed to be acquired by the Potential Purchaser and parties acting in concert with it), pursuant to the Takeovers Code. In the event that no acquisition of the aforesaid shares from the Receivers was concluded, or a percentage of the Target Company's shares was acquired that fell short of triggering a mandatory general offer, the Potential Purchaser might nevertheless make a voluntary offer for the shares and other securities of the Target Company (the "**Possible Voluntary Offer**", together with the Possible Acquisition, collectively referred to as "**Possible Transaction**") pursuant to the Takeovers Code.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION *(Continued)*

Termination of Possible Acquisition and Possible Voluntary Offer of Shares of SMI Culture & Travel Group Holdings Limited (“SMI Culture” or the “Target Company”) *(Continued)*

The Potential Purchaser had strived to conduct a due diligence review of the Received Shares and the Target Company and its subsidiaries (collectively, the “**Target Group**”), and had sought to ascertain the positions of major creditors of the Target Group and the possibility of restructuring the debts or debt securities owed by the Target Group to them. Given that there were difficulties in obtaining the necessary financial information and due diligence documents of the Target Group, which imposed limitations on the discussions, the Potential Purchaser and the Receivers had considered various actions to facilitate the process.

On 30 December 2020, the discussions regarding the Possible Transaction were terminated by the Group due to the difficulty in assessing the value of issued shares of the Target Company, including the Received Shares in respect of the Possible Transaction. No formal or legally binding agreement had been entered into in respect of the Possible Transaction between the Receivers and the Potential Purchaser. For the purposes of the Takeovers Code, the offer period ended on 30 December 2020.

Details in relation to the Possible Transaction and its termination were made in the joint announcements of the Company and the Potential Purchaser dated 26 February 2020, 25 March 2020, 24 April 2020, 25 May 2020, 26 June 2020, 24 July 2020, 25 August 2020, 25 September 2020, 27 October 2020, 30 November 2020 and 30 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group's number of employees was 478 (30 June 2020: 502). Total staff costs including the Directors' remuneration and other staff costs for the Period were HK\$27.6 million (2019: HK\$32.5 million). Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	72,099	96,062
Cost of sales		(32,457)	(38,815)
Gross profit		39,642	57,247
Other income and gains	5	11,323	3,113
Selling, distribution and other cinema operating expenses		(126,371)	(103,138)
General and administrative expenses		(21,716)	(28,919)
Other expenses		–	(4,724)
Finance costs	7	(31,009)	(22,553)
LOSS BEFORE TAX	6	(128,131)	(98,974)
Income tax	8	–	–
LOSS FOR THE PERIOD		(128,131)	(98,974)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
<i>Exchange differences:</i>			
Exchange differences on translation of foreign operations		19,988	(4,189)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		19,988	(4,189)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(108,143)	(103,163)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Note	Six months ended 31 December	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(123,430)	(94,807)
Non-controlling interests		(4,701)	(4,167)
		(128,131)	(98,974)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(103,971)	(98,611)
Non-controlling interests		(4,172)	(4,552)
		(108,143)	(103,163)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	10	HK\$(0.04)	HK\$(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	As at	
		31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	581,504	524,524
Right-of-use assets		1,065,480	1,064,327
Prepayments, deposits and other receivables		37,336	36,338
Total non-current assets		1,684,320	1,625,189
CURRENT ASSETS			
Inventories		1,723	2,110
Trade receivables	12	6,467	2,532
Prepayments, deposits and other receivables		41,199	38,758
Financial assets at fair value through profit or loss		7,475	7,130
Cash and cash equivalents		44,540	40,625
Total current assets		101,404	91,155
CURRENT LIABILITIES			
Trade payables, other payables and accruals	13	77,862	48,939
Contract liabilities		19,786	15,218
Interest-bearing bank and other borrowings		2,000	2,000
Lease liabilities		82,122	50,457
Amounts due to related companies		6,279	3,709
Total current liabilities		188,049	120,323
NET CURRENT LIABILITIES		(86,645)	(29,168)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,597,675	1,596,021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Provisions	46,112	44,816
Interest-bearing bank and other borrowings	224,670	146,313
Lease liabilities	1,133,900	1,103,756
Amount due to non-controlling interests	43,589	43,589
Total non-current liabilities	1,448,271	1,338,474
Net assets	149,404	257,547
EQUITY		
Equity attributable to owners of the parent		
Issued capital	32,133	32,133
Reserves	157,569	261,540
	189,702	293,673
Non-controlling interests	(40,298)	(36,126)
Total equity	149,404	257,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Attributable to owners of the parent								Total equity HK\$'000	
	Issued capital HK\$'000	Share premium HK\$'000	Capital		Exchange		Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
			redemption reserve HK\$'000	Contributed surplus HK\$'000	fluctuation reserve HK\$'000					
At 30 June 2019 (Audited)	32,133	912,843	50	58,658	(7,247)	(372,919)	623,518	(24,389)	599,129	
Effect of adoption of HKFRS 16	-	-	-	-	-	21,379	21,379	-	21,379	
At 1 July 2019 (Restated) (Unaudited)	32,133	912,843	50	58,658	(7,247)	(351,540)	644,897	(24,389)	620,508	
Loss for the period	-	-	-	-	-	(94,807)	(94,807)	(4,167)	(98,974)	
Other comprehensive loss for the period:										
Exchange differences related to foreign operations	-	-	-	-	(3,804)	-	(3,804)	(385)	(4,189)	
Total comprehensive loss for the period	-	-	-	-	(3,804)	(94,807)	(98,611)	(4,552)	(103,163)	
At 31 December 2019 (Unaudited)	32,133	912,843	50	58,658	(11,051)	(446,347)	546,286	(28,941)	517,345	
At 1 July 2020 (Audited)	32,133	912,843	50	58,658	(15,369)	(694,642)	293,673	(36,126)	257,547	
Loss for the period	-	-	-	-	-	(123,430)	(123,430)	(4,701)	(128,131)	
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	19,459	-	19,459	529	19,988	
Total comprehensive loss for the period	-	-	-	-	19,459	(123,430)	(103,971)	(4,172)	(108,143)	
At 31 December 2020 (Unaudited)	32,133	912,843	50	58,658	4,090	(818,072)	189,702	(40,298)	149,404	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash from operating activities	1,212	141,626
Net cash used in investing activities	(61,315)	(243,734)
Net cash from/(used in) financing activities	62,460	(20,138)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,357	(122,246)
Cash and cash equivalents at the beginning of the reporting period	40,625	166,465
Effect of foreign exchange rate changes, net	1,558	(1,311)
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	44,540	42,908
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	44,540	42,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

1. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2020.

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

The ongoing COVID-19 and the corresponding quarantine measures has disrupted the business operations and development of the Group, which had a negative impact on the Group’s results for the Period. The Group has closely monitored the development of the COVID-19 and the extent of the impact depends on the duration of the COVID-19 and implementation of relevant policies and protective measures by respective government departments. The Group has paid close attention to any significant changes of situation and has evaluated their impact on the Group’s consolidated financial position, financial performance and cash flows, as well as financial resources to the Group in the short to medium term.

The Group had a net loss attributable to owners of the parent of HK\$123,430,000 (2019: HK\$94,807,000) for the Period and net current liabilities of HK\$86,645,000 (30 June 2020: HK\$29,168,000) and net assets of HK\$149,404,000 (30 June 2020: HK\$257,547,000) as at 31 December 2020. The Group had total cash and cash equivalents of HK\$44,540,000 (30 June 2020: HK\$40,625,000) as at 31 December 2020 and positive net cash flows from operating activities of HK\$1,212,000 (2019: HK\$141,626,000) for the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

1. BASIS OF PREPARATION *(Continued)*

In preparing these condensed consolidated financial statements, the Directors have careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain growth and cash positive operations in the near future. Active measurements to save costs, to enhance the Group's existing operations and to focus on improving the financial resources of the Group have been implemented/contemplated by the Group to control its operating expenses and cash outflows in the current and coming years and to enable the Group to revitalise itself to take advantage of any growth opportunities in the near future (the "**Improvement Measurements**").

In addition, the Group has obtained a long-term loan facility of HK\$1,200,000,000 (the "**Other Loan Facility**"), of which an aggregate loan principal amount of HK\$220,000,000 (30 June 2020: HK\$144,000,000) was utilised as at 31 December 2020. The Group has also obtained a revolving loan facility from a bank in amount of HK\$20,000,000 (the "**Bank Loan Facility**"), of which an aggregate loan principal amount of HK\$2,000,000 (30 June 2020: HK\$2,000,000) was utilised as at 31 December 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements for the Period are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 July 2020.

Application of amendments to HKFRSs

In the Period, the Group has applied, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Nature and impact of the revised HKFRSs

- (a) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

During the Period, certain monthly lease payments for the leases of the Group's cinemas and office buildings have been reduced or waived by the lessors as a result of the COVID-19 and there are no other changes to the terms of the leases. The Group has adopted the amendment in the Period and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 during the Period. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$10,060,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Nature and impact of the revised HKFRSs (Continued)

- (b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

- (a) Cinema operation
- (b) Investments in films and culture events (including investments in film and event projects)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, non-lease-related finance costs, fair value gain/loss on investments in listed equity securities included in financial assets at fair value through profit or loss ("FVTPL") as well as unallocated corporate and other expenses are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

3. OPERATING SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported as below:

Segment revenue and results

For the six months ended 31 December 2020

	Cinema operation (Unaudited) HK\$'000	Investments in films and cultural events (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue (note 4)			
Sales to external customers	72,099	–	72,099
Segment results	(123,825)	69	(123,756)
<i>Reconciliation:</i>			
Bank interest income			33
Fair value gain on financial assets at FVTPL			267
Unallocated corporate and other expenses			(2,292)
Finance costs (other than interest on lease liabilities)			(2,383)
Loss before tax			(128,131)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

3. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 31 December 2019

	Cinema operation (Unaudited) HK\$'000	Investments in films and cultural events (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue (note 4)			
Sales to external customers	96,062	–	96,062
Segment results	(91,241)	(332)	(91,573)
<i>Reconciliation:</i>			
Bank interest income			281
Fair value loss on financial assets at FVTPL			(4,426)
Unallocated corporate and other expenses			(3,256)
Loss before tax			(98,974)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

4. REVENUE

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

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Income from cinema operation	72,099	96,062

(a) Disaggregated revenue information for revenue from contracts with customers

Cinema operation segment

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Type of goods or services		
Box office takings	63,503	76,130
Sales of concession goods	4,611	9,116
Screening advertising services	1,913	6,144
Others	2,072	4,672
Total revenue from contracts with customers	72,099	96,062
Geographical markets		
Mainland China	52,804	60,776
Hong Kong	19,162	31,997
Other regions in Asia Pacific	133	3,289
	72,099	96,062

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

4. REVENUE *(Continued)*

(b) Performance obligations

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

Box office takings

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

Sales of concession goods

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

Screening advertising services

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

5. OTHER INCOME AND GAINS

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from:		
– Bank deposits	33	281
– Deposits paid	703	439
Fair value gain on financial assets at FVTPL		
– Mandatorily designated as such	345	–
Foreign exchange gain, net	2,950	30
Government subsidies*	6,982	2,347
Others	310	16
	11,323	3,113

- * The government subsidies mainly represent subsidies received by certain subsidiaries from the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region and local government authorities in the People's Republic of China (the "PRC"), mainly as incentive to support the Group's relevant business development and to cope with the operating pressure caused by the COVID-19. There were no unfulfilled conditions or contingencies relating to these government grants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

6. LOSS BEFORE TAX

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group's loss before tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	37,565	20,471
Depreciation of right-of-use assets*	56,180	41,395
Fair value loss on financial assets at FVTPL**		
– Mandatorily designated as such COVID-19-related rental concessions from lessors^	–	4,724
	(10,060)	–

* Depreciation of property, plant and equipment of HK\$37,390,000 (2019: HK\$20,349,000) and depreciation of right-of-use assets of HK\$54,354,000 (2019: HK\$39,492,000) are included in "Selling, distribution and other cinema operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

^ An amount of HK\$9,867,000 (2019: Nil) is included in "Selling, distribution and other cinema operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

7. FINANCE COSTS

	Six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank and other borrowings	2,383	–
Interest expenses on lease liabilities	28,626	22,553
	31,009	22,553

8. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period (2019: Nil).

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

No provision for the PRC Enterprise Income Tax, Macau Complementary Income Tax and Malaysia Corporate Income Tax have been made in the condensed consolidated financial statements as the Group had no assessable profits arising in Mainland China, Macau and Malaysia for both periods.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2019: Nil)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Basic

The calculation of the basic loss per share amounts is based on the loss for the Period attributable to owners of the parent of HK\$123,430,000 (2019: HK\$94,807,000), and the weighted average number of the ordinary shares of the Company of approximately 3,213,341,000 (2019: 3,213,341,000) in issue during both periods.

Diluted

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

11. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Carrying amount	
At 1 July 2020 (Audited)	524,524
Additions	70,941
Depreciation charge	(37,565)
Exchange realignment	23,604
At 31 December 2020 (Unaudited)	581,504

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

12. TRADE RECEIVABLES

	As at	
	31 December	30 June
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	6,848	2,913
Impairment	(381)	(381)
	6,467	2,532

For the Group's box office takings and sale of concession goods and other products, payments on demand or in advance in cash or by major credit/debit cards or other electronic/mobile payment methods are normally required, with the settlements from the corresponding banks or other financial institutions normally within 2 to 30 days. The Group's trading term with its other customers are mainly on credit and the credit period is generally 1 month from the date of billing.

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

	As at	
	31 December	30 June
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	4,430	2,502
1 – 3 months	–	–
Over 3 months	2,037	30
	6,467	2,532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at	
	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Trade payables	13,156	4,847
Accruals	14,769	8,257
Other payables	49,937	35,835
	77,862	48,939

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

	As at	
	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Within 3 months	12,702	3,768
Over 3 months	454	1,079
	13,156	4,847

14. CAPITAL COMMITMENTS

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

	As at	
	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	19,219	39,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

15. RELATED PARTY TRANSACTIONS

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

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

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Company secretarial fee	100	100
Consultancy fee	1	691
Financial advisory fee	240	240
Interest on other borrowing	2,357	–
Lease expenses (<i>note</i>)	9,748	9,634
Purchases of furniture	666	4,057
Reimbursement of administrative expenses	4,304	6,170
Sales of goods	105	393

Note: Lease expenses in connection with the lease arrangements with related companies comprise depreciation charge of right-of-use assets and interest on lease liabilities amounting to HK\$7,097,000 and HK\$2,651,000 (2019: HK\$6,798,000 and HK\$2,836,000), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

15. RELATED PARTY TRANSACTIONS (Continued)

- (b) Other borrowing with a carrying amount of HK\$224,670,000 (30 June 2020: HK\$146,313,000) from a family member of a deemed substantial shareholder of the Company and a Director is unsecured, bears interest at Hong Kong Interbank Offered Rate plus 2% per annum and has a fixed repayment term of which the lender has agreed not to demand repayment of the other loan together with all accrued interest and all outstanding amounts until 20 January 2022.
- (c) The amounts due to the related companies are unsecured, interest-free and repayable on demand.
- (d) The amount due to non-controlling interests is unsecured, interest-free and not repayable within 1 year from the end of the reporting period.
- (e) **Compensation of key management personnel of the Group**

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	830	830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

	Carrying amount at		Fair value at	
	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Investments in film productions	6,300	6,222	6,300	6,222
Investments in listed equity securities	1,175	908	1,175	908

For investments in film productions which were released for theatrical release in their primary markets, their fair values as at 31 December 2020 and 30 June 2020 were estimated with reference to the remaining net proceeds receivable from the exploitation of the films.

The fair values of listed equity investments are based on quoted market prices.

Below is a summary of the Group's financial instruments that are measured at fair value on a recurring basis, together with a quantitative sensitivity analysis (if any) on significant unobservable inputs to the valuation of the financial instruments, as at 31 December 2020 and 30 June 2020:

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	Sensitivity of fair value to the input
Financial assets at FVTPL:					
Investments in film productions	Level 3	Income approach, discounted cash flow method	Discount rates	6.50% (30 June 2020: 6.50%)	5% (30 June 2020: 5%) increase/decrease in discount rate would result in decrease/increase in fair value by HK\$13,000 (30 June 2020: HK\$10,000)
Investments in listed equity securities	Level 1	Quoted market prices	N/A	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

	Investments in film productions HK\$'000
Financial assets at FVTPL	
At 1 July 2020 (Audited)	6,222
Total gains recognised in profit or loss	78
At 31 December 2020 (Unaudited)	6,300
At 1 July 2019 (Audited)	164,969
Total losses recognised in profit or loss	(298)
Settlements	(159,140)
At 31 December 2019 (Unaudited)	5,531

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 30 June 2020.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2020, 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”):

(A) 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 Shares interested	% of issued voting Shares
Mr. Alex Yeung	Eligible beneficiary of a private discretionary trust	2,371,313,094	73.80%

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

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

(i) Ordinary shares

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of shares interested	% of issued voting shares
Ms. Fan Man Seung, Vanessa	Emperor International Holdings Limited ("Emperor International")	Beneficial owner	10,500,000	0.29%
Mr. Alex Yeung	Emperor International	Eligible beneficiary of a private discretionary trust	2,747,610,489 <i>(Note)</i>	74.71%
	Emperor Entertainment Hotel Limited	Eligible beneficiary of a private discretionary trust	851,352,845 <i>(Note)</i>	70.07%
	Emperor Watch & Jewellery Limited	Eligible beneficiary of a private discretionary trust	4,290,850,000 <i>(Note)</i>	63.29%
	Ulferts International Limited	Eligible beneficiary of a private discretionary trust	600,000,000 <i>(Note)</i>	75.00%

Note: These shares were ultimately owned by respective private discretionary trusts. Mr. Alex Yeung had deemed interests in the same shares by virtue of being one of the eligible beneficiaries of such private trusts.

(ii) Debentures

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

Save as disclosed above, as at 31 December 2020, 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 IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, 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”) were as follows:

LONG POSITIONS IN SHARES

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

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

Save as disclosed above, as at 31 December 2020, 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.

CORPORATE GOVERNANCE 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.

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 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.

REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period as set out in this interim report have not been audited nor reviewed by the Company’s auditor, Ernst & Young, 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

The Company is not aware of any 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 Annual Report 2019/2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

Hong Kong, 24 February 2021

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

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 (<https://www.hkexnews.hk>) and the Company (<https://www.empculture.com>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-ecom@hk.tricorglobal.com.