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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)

2020/2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**” or “**Directors**”) of Emperor Culture Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2021 (the “**Year**”).

	For the year ended 30 June		Changes
	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	192,908	126,245	+52.8%
Gross profit	111,172	75,903	+46.5%
Loss for the year	(228,078)	(353,226)	N/A
Basic and diluted loss per share	HK\$(0.07)	HK\$(0.11)	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

With a gradual recovery in the film exhibition market due to the gradual easing of social distancing measures and three additional cinemas commenced operation during the Year, the Group's total revenue increased by 52.8% to HK\$192.9 million (2020: HK\$126.2 million).

During the Year, the Group continued adopting various measures to alleviate the adverse impacts due to the pandemic, 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 total revenue together with effective cost saving measures, and no further impairment of its cinema assets during the Year, the Group managed to narrow down a net loss for the Year to HK\$228.1 million (2020: HK\$353.2 million). Basic and diluted loss per share was HK\$0.07 (2020: HK\$0.11).

MARKET REVIEW

It was a challenging period during the Year, due to the pandemic and various social distancing measures required by the local authorities, which impacted the film exhibition market.

As pandemic containment had broadly stabilised in mainland China before 2021, pent-up moviegoer demand was unleashed and early recovery signs were noted. According to information released by Maoyan Entertainment (貓眼娛樂), China's movie box office revenue hit RMB27.5 billion during January to June 2021, representing growth of over 150.0% compared to July to December 2020. Although adversely affected by the lack of blockbusters and capacity limitations, the movie box office revenue continued to grow in the region. Supported by the recovery of consumption and entertainment market sentiments, more people were eager to return to cinemas to watch movies on screen.

BUSINESS REVIEW

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

Film Exhibition

Revenue from the film exhibition segment increased by 52.8% to HK\$192.9 million (2020: HK\$126.2 million), which included the revenue of box office takings amounted to HK\$164.1 million (2020: HK\$100.9 million). In terms of revenue by geographical segment, revenue from mainland China and Hong Kong was HK\$133.2 million (2020: HK\$65.9 million) and HK\$59.5 million (2020: HK\$56.4 million) respectively, accounting for 69.0% (2020: 52.2%) and 30.8% (2020: 44.6%) of the film exhibition revenue.

As at 30 June 2021, the Group had 14 (2020: 11) cinemas in mainland China, Hong Kong and Malaysia under *Emperor Cinemas*, offering a total of 116 (2020: 95) houses with approximately 15,300 (2020: 12,400) seats, all of which are situated in strategic locations providing premium entertainment services. The details of the film exhibition network as at 30 June 2021 are as follows:

	<i>No. of houses</i>	<i>No. of seats</i>
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 Year*

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 Year, 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 the 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 30 June 2021, the Group had investments in certain film productions at fair value of HK\$5.5 million (2020: HK\$6.2 million).

PROSPECTS

Though there are still a few sporadic outbreaks and imported cases in mainland China and Hong Kong, good progress on vaccination and effective pre-cautionary measures were seen in both markets. Major studios have begun releasing blockbusters. In tandem with the expansion of the middle-income group and the release of strong pent-up entertainment demand, the Group remains cautiously optimistic about the film exhibition market outlook in the long term. Meanwhile, the Group will adhere to its prudent approach and continue improving its cost structures, to strengthen the core competency and 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.

Looking ahead, the Group will continue exploring opportunities to further expand the cinema network, especially within the Greater China region. Subsequent to the Year, the Group has successfully secured a cinema site at Times Square, Causeway Bay ("**Times Square Cinema**"), which is one of the large shopping malls in a prime area of Hong Kong. When this commences operation, which is scheduled for late 2021, the Group will bring the best cinematic experience to patrons. Leveraging its long established *Emperor* brand label as well as synergy with *Emperor Entertainment Group* and *Emperor Motion Pictures*, 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.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to HK\$56.9 million (2020: HK\$40.6 million), which are mainly denominated in Hong Kong dollars and Renminbi.

To finance its operations and capital expenditure, the Group utilises cash flows generated from operations and from loan facilities granted by a related party and a bank. As at 30 June 2021, the Group had total borrowings of HK\$333.0 million (2020: HK\$191.9 million), which comprise a loan from a related party of HK\$282.4 million (2020: HK\$146.3 million), bank loan of HK\$7.0 million (2020: HK\$2.0 million) and amount due to non-controlling interests of HK\$43.6 million (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 Year, all these borrowings are unsecured, interest-bearing and have fixed repayment terms. The gearing ratio of the Group (expressed as a percentage of total borrowings over total asset value) was 19.3% (2020: 11.2%) as of 30 June 2021.

Management has closely monitored the development of the pandemic 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 Directors believed that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future.

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 was not exposed to significant fluctuation in foreign exchange rates during the Year.

Termination of the Possible Acquisition 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 and the Possible Acquisition had been terminated.

On 30 December 2020, the discussions regarding the Possible Acquisition 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 Acquisition. No formal or legally binding agreement had been entered into in respect of the Possible Acquisition between the Receivers and the Potential Purchaser. The offer period ended on 30 December 2020.

Details in relation to the Possible Acquisition and its termination were set out 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.

Major Transaction in relation to the Letter of Offer

On 27 May 2021, a wholly-owned subsidiary of the Company as tenant received a letter of offer (the “**Letter of Offer**”) as accepted by a leasing agent on behalf of the landlord in relation to the lease transaction for the Times Square Cinema. Pursuant to the Letter of Offer, the value (unaudited) of the right-of-use asset to be recognised by the Group is approximately HK\$92.5 million. In July 2021, the Group has successfully taken over the site and planned ahead the renovation work. The Group targets to commence business in late 2021.

Details in relation to this major transaction were set out in the announcement of the Company dated 27 May 2021 and the circular of the Company dated 18 June 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group’s number of employees was 436 (2020: 502). Total staff costs including the Directors’ remuneration and other staff costs for the Year were HK\$58.9 million (2020: HK\$64.8 million). Each employees’ 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 the Company’s annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4	192,908	126,245
Cost of sales		<u>(81,736)</u>	<u>(50,342)</u>
Gross profit		111,172	75,903
Other income and gains	5	11,942	6,186
Selling, marketing and other cinema operating expenses		(248,867)	(229,942)
General and administrative expenses		(39,630)	(64,234)
Other expenses, net		(1,594)	(92,329)
Finance costs	7	<u>(61,101)</u>	<u>(49,786)</u>
LOSS BEFORE TAX	6	(228,078)	(354,202)
Income tax credit	8	<u>—</u>	<u>976</u>
LOSS FOR THE YEAR		<u>(228,078)</u>	<u>(353,226)</u>
Attributable to:			
Owners of the parent		(219,775)	(342,181)
Non-controlling interests		<u>(8,303)</u>	<u>(11,045)</u>
		<u>(228,078)</u>	<u>(353,226)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	<u>HK\$(0.07)</u>	<u>HK\$(0.11)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(228,078)</u>	<u>(353,226)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>23,556</u>	<u>(8,732)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(204,522)</u></u>	<u><u>(361,958)</u></u>
Attributable to:		
Owners of the parent	(196,807)	(350,303)
Non-controlling interests	<u>(7,715)</u>	<u>(11,655)</u>
	<u><u>(204,522)</u></u>	<u><u>(361,958)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		555,590	524,524
Right-of-use assets		1,016,049	1,064,327
Prepayments, deposits and other receivables		43,552	36,338
Total non-current assets		1,615,191	1,625,189
CURRENT ASSETS			
Inventories		1,751	2,110
Trade receivables	<i>11</i>	8,065	2,532
Prepayments, deposits and other receivables		38,393	38,758
Financial assets at fair value through profit or loss		5,489	7,130
Cash and cash equivalents		56,858	40,625
Total current assets		110,556	91,155
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>12</i>	67,888	48,939
Contract liabilities		19,332	15,218
Interest-bearing bank and other borrowings		7,008	2,000
Lease liabilities		94,777	50,457
Amounts due to related companies		10,122	3,709
Total current liabilities		199,127	120,323
NET CURRENT LIABILITIES		(88,571)	(29,168)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,526,620	1,596,021
NON-CURRENT LIABILITIES			
Provisions		46,211	44,816
Interest-bearing bank and other borrowings		282,365	146,313
Lease liabilities		1,101,430	1,103,756
Amount due to non-controlling interests		43,589	43,589
Total non-current liabilities		1,473,595	1,338,474
Net assets		53,025	257,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**30 June 2021*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	32,133	32,133
Reserves	64,733	261,540
	96,866	293,673
Non-controlling interests	(43,841)	(36,126)
Total equity	53,025	257,547

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The outbreak of novel coronavirus (“Covid-19”) since early 2020 has disrupted the business operations and developments of the Group. The Group has closely monitored the development of Covid-19 outbreak and the extent of the impact depends on the duration of the pandemic and the implementation of relevant policies and protective measures by respective governments. 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 available to the Group in the short to medium term.

The Group had a net loss attributable to owners of the parent of HK\$219,775,000 (2020: HK\$342,181,000) for the Year and net current liabilities of HK\$88,571,000 (2020: HK\$29,168,000) and net assets of HK\$53,025,000 (2020: HK\$257,547,000) as at 30 June 2021. The Group’s net loss for the Year included certain non-cash expenses/charges in an aggregate amount of HK\$179,853,000. The Group had total cash and cash equivalents of HK\$56,858,000 as at 30 June 2021.

In preparing the consolidated financial statements, the Directors have given 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 cost-saving and financial resources improvement measurements to streamline/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 Measures**”).

In addition, the Group has obtained a long term loan facility from a related party in the amount of HK\$1,200,000,000 (the “**Other Loan Facility**”), of which an aggregate loan principal amount of HK\$275,000,000 was utilised as at 30 June 2021. The Group has also obtained a revolving loan facility from a bank in the amount of HK\$20,000,000 (the “**Bank Loan Facility**”), of which an aggregate loan principal amount of HK\$7,000,000 was utilised as at 30 June 2021.

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 the consolidated financial statements for the Year.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's 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>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 July 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

- (d) Amendment to HKFRS 16 issued in April 2021 extends the availability of 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 pandemic by 12 months. Accordingly, the practical expedient applies only to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning or after 1 April 2021 and earlier application is permitted.

The Group has early adopted the amendment on 1 July 2020 and applied the practical expedient during the Year to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$32,761,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the Year.

- (e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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 segments as follows:

- (a) Cinema operation
- (b) Investments in films and cultural events

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, unallocated gains/losses, non-lease-related finance costs as well as unallocated corporate and other expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, investments in listed equity securities included in financial assets at fair value through profit or loss ("FVPL") and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*
Year ended 30 June 2021/At 30 June 2021

	Cinema operation HK\$'000	Investments in films and cultural events HK\$'000	Total HK\$'000
Segment revenue <i>(note 4)</i>			
Sales to external customers	<u>192,908</u>	<u>–</u>	<u>192,908</u>
Segment results	(219,283)	(797)	(220,080)
<i>Reconciliation:</i>			
Bank interest income			74
Fair value gain on financial assets at FVPL, net			801
Unallocated corporate and other expenses			(3,745)
Finance costs (other than interest on lease liabilities)			<u>(5,128)</u>
Loss before tax			<u>(228,078)</u>
Segment assets	1,663,114	5,489	1,668,603
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>57,144</u>
Total assets			<u>1,725,747</u>
Segment liabilities	1,382,412	50	1,382,462
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>290,260</u>
Total liabilities			<u>1,672,722</u>
Other segment information			
Depreciation of property, plant and equipment	72,913	–	72,913
Depreciation of right-of-use assets	106,940	–	106,940
Fair value loss on financial assets at FVPL	–	733	733
Capital expenditure [#]	<u>78,958</u>	<u>–</u>	<u>78,958</u>

[#] Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2020/At 30 June 2020

	Cinema operation HK\$'000	Investments in films and cultural events HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Sales to external customers	126,245	–	126,245
Segment results	(348,036)	302	(347,734)
<i>Reconciliation:</i>			
Bank interest income			246
Fair value loss on financial assets at FVPL, net			(694)
Unallocated corporate and other expenses			(3,689)
Finance costs (other than interest on lease liabilities)			(2,331)
Loss before tax			(354,202)
Segment assets	1,668,304	6,222	1,674,526
<i>Reconciliation:</i>			
Corporate and other unallocated assets			41,818
Total assets			1,716,344
Segment liabilities	1,309,537	50	1,309,587
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			149,210
Total liabilities			1,458,797
Other segment information			
Depreciation of property, plant and equipment	57,311	–	57,311
Depreciation of right-of-use assets	90,195	–	90,195
Impairment of property, plant and equipment	38,040	–	38,040
Impairment of right-of-use assets	53,987	–	53,987
Loss on disposal/write-off of property, plant and equipment	1,172	–	1,172
Fair value gain on financial assets at FVPL	–	392	392
Capital expenditure*	1,015,905	–	1,015,905

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	133,201	65,891
Hong Kong	59,462	56,361
Other region in Asia Pacific	245	3,993
	<u>192,908</u>	<u>126,245</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	589,558	586,798
Hong Kong	704,683	718,125
Macau	261,550	265,656
Other region in Asia Pacific	15,848	18,272
	<u>1,571,639</u>	<u>1,588,851</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

The Group did not have revenues from any single customer accounting for 10% or more of the total revenue of the Group for the Year (2020: Nil).

4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Income from cinema operation	<u>192,908</u>	<u>126,245</u>

Revenue from contracts with customers
(a) Disaggregated revenue information

Segment	Cinema operation	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of goods or services		
Box office takings	164,097	100,851
Sale of concession goods	11,684	11,859
Screen advertising services	7,116	7,348
Others	<u>10,011</u>	<u>6,187</u>
Total revenue from contracts with customers	<u>192,908</u>	<u>126,245</u>
Geographical markets		
Mainland China	133,201	65,891
Hong Kong	59,462	56,361
Other region in Asia Pacific	<u>245</u>	<u>3,993</u>
	<u>192,908</u>	<u>126,245</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short-term advances received from customers:		
Cinema operation	<u>12,907</u>	<u>9,768</u>

4. REVENUE (continued)

Revenue from contracts with customers (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.

Sale 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 upon delivery.

Screen 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 period of the agreement, while certain payments in advance are normally required.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed because all the remaining performance obligations are part of respective contracts that have an original expected duration of one year or less.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from:		
– Bank balances	74	246
– Deposits paid	1,427	1,115
Government subsidies	10,036	4,811
Others	405	14
	<u>11,942</u>	<u>6,186</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold [#]	3,910	3,559
Depreciation of property, plant and equipment ^{**}	72,913	57,311
Depreciation of right-of-use assets ^{**}	106,940	90,195
Fair value loss/(gain) on financial assets at FVPL, net*		
– Mandatorily classified as such, including those held for trading	(68)	302
Loss on disposal/write-off of property, plant and equipment	–	1,172
Impairment of trade receivables*	1,662	–
Impairment of property, plant and equipment*	–	38,040
Impairment of right-of-use assets*	–	53,987
	<u> </u>	<u> </u>

[#] Included in “Cost of sales” in the consolidated statement of profit or loss.

* Included in “Other expenses, net” in the consolidated statement of profit or loss.

** Depreciation of property, plant and equipment of HK\$72,562,000 (2020: HK\$56,975,000) and depreciation of right-of-use assets of HK\$103,857,000 (2020: HK\$86,625,000) are included in “Selling, marketing and other cinema operating expenses” in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank and other borrowings	5,128	2,331
Interest on lease liabilities	55,973	47,455
	<u> </u>	<u> </u>
	<u>61,101</u>	<u>49,786</u>

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 Year (2020: Nil).

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

No provision for PRC Enterprise Income Tax has been made in the current and prior years as the Group's subsidiaries established in Mainland China either had no assessable profits arising in Mainland China or had available tax losses brought forward from previous years to offset their assessable profits generated during the current and prior years.

8. INCOME TAX (continued)

No provisions for Macau Complementary Tax and Malaysia Corporate Income Tax have been made as the Group had no assessable profits arising in Macau and Malaysia for the current and prior years.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	–
Deferred	–	(976)
	<u>–</u>	<u>(976)</u>
Income tax credit	–	(976)
	<u>–</u>	<u>(976)</u>

9. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Year (2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

The calculation of the basic loss per share amount for the Year is based on the loss for the Year attributable to ordinary equity holders of the parent of HK\$219,775,000 (2020: HK\$342,181,000), and the weighted average number of ordinary shares of the Company of approximately 3,213,341,000 (2020: 3,213,341,000) in issue during the Year.

Diluted

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2021 and 2020.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	9,727	2,913
Impairment	(1,662)	(381)
	<u>8,065</u>	<u>2,532</u>

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 corresponding banks or other financial institutions normally within 2 to 30 days. The Group's trading terms with its other customers are mainly on credit. The credit period is generally 1 month from the date of billing. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE RECEIVABLES (continued)

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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 1 month	6,070	2,502
1 to 3 months	1,184	–
Over 3 months	811	30
	<u>8,065</u>	<u>2,532</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade payables (note (a))	15,438	4,847
Accruals	11,953	8,257
Other payables (note (b))	40,497	35,835
	<u>67,888</u>	<u>48,939</u>

Notes:

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 3 months	13,523	3,768
Over 3 months	1,915	1,079
	<u>15,438</u>	<u>4,847</u>

The trade payables are non-interest-bearing and are normally settled on 2-month terms.

- (b) Other payables are non-interest bearing and have an average term of 2 months.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

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 auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Messrs. Ernst & Young 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 Messrs. Ernst & Young on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The consolidated financial statements for the Year had been reviewed by the Audit Committee of the Company in conjunction with the Group's auditors, Messrs. Ernst & Young. Based on this review and discussions with the management, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's consolidated financial position as at 30 June 2021 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 Rules Governing the Listing of Securities on the Stock Exchange ("**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 and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 September 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