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**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)**

**ANNUAL RESULTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

The Board of Directors (the “**Board**” or “**Directors**”) of Emperor Culture Group Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2019 (the “**Year**”) together with the comparative figures for the corresponding year in 2018 as set out below.

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

*For the year ended 30 June 2019*

|  | <i>Notes</i> | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue  | 3            | <b>145,753</b>                 | 91,202                  |
| Cost of sales  |              | <u><b>(67,113)</b></u>         | <u>(42,972)</u>         |
| Gross profit   |              | <b>78,640</b>                  | 48,230                  |
| Other income and gains   |              | <b>4,768</b>                   | 10,552                  |
| Selling and distribution expenses  |              | <b>(109,583)</b>               | (75,959)                |
| Administrative expenses  |              | <b>(54,867)</b>                | (41,911)                |
| Allowance for expected credit losses   |              |                                |                         |
| for trade receivables  | 5            | <b>(381)</b>                   | –                       |
| Other operating expenses   | 5            | <b>(31,383)</b>                | (67,568)                |
| Change in fair value of financial assets at<br>fair value through profit or loss |              | <u><b>(22,918)</b></u>         | <u>(31,691)</u>         |
| Loss from operations   | 5            | <b>(135,724)</b>               | (158,347)               |
| Gain/(loss) on disposal of subsidiaries  | 12           | <b>3,476</b>                   | (8)                     |
| Finance cost   | 6            | <u><b>(2,037)</b></u>          | <u>–</u>                |
| Loss before taxation   |              | <b>(134,285)</b>               | (158,355)               |
| Taxation credit  | 7            | <u>–</u>                       | <u>242</u>              |
| Loss for the year  |              | <u><b>(134,285)</b></u>        | <u>(158,113)</u>        |
| <b>Other comprehensive (loss)/income for the year</b>                            |              |                                |                         |
| <i>Items that may be reclassified subsequently to<br/>profit or loss:</i>        |              |                                |                         |
| Exchange differences arising on translation of<br>foreign operations             |              | <b>(8,829)</b>                 | 3,216                   |
| Release of exchange reserve upon disposal of<br>foreign subsidiaries             |              | <u><b>305</b></u>              | <u>–</u>                |
| Other comprehensive (loss)/income for the year,<br>net of tax                    |              | <u><b>(8,524)</b></u>          | <u>3,216</u>            |
| Total comprehensive loss for the year  |              | <u><b>(142,809)</b></u>        | <u>(154,897)</u>        |

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

*For the year ended 30 June 2019*

|  | <i>Note</i> | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| <b>Loss for the year attributable to:</b>                            |             |                                |                         |
| Owners of the Company  |             | <b>(126,437)</b>               | (153,797)               |
| Non-controlling interests  |             | <u><b>(7,848)</b></u>          | <u>(4,316)</u>          |
|  |             | <u><b>(134,285)</b></u>        | <u>(158,113)</u>        |
| <b>Total comprehensive loss for the year<br/>attributable to:</b>    |             |                                |                         |
| Owners of the Company  |             | <b>(133,870)</b>               | (151,473)               |
| Non-controlling interests  |             | <u><b>(8,939)</b></u>          | <u>(3,424)</u>          |
|  |             | <u><b>(142,809)</b></u>        | <u>(154,897)</u>        |
| <b>Loss per share attributable to the owners<br/>of the Company:</b> |             |                                |                         |
| Basic and diluted  | <i>8</i>    | <u><b>HK\$(0.04)</b></u>       | <u>HK\$(0.05)</u>       |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

|   | <i>Notes</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                             |              |                                |                         |
| Property, plant and equipment                         |              | <b>262,699</b>                 | 236,902                 |
| Goodwill  |              | –                              | 68,260                  |
| Intangible assets                                     |              | –                              | 27,661                  |
| Deposits paid   |              | <b>56,002</b>                  | –                       |
|   |              | <b>318,701</b>                 | 332,823                 |
| <b>Current assets</b>                                 |              |                                |                         |
| Inventories   |              | <b>641</b>                     | 894                     |
| Film and TV programme rights                          |              | –                              | 14,031                  |
| Film and TV programme production in progress          |              | –                              | 150,797                 |
| Investments in film production                        |              | –                              | 35,302                  |
| Trade receivables                                     | <i>10</i>    | <b>4,761</b>                   | 12,227                  |
| Other receivables, deposits and prepayments           |              | <b>38,922</b>                  | 64,432                  |
| Contingent consideration receivable                   |              | –                              | 7,210                   |
| Financial assets at fair value through profit or loss |              | <b>170,783</b>                 | 20,750                  |
| Cash and bank balances                                |              | <b>166,465</b>                 | 264,142                 |
|   |              | <b>381,572</b>                 | 569,785                 |
| <b>Current liabilities</b>                            |              |                                |                         |
| Trade and other payables                              | <i>11</i>    | <b>40,776</b>                  | 101,045                 |
| Contract liabilities                                  |              | <b>11,128</b>                  | –                       |
| Amounts due to related companies                      |              | <b>5,651</b>                   | 15,553                  |
| Amount due to non-controlling interests               |              | <b>43,589</b>                  | 44,870                  |
|   |              | <b>101,144</b>                 | 161,468                 |
| <b>Net current assets</b>                             |              | <b>280,428</b>                 | 408,317                 |
| <b>Net assets</b>                                     |              | <b>599,129</b>                 | 741,140                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

|   | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <b>Capital and reserves attributable to the owners of the Company</b> |                                |                         |
| Share capital   | 32,133                         | 32,133                  |
| Reserves  | <u>591,385</u>                 | <u>720,573</u>          |
|   | <b>623,518</b>                 | 752,706                 |
| <b>Non-controlling interests</b>                                      | <u>(24,389)</u>                | <u>(11,566)</u>         |
| <b>Total equity</b>   | <u><u>599,129</u></u>          | <u><u>741,140</u></u>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2019*

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets which are carried at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Save as described in note 2, the accounting policies adopted for preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2018.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied for the first time in the current year the following amendments to HKFRSs and Hong Kong Accounting Standards (“**HKASs**”) issued by the HKICPA:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Certain of the above new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in change in accounting policies, amount reported and/or disclosures as described below.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### (a) Impact on the consolidated financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the application of new and amendments to HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by the standards as stated below.

| Consolidated statement of financial position (extract) | At 30 June | HKFRS 15 | HKFRS 9   | At 1 July |
|--|------------|----------|-----------|-----------|
|  | 2018       |          |           | 2018      |
|  | HK\$'000   | HK\$'000 | HK\$'000  | HK\$'000  |
| <b>Current assets</b>                                  |            |          |           |           |
| Film and TV programme production in progress           | 150,797    | -        | (141,605) | 9,192     |
| Investments in film production                         | 35,302     | -        | (35,302)  | -         |
| Financial assets at fair value through profit or loss  | 20,750     | -        | 181,589   | 202,339   |
| <b>Current liabilities</b>                             |            |          |           |           |
| Trade and other payables                               | 101,045    | (10,934) | -         | 90,111    |
| Contract liabilities                                   | -          | 10,934   | -         | 10,934    |
| <b>Reserves</b>  |            |          |           |           |
| Accumulated losses                                     | (251,164)  | -        | 4,682     | (246,482) |

### (b) HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

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

Accounting policies resulting from the application of HKFRS 9 will be disclosed in the relevant note to the consolidated financial statements of the Company’s annual report.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### (b) HKFRS 9 Financial Instruments (Continued)

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

##### (i) *Classification and measurement*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVTOCI”) and at fair value through profit or loss (“FVTPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortise cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### (b) HKFRS 9 Financial Instruments (Continued)

#### Summary of effects arising from initial application of HKFRS 9 (Continued)

##### (i) Classification and measurement (Continued)

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

|  | Film and TV<br>programme<br>production in<br>progress<br><i>HK\$'000</i> | Investments in<br>film production<br><i>HK\$'000</i> | Financial<br>assets at<br>FVTPL<br><i>HK\$'000</i> |
|--|--|--|--|
| Closing balance at 30 June 2018                                    |  |  |  |
| – HKAS 39  | 150,797  | 35,302   | 20,750   |
| <b>Effects arising from initial application of HKFRS 9:</b>        |  |  |  |
| <b>Reclassifications</b>   |  |  |  |
| – From film and TV programme production in progress                | (141,605)  | –  | 141,605  |
| – From investments in film production                              | –  | (35,302)   | 35,302   |
| <b>Remeasurement from amortised cost model to fair value model</b> | –  | –  | 4,682  |
|  | <u>9,192</u>   | <u>–</u>   | <u>202,339</u>                                     |
| <b>Opening balance at 1 July 2018</b>                              |  |  |  |
| – HKFRS 9  | <u>9,192</u>   | <u>–</u>   | <u>202,339</u>                                     |

#### *From film and TV programme production in progress and investments in film production to financial assets at FVTPL*

The Group has certain investments in film production which entitle the Group to receive a fixed and/or variable income based on the Group's investment amount and expected rate of return as specified in respective film investment agreements. At the date of initial application of HKFRS 9, the Group's investments in these film production did not meet the HKFRS 9 criteria for classification at amortised cost and financial assets at FVTOCI, as their cash flow did not represent solely payments of principal and interest. As a result, the carrying amounts of film and TV programme production in progress of HK\$141,605,000 and investments in film production of HK\$35,302,000 were reclassified to financial assets at FVTPL. Related fair value gain of HK\$4,682,000 was recognised in the accumulated losses as at 1 July 2018.

The remaining balance of HK\$9,192,000 was the films and television drama series under the Group's production. Hence, it remained to be classified as film and TV programme production in progress as at 1 July 2018.

#### *Financial assets at FVTPL*

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances at the date of initial application, the Group's investments in equity securities of HK\$20,750,000 were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### (b) HKFRS 9 Financial Instruments (Continued)

#### *Summary of effects arising from initial application of HKFRS 9 (Continued)*

##### (i) *Classification and measurement (Continued)*

Except as above described, there is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, trade receivables, deposits and other receivables for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 July 2018 have not been impacted by the initial application of HKFRS 9.

##### (ii) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables from contracts with customers. Except for those which had been determined as credit impaired under HKAS 39, trade receivables from contracts with customers have been assessed individually with outstanding significant balances with customers, the remaining balances are grouped based on internal credit rating and past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables from contracts with customers based on the assessment by the management.

ECL for other financial assets at amortised cost, including deposits and other receivables and cash and bank balances are assessed on 12 months expected credit loss (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, allowance for expected credit losses was insignificant and thus was not provided against the accumulated losses. Further assessment will be set out in the relevant note to the consolidated financial statements of the Company’s annual report.

### (c) HKFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- cinema operation
- investment in films and cultural events

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### (c) HKFRS 15 Revenue from Contracts with Customers and the related Amendments (Continued)

Information about the Group's performance obligations and the accounting policies resulting from the application of HKFRS 15 will be disclosed in the relevant note to the consolidated financial statements of the Company's annual report.

Except the reclassification, as the table shown below, of receipts in advance under trade and other payables to contract liabilities and further disclosure set out in the relevant note to the consolidated financial statements of the Company's annual report, the Directors believe that the application of HKFRS 15 has no impact on the amounts reported set out in the consolidated financial statements.

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 July 2018. Line items that were not affected by the changes have not been included.

|                            | Carrying<br>amounts<br>previously<br>reported at<br>30 June 2018<br><i>HK\$'000</i> | Reclassification<br><i>HK\$'000</i> | Carrying<br>amounts under<br>HKFRS 15 at<br>1 July 2018<br><i>HK\$'000</i> |
|----------------------------|---|-------------------------------------|--|
| <b>Current liabilities</b> |   |                                     |  |
| Trade and other payables   | 101,045   | (10,934)                            | 90,111   |
| Contract liabilities       | –   | 10,934                              | 10,934   |
|                            | <u>          </u>   | <u>          </u>                   | <u>          </u>  |

As at 1 July 2018, receipts in advance from customers of HK\$10,934,000 in relation to cinema and film and TV programme production businesses previously included in trade and other payables were reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers and the related Amendments (Continued)

*Disclosure of the estimated impact on the amounts reported in respect of the year ended 30 June 2019 as a result on the adoption of HKFRS 15 on 1 July 2018*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Line items in consolidated statement of financial position as at 30 June 2019 impacted by the adoption of HKFRS 15:

|                            | As reported<br><i>HK\$'000</i> | Reclassification<br><i>HK\$'000</i> | Amounts<br>without<br>application of<br>HKFRS 15<br><i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------------------|---|
| <b>Current liabilities</b> |                                |                                     |   |
| Trade and other payables   | 40,776                         | 11,128                              | 51,904  |
| Contract liabilities       | <u>11,128</u>                  | <u>(11,128)</u>                     | <u>–</u>  |

Line items in the reconciliation of loss before taxation to cash used in operations for the year ended 30 June 2019 impacted by the adoption of HKFRS 15:

|   | As reported<br><i>HK\$'000</i> | Reclassification<br><i>HK\$'000</i> | Amounts<br>without<br>application of<br>HKFRS 15<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------------------|---|
| <b>Cash flows from operating activities</b> |                                |                                     |   |
| Decrease in trade and other payables        | (20,504)                       | 6,613                               | (13,891)  |
| Increase in contract liabilities            | <u>6,613</u>                   | <u>(6,613)</u>                      | <u>–</u>  |

The Group has not early applied any new and amendments to HKFRSs that have been issued but are not effective for the Year.

### 3. REVENUE

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

|   | <b>2019</b><br><b>HK\$'000</b> |
|---|--------------------------------|
| <b>Recognised at a point in time:</b>                       |                                |
| Income from cinema operation                                | 142,971                        |
| <b>Recognised over time:</b>                                |                                |
| Income from film and TV programme and production and others | 2,782                          |
| <b>Revenue from contracts with customers</b>                | <b>145,753</b>                 |

Except for the income from film and TV programme production and others arising from the disposal group mentioned in note 12, all revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contract is not disclosed.

|  | <b>2018</b><br><b>HK\$'000</b> |
|--|--------------------------------|
| Cinema operation   | 65,578                         |
| Film and TV programme production and investment and others | 24,633                         |
| Event investment and others                                | 991                            |
|  | <u>91,202</u>                  |

### 4. SEGMENT INFORMATION

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

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

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

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

#### 4. SEGMENT INFORMATION (Continued)

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

##### (a) Segment revenue and results

|   | Cinema<br>operation<br><i>HK\$'000</i> | Investment<br>in films and<br>cultural events<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|--|---------------------------------|
| <b>2019</b>   |  |  |                                 |
| Segment revenue   | <u>142,971</u>                         | <u>2,782</u>   | <u>145,753</u>                  |
| Segment results   | <u>(67,947)</u>                        | <u>(41,584)</u>  | <u>(109,531)</u>                |
| Interest income   |  |  | 2,710                           |
| Gain on derecognition of contingent<br>consideration receivable     |  |  | 654                             |
| Unallocated corporate expenses                                      |  |  | (6,639)                         |
| Change in fair value of financial assets<br>at FVTPL                |  |  | <u>(22,918)</u>                 |
| Loss from operations  |  |  | (135,724)                       |
| Gain on disposal of subsidiaries                                    |  |  | 3,476                           |
| Finance cost  |  |  | <u>(2,037)</u>                  |
| Loss before taxation  |  |  | <u><u>(134,285)</u></u>         |
|   |  |  |                                 |
|   | Cinema<br>operation<br><i>HK\$'000</i> | Investment<br>in films and<br>cultural events<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
| <b>2018</b>   |  |  |                                 |
| Segment revenue   | <u>65,578</u>                          | <u>25,624</u>  | <u>91,202</u>                   |
| Segment results   | <u>(65,838)</u>                        | <u>(56,075)</u>  | <u>(121,913)</u>                |
| Interest income   |  |  | 1,890                           |
| Loss on fair value change of contingent<br>consideration receivable |  |  | (1,273)                         |
| Unallocated corporate expenses                                      |  |  | (5,360)                         |
| Change in fair value of financial assets<br>at FVTPL                |  |  | <u>(31,691)</u>                 |
| Loss from operations  |  |  | (158,347)                       |
| Loss on disposal of subsidiaries                                    |  |  | <u>(8)</u>                      |
| Loss before taxation  |  |  | <u><u>(158,355)</u></u>         |

#### 4. SEGMENT INFORMATION (Continued)

##### (a) Segment revenue and results (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment revenue in the current year (2018: Nil).

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

##### (b) Segment assets and liabilities

|                          | Cinema<br>operation<br><i>HK\$'000</i> | Investment<br>in films and<br>cultural events<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------|--|--|---------------------------------|
| <b>2019</b>              |  |  |                                 |
| Segment assets           | <u>361,711</u>                         | <u>166,000</u>   | 527,711                         |
| Unallocated assets       |  |  | <u>172,562</u>                  |
| Consolidated assets      |  |  | <u><u>700,273</u></u>           |
| Segment liabilities      | <u>99,472</u>                          | <u>48</u>  | 99,520                          |
| Unallocated liabilities  |  |  | <u>1,624</u>                    |
| Consolidated liabilities |  |  | <u><u>101,144</u></u>           |
| <b>2018</b>              |  |  |                                 |
| Segment assets           | <u>295,459</u>                         | <u>321,955</u>   | 617,414                         |
| Unallocated assets       |  |  | <u>285,194</u>                  |
| Consolidated assets      |  |  | <u><u>902,608</u></u>           |
| Segment liabilities      | <u>139,906</u>                         | <u>19,814</u>  | 159,720                         |
| Unallocated liabilities  |  |  | <u>1,748</u>                    |
| Consolidated liabilities |  |  | <u><u>161,468</u></u>           |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in securities and unallocated head office and corporate assets that are not attributable to segments; and
- all liabilities are allocated to reportable segments other than unallocated corporate financial liabilities that are not attributable to segments.

#### 4. SEGMENT INFORMATION (Continued)

##### (c) Other segment information

|   | Cinema<br>operation<br><i>HK\$'000</i> | Investment<br>in films and<br>cultural events<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|--|---------------------------------|
| <b>2019</b>   |  |  |                                 |
| Additions to property, plant and equipment                  | 63,324                                 | 34   | 63,358                          |
| Allowance for expected credit losses for trade receivables  | 381                                    | –  | 381                             |
| Amortisation of film and TV programme rights                | –                                      | 8,111  | 8,111                           |
| Amortisation of intangible assets                           | –                                      | 1,942  | 1,942                           |
| Depreciation of property, plant and equipment               | 29,438                                 | 81   | 29,519                          |
| Impairment loss recognised in respect of goodwill           | –                                      | 28,273   | 28,273                          |
| Written off of film and TV programme production in progress | –                                      | 3,110  | 3,110                           |
|   | <u>          </u>                      | <u>          </u>  | <u>          </u>               |
| <b>2018</b>   |  |  |                                 |
| Additions to property, plant and equipment                  | 178,885                                | 63   | 178,948                         |
| Amortisation of film and TV programme rights                | –                                      | 7,150  | 7,150                           |
| Amortisation of intangible assets                           | –                                      | 2,015  | 2,015                           |
| Cost of investments in film production                      | –                                      | 6,430  | 6,430                           |
| Depreciation of property, plant and equipment               | 16,314                                 | 73   | 16,387                          |
| Impairment loss recognised in respect of:                   |  |  |                                 |
| – goodwill  | –                                      | 27,354   | 27,354                          |
| – investments in film production                            | –                                      | 37,046   | 37,046                          |
| – trade receivables   | –                                      | 1,775  | 1,775                           |
| Loss on disposal of property, plant and equipment           | –                                      | 35   | 35                              |
| Written off of film and TV programme production in progress | –                                      | 120  | 120                             |
|   | <u>          </u>                      | <u>          </u>  | <u>          </u>               |

#### 4. SEGMENT INFORMATION (Continued)

##### (d) Geographical information

The Group's revenue from external customers by location of sales and information about its non-current assets by location of assets are detailed as below:

|                               | Revenue from<br>external customers |                  | Non-current assets |                  |
|-------------------------------|------------------------------------|------------------|--------------------|------------------|
|                               | 2019<br>HK\$'000                   | 2018<br>HK\$'000 | 2019<br>HK\$'000   | 2018<br>HK\$'000 |
| Mainland China                | 114,692                            | 57,509           | 189,322            | 235,739          |
| Hong Kong                     | 31,061                             | 33,693           | 91,133             | 95,921           |
| Other regions in Asia Pacific | –                                  | –                | 38,246             | 1,163            |
|                               | <u>145,753</u>                     | <u>91,202</u>    | <u>318,701</u>     | <u>332,823</u>   |

##### (e) Information about major customers

No individual customer contributed over 10% of the Group's revenue during the year ended 30 June 2019 (2018: one major customer contributing HK\$16,745,000, which were derived from the segment of investment in films and cultural events).

#### 5. LOSS FROM OPERATIONS

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Loss from operations has been arrived at after charging/<br>(crediting):    |                  |                  |
| Allowance for expected credit losses for trade receivables                  | 381              | –                |
| Amortisation of film and TV programme rights (included in<br>cost of sales) | 8,111            | 7,150            |
| Amortisation of intangible assets (included in administrative<br>expenses)  | 1,942            | 2,015            |
| Cost of investments in film production (included in cost of sales)          | –                | 6,430            |
| Depreciation of property, plant and equipment                               | 29,519           | 16,387           |
| Impairment loss recognised in respect of:                                   |                  |                  |
| – goodwill (note)   | 28,273           | 27,354           |
| – investments in film production (note)                                     | –                | 37,046           |
| – trade receivables (note)  | –                | 1,775            |
| Loss on disposal of property, plant and equipment                           | –                | 35               |
| Loss on fair value change of contingent consideration receivable<br>(note)  | –                | 1,273            |
| Written off of film and TV programme production in progress<br>(note)       | 3,110            | 120              |
| Bank interest income  | (2,710)          | (1,890)          |
| Gain on derecognition of contingent consideration receivable                | (654)            | –                |

##### Note:

The aggregation of these items are included in “Other operating expenses” in the consolidated statement of profit or loss and other comprehensive income.

## 6. FINANCE COST

During the year ended 30 June 2019, the amount represents interest expense arising from other loan (2018: Nil).

## 7. TAXATION CREDIT

Taxation credit comprises:

|                        | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Hong Kong Profits Tax: |                         |                         |
| Current tax            | –                       | –                       |
| Deferred taxation      | –                       | 242                     |
|                        | <u>–</u>                | <u>242</u>              |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for both years.

Under the Enterprise Income Tax Law (the “**EIT Law**”) of the People’s Republic of China (the “**PRC**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. Macau subsidiary is subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for both years. Malaysia subsidiary is subject to Malaysia Corporate Income Tax at a maximum rate of 24% on the estimated assessable profit for the year (2018: N/A).

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

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

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

|  | 2019<br><i>HK\$'000</i>              | 2018<br><i>HK\$'000</i>              |
|--|--------------------------------------|--------------------------------------|
| Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share | <u>(126,437)</u>                     | <u>(153,797)</u>                     |
|  | <b>Number of<br/>shares<br/>'000</b> | <b>Number of<br/>shares<br/>'000</b> |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share     | <u>3,213,341</u>                     | <u>3,213,341</u>                     |

For the years ended 30 June 2019 and 2018, the diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary shares for both years.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 30 June 2019 (2018: Nil).

## 10. TRADE RECEIVABLES

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

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 0 to 90 days   | 4,734                   | 12,302                  |
| 91 to 180 days   | 408                     | –                       |
| Over 180 days  | <u>–</u>                | <u>1,700</u>            |
|  | <b>5,142</b>            | <b>14,002</b>           |
| Less: Allowance for expected credit losses/impairment loss allowance | <u>(381)</u>            | <u>(1,775)</u>          |
|  | <u><b>4,761</b></u>     | <u><b>12,227</b></u>    |

## 11. TRADE AND OTHER PAYABLES

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables                          | 8,678                   | 5,684                   |
| Accruals                                | 19,061                  | 21,346                  |
| Other payables ( <i>note (a)</i> )      | 13,037                  | 63,081                  |
| Receipts in advance ( <i>note (b)</i> ) | –                       | 10,934                  |
|   | <u>40,776</u>           | <u>101,045</u>          |

*Notes:*

- (a) Other payables mainly comprise of (a) HK\$7,865,000 (2018: HK\$50,652,000) for consideration payable to independent third parties for enhancement and expansion of cinemas and (b) HK\$3,528,000 payable to a film investor in respect of the film financing as at 30 June 2018.
- (b) Due to the adoption of HKFRS 15, effective on 1 July 2018, the balance of receipts in advance were reclassified to contract liabilities.

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

|              | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0 to 90 days | <u>8,678</u>            | <u>5,684</u>            |

## 12. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Magic Well Group

On 17 June 2019, the Group completed the disposal of 100% equity interest in Magic Well Holdings Limited (“**Magic Well**”) together with its subsidiaries (collectively referred to as “**Magic Well Group**”) to an independent third party at a cash consideration of HK\$48,000,000 which resulted in a gain on disposal of HK\$3,476,000. Magic Well Group was principally engaged in the production, distribution and licensing of animated TV episodes and theatrical films in previous years. Details of this disposal was set out in the Company’s announcement dated 17 June 2019.

No disposal-related costs has been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019.

Summary of the effect on disposal of Magic Well Group is as follows:

|  | <b>2019</b><br><b>HK\$'000</b> |
|--|--------------------------------|
| Property, plant and equipment  | 291                            |
| Intangible assets  | 30,190                         |
| Goodwill   | 39,987                         |
| Film and TV programme rights   | 5,056                          |
| Film and TV programme production in progress   | 11,327                         |
| Trade receivables  | 1,700                          |
| Other receivables, deposits and prepayments  | 1,153                          |
| Cash and bank balances   | 129                            |
| Trade and other payables   | (23,736)                       |
| Contract liabilities   | (5,994)                        |
| Other loan   | (12,000)                       |
|  | <hr/>                          |
| <b>Net assets disposed of</b>  | <b>48,103</b>                  |
|  | <hr/> <hr/>                    |
| Consideration received   | 48,000                         |
| Net assets disposed of   | (48,103)                       |
| Cumulative exchange differences in respect of the net assets<br>of the subsidiaries reclassified from equity to profit or loss<br>upon loss of control of the subsidiaries | (305)                          |
| Non-controlling interests  | 3,884                          |
|  | <hr/>                          |
| <b>Gain on disposal</b>  | <b>3,476</b>                   |
|  | <hr/> <hr/>                    |
| <b>Net cash inflow arising from the disposal:</b>  |                                |
| Cash consideration received  | 48,000                         |
| Cash and bank balances disposed of   | (129)                          |
|  | <hr/>                          |
|  | <b>47,871</b>                  |
|  | <hr/> <hr/>                    |

## 12. DISPOSAL OF SUBSIDIARIES (Continued)

### (b) Disposal of Corporate Fame Group

On 2 May 2018, the Group disposed of its 100% equity interest in Corporate Fame Limited together with its subsidiaries (collectively referred to as “**Corporate Fame Group**”) to an independent third party at a cash consideration of HK\$8,100,000 which resulted in a loss on disposal of HK\$8,000. Corporate Fame Group was principally engaged in film and TV programme production and distribution and provision of event management services in previous years.

No disposal-related costs has been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018.

Summary of the effect on disposal of Corporate Fame Group is as follows:

|  | 2018<br>HK\$'000      |
|--|-----------------------|
| Property, plant and equipment                      | –                     |
| Film and TV programme rights                       | –                     |
| Trade receivables                                  | –                     |
| Other receivables, deposits and prepayments        | 35                    |
| Cash and bank balances                             | 9,831                 |
| Trade and other payables                           | <u>(16,901)</u>       |
| <b>Net liabilities disposed of</b>                 | <b><u>(7,035)</u></b> |
| Consideration received                             | 8,100                 |
| Net liabilities disposed of                        | 7,035                 |
| Non-controlling interests                          | <u>(15,143)</u>       |
| <b>Loss on disposal</b>                            | <b><u>(8)</u></b>     |
| <b>Net cash outflow arising from the disposal:</b> |                       |
| Cash consideration received                        | 8,100                 |
| Cash and bank balances disposed of                 | <u>(9,831)</u>        |
|  | <b><u>(1,731)</u></b> |

## 13. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 9 and HKFRS 15 on 1 July 2018. Under the transition method, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 2.

In addition, certain comparative figures have been reclassified to be consistent with the current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **MARKET REVIEW**

China's film industry had been rapidly expanding in the past few years. With the increase of disposal income and enhancement of lifestyles, Chinese consumers have in turn demanded quality entertainment facilities. According to the China Movie Data Information Network, China's movie box office revenue was broadly stable at RMB59.8 billion (2018: RMB60.7 billion) during the Year, as compared with the double-digit growth in the previous year. Although there was a minor adjustment in box office revenue due to market challenges and sentiment swing, China continued to record the world's highest screen count, amounting to nearly 64,000 (2018: 52,700) screens as of 30 June 2019.

### **FINANCIAL REVIEW**

#### **Overall Review**

Supported by the significant increase of film exhibition income, the Group's total revenue achieved a notable growth of 59.9% to HK\$145.8 million (2018: HK\$91.2 million) during the Year. Couple with a gain on disposal of subsidiaries during the Year and reduction of the fair value loss on investments in film production and securities, loss for the Year attributable to the owners of the Company was narrower at HK\$126.4 million (2018: HK\$153.8 million). Basic loss per share was HK\$0.04 (2018: HK\$0.05).

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

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

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

The Group continued to fund its operations and capital expenditure during the Year by cash generated internally from its operations, as well as the net proceeds from the Subscription. As at 30 June 2019, the Group's cash and bank balances amounted to HK\$166.5 million (2018: HK\$264.1 million), which are mainly denominated in Hong Kong dollars and Renminbi.

## **FINANCIAL REVIEW** (Continued)

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

As at 30 June 2019, amounts due to non-controlling interests and related companies totalled HK\$43.6 million and HK\$5.7 million (2018: HK\$44.9 million and HK\$15.6 million), respectively. They were denominated in Hong Kong dollars and Renminbi, unsecured, interest-free and repayable on demand. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was reduced to 7.0% (2018: 8.0%).

### **Exposure to Fluctuation in Exchange Rates and Related Hedges**

The Group's cash and bank balances, income and expenditure are primarily denominated in Hong Kong dollars and Renminbi. The carrying amount of the Group's Renminbi denominated monetary net assets was approximately 13.4% of its net assets as at 30 June 2019. In view of the recent volatility of foreign currency rate of Renminbi, the Directors will closely monitor the Group's exposure to fluctuations in foreign exchange rates and take appropriate actions, if necessary, to mitigate the risk.

### **Profit Guarantee**

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

In the event the Profit Guarantee is not fulfilled in each of the Guaranteed Periods, the Vendors shall pay 78.64% of the difference between the Guaranteed 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 2018, JDMM Group recorded a loss after tax and hence, the Vendors were obliged to pay the Shortfall of HK\$7.9 million, being 78.64% of the Guaranteed Sum to the Group. The Group had recorded the Shortfall as compensation income for the Year, and also demanded payment from the Vendors of the Shortfall pursuant to the terms of the S&P Agreement. The Shortfall was settled by the Vendors on 25 February 2019.

## FINANCIAL REVIEW (Continued)

### Disposal of Subsidiaries

On 17 June 2019, the Group completed the disposal of Magic Well, a wholly-owned subsidiary of the Company, to an independent third party at a cash consideration of HK\$48.0 million. Magic Well held approximately 78.64% equity interest in JDMM Group which principally engaged in the production, distribution and licensing of animated TV episodes and theatrical films. Upon completion of the disposal, the Group recorded a gain on disposal of HK\$3.5 million. Further details of such disposal was disclosed in the announcement of the Company dated 17 June 2019.

## BUSINESS REVIEW

### Film Exhibition

Riding on the strategic locations and premium entertainment services, revenue from the film exhibition segment increased significantly to HK\$143.0 million (2018: HK\$65.6 million) during the Year, representing a growth of 118.0%. As at 30 June 2019, the Group ran 5 (2018: 5) cinemas in mainland China and Hong Kong under “*Emperor Cinemas*”, offering a total of 54 (2018: 54) houses with more than 6,200 (2018: 6,200) seats. The details of the film exhibition network as at 30 June 2019 are as follows:

|                                    | <i>No. of houses</i> | <i>No. of seats</i> |
|------------------------------------|----------------------|---------------------|
| <b>Mainland China</b>              |                      |                     |
| 1. Emperor Group Centre in Beijing | 10                   | 1,154               |
| 2. Shin Kong Place in Chongqing    | 18                   | 2,298               |
| 3. MixC in Hefei                   | 13                   | 1,980               |
| 4. Donghai Garden in Shenzhen      | 9                    | 458                 |
| <b>Hong Kong</b>                   |                      |                     |
| 5. New Town Mansion in Tuen Mun    | 4                    | 385                 |
| <b>Total</b>                       | <b>54</b>            | <b>6,275</b>        |

Located in either large-scale commercial and entertainment complex or upscale residential areas, “*Emperor Cinemas*” 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.

## **BUSINESS REVIEW** (*Continued*)

### **Investment in Films and Cultural Events**

This segment generated a revenue of HK\$2.8 million (2018: HK\$25.6 million) to the Group which was mainly contributed by distribution and licensing income arisen from animation business during the Year. Such decrease was mainly due to a reclassification of the revenue of the release of co-invested films corresponding to the change of accounting standard.

### **PROSPECTS**

The year ahead will be a year of aggressive expansion and foundation building for the Group. The Group aims to solidify its market presence and capture the huge potential of the film market by enhancing its film exhibition network under its label “*Emperor Cinemas*”. A solid expansion pipeline has been established, and a number of locations in mainland China, Hong Kong, Macau and even beyond Greater China – in Malaysia – have been secured. Subsequent to the Year, the Group has extended the cinema footprint to MOSTown in Ma On Shan, Hong Kong and R&F Mall Johor Bahru in Malaysia. The Group expects more “*Emperor Cinemas*” will be in operation in the financial year of 2019/2020, with a steady incremental growth of capacity.

To stay on track for long-term growth, the Group will focus on boosting a series of branding and marketing initiatives, strengthening its footprints, facility enhancements and delivering service excellence. The Group will keep serving films using a comprehensive set of advanced hardware, ensuring audiences enjoy immersive, real-life experiences during movies. Benefiting from the membership scheme, official web-site and APP channels – which not only provide audiences with a more convenient ticketing practice, but also reinforce customer loyalty – the Group is committed to providing a high-class, high-quality visual and audio experience for audiences.

In April 2019, the local government welcomed several relaxation measures from the central authorities, which further facilitate the entry of Hong Kong films and film practitioners into the mainland China market, and should further enhance the flexibility of producing mainland China-Hong Kong co-productions. The film industry in Greater China as a whole will benefit from the new measures by leveraging the synergies in both regions, to spur future developments.

Despite the recent market uncertainties, the Group is optimistic about the long-term sustained growth of China’s film and entertainment market. The Group will continue to strive to respond to forthcoming market opportunities with flexibility and decisiveness, and to expand according to a strategy that is both disciplined and forward thinking. Riding on an ongoing synergy with movie stars and pop singers under Emperor Entertainment Group, “*Emperor Cinemas*” will continue to receive positive publicity in Chinese-speaking communities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2019, the Group's number of employees was 333 (2018: 316). Total staff costs including the Directors' remuneration during the Year were HK\$53.7 million (2018: HK\$28.4 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 Option" of the annual report of the Company.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on the preliminary announcement.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**

The audited consolidated financial statements for the Year had been reviewed by the Audit Committee of the Company in conjunction with the Group's auditors, HLB. Based on this review and discussions with the management, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 30 June 2019 and the annual results for the Year.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

The Company had complied throughout the Year 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 for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Year.

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 throughout the Year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.empculture.com>). The annual report will be dispatched to the shareholders of the Company (“**Shareholders**”) and will be available on the websites of the Stock Exchange and the Company in due course.

## **PROPOSED CHANGE OF AUDITOR**

HLB, the current auditor of the Group, shall hold office until the conclusion of the forthcoming annual general meeting of the Company (“**2019 AGM**”).

The Board announces that it has resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of Messrs. Ernst & Young as the new auditor of the Group to replace HLB. Upon approval of the Shareholders at the 2019 AGM, Messrs. Ernst & Young shall hold office until the conclusion of the next annual general meeting of the Company.

HLB has been holding office as the auditor of the Group for more than 15 years. The Board considers that as a good corporate governance measure, the Company, having change of controlling shareholder in 2017, should consider the change of its auditor after an appropriate period of time.

**PROPOSED CHANGE OF AUDITOR** *(Continued)*

HLB has confirmed that there are no matters in relation to its cessation as the auditor that need to be brought to the attention of the Shareholders. The Board also confirmed that there is no disagreement between HLB and the Company, and there are no other matters in respect of the proposed change of auditor of the Group that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its sincere gratitude to HLB for the professional services provided to the Company in the past.

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

Hong Kong, 26 September 2019

As at the date hereof, the Board comprises:

*Executive Directors:*

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

*Independent Non-Executive Directors:*

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