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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)

2022/2023 ANNUAL RESULTS ANNOUNCEMENT

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 2023 (the “**Year**”).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Year, cinemas in Hong Kong resumed normal operations and a revival in consumption sentiment was seen. Consumers had strong desire for leisure spending and resumed visiting the cinemas. Also, the Hong Kong government has implemented the Hong Kong-Asian Film Collaboration Funding Scheme under the Film Development Fund, which supports co-production of films by local and Asian production teams, aiming to enhance the influence of Hong Kong films in Asian markets and explore new distribution channels, which helped promote the development of Hong Kong films.

In mainland China, pandemic containment measures were lifted in early 2023. Nevertheless, it took time for citizens to get back to normal life, hence a concrete revival in consumer spending was only seen in the last quarter of the Year. Against this backdrop, annual box office sales in mainland China, mainly led by Chinese-made blockbusters, reached RMB20 billion in May 2023, breaking the record set in 2022.

RESULTS

During the Year, the Group recorded a 48.7% increase in revenue, to HK\$456.2 million (2022: HK\$306.7 million), mainly attributable to the recovery of the film industry in Hong Kong. Nevertheless, with the recognition of an impairment allowance related to the right-of-use assets and fixed assets after the impairment assessment, and an increase in operating expenses arising from the opening of new cinemas, the Group's net loss for the Year amounted to HK\$317.0 million (2022: HK\$218.4 million). Basic loss per share was HK\$0.10 (2022: HK\$0.06).

BUSINESS REVIEW

The Group engages in entertainment, media and cultural development businesses, which mainly include cinema operation.

Revenue from the cinema operation segment increased by 48.7% to HK\$456.2 million (2022: HK\$306.7 million), which mainly included the revenue from box office takings amounting to HK\$389.1 million (2022: HK\$270.1 million), accounting for 85.3% (2022: 88.1%) of the cinema operation revenue. In terms of revenue by geographical segment, revenue from the Hong Kong market increased by 81.7% to HK\$295.8 million (2022: HK\$162.8 million) and accounted for 64.8% (2022: 53.1%) of the cinema operation revenue, while revenue from the mainland China market increased slightly to HK\$134.0 million (2022: HK\$122.9 million) and accounted for 29.4% (2022: 40.1%) of the cinema operation revenue; the latter figure reflected the recovery in mainland China only occurring towards the end of the Year.

During the Year, the Group opened four cinemas in mainland China – in Changsha, Shenzhen, Foshan and Chengdu. As at 30 June 2023, the Group operated a total of 22 cinemas in mainland China, Hong Kong, Macau and Malaysia, offering a total of 171 houses with more than 24,000 seats. All these cinemas were in strategic locations, providing premium entertainment services.

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® and CINITY theatre systems, 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.

PROSPECTS

Although the majority of countries have recovered from the pandemic and resumed normal business activities, headwinds such as interest rate hikes, sustained inflation, political tensions, etc, are still creating uncertainties for the macro economy, making consumers cautious with their spending. The Group will therefore continue with prudent expansion of its network. Subsequent to the Year, an *Emperor Cinemas Plus+* was opened in The Wai, which is a new shopping mall in Tai Wai, serving as another iconic community landmark in the New Territories, Hong Kong; and an *Emperor Cinemas* was opened in Chongqing in mainland China. In 2024, one *Emperor Cinemas* is expected to be opened in mainland China and one *Emperor Cinemas Plus+* is expected to be opened in Hong Kong.

With the continued increase in the disposable income and living standards in mainland China, there will be room for further development in terms of leisure spending; coupled with the five-year plan laid out by the China Film Administration, the Group is positive about the outlook for the film exhibition market. Leveraging its long-established *Emperor* brand label, the Group will continue strengthening its core competencies, in order to seize the opportunities and bring sustainable returns to its shareholders.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 30 June 2023, the Group's cash and cash equivalents amounted to HK\$82.0 million (2022: HK\$117.4 million), which were 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 2023, the Group had total borrowings of HK\$685.9 million (2022: HK\$542.7 million), which comprised a loan from a related party of HK\$595.6 million (2022: HK\$452.5 million), bank loan of HK\$20.0 million (2022: HK\$20.0 million) and amount due to non-controlling interest of HK\$70.3 million (2022: HK\$70.2 million), respectively. Except for the amount due to non-controlling interest, which is unsecured and interest-free, 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 assets) was 48.9% (2022: 30.0%) as at 30 June 2023.

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 believe 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, Macau Pataca and Malaysian Ringgit. As most of the Group's external monetary assets, liabilities and related 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 that would have material impacts on its financial performance.

LEGAL LITIGATION

During the Year, the Company announced that Emperor UA Cinemas Limited (“**Emperor UA**”, a 70%-owned subsidiary of the Company) commenced a proceeding in the Court of First Instance in the High Court of Hong Kong Special Administrative Region (the “**High Court**”) by way of originating summons for an injunction order restraining Lark China Cinema Investments Limited (“**UA Minority Shareholder**”, a 30%-equity shareholder of Emperor UA, and a business partner since the commencement of business of *Emperor UA Cinemas*) from presenting a winding-up petition against Emperor UA, based on the alleged shareholder loan of approximately HK\$70.0 million (“**Alleged Shareholder Loan**”) in respect of which a statutory demand (“**Statutory Demand**”) was served on Emperor UA by UA Minority Shareholder. Afterwards, the Company announced that the High Court granted a permanent full injunction order in favour of Emperor UA restraining the presentation of a winding-up petition based on the Statutory Demand. Besides, UA Minority Shareholder started a new court proceeding by filing a winding-up petition (the “**Petition**”) to the High Court against Emperor UA under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in relation to the Alleged Shareholder Loan and inter alia, on grounds of insolvency. Subsequently, the Company announced the cessation of the entire operation of a wholly-owned operating company of Emperor UA, 英皇娛樂影院(廣東)有限公司 (Emperor UA Cinemas (Guangdong) Company Limited*) (“**Emperor UA (Guangdong)**”), which was primarily engaged in the operation of seven *Emperor UA Cinemas* in mainland China. In January 2023, UA Minority Shareholder has withdrawn the Petition and the winding up proceedings have come to an end. Details were set out in the Company’s announcements dated 15 July 2022, 26 July 2022, 21 November 2022 and 4 January 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group’s number of employees was 743 (2022: 745). Total staff costs including the Directors’ remuneration and other staff costs for the Year were HK\$115.1 million (2022: HK\$85.3 million). Each employee’s remuneration was determined in accordance with individual’s responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed “Share Options Scheme” of the Company’s annual report.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the Year (2022: Nil).

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	456,197	306,713
Cost of sales		<u>(184,331)</u>	<u>(127,717)</u>
Gross profit		271,866	178,996
Other income and gains	5	11,422	9,866
Gain relating to leases, net	6	75,832	36,586
Selling, marketing and other cinema operating expenses		(422,464)	(313,811)
General and administrative expenses		(56,927)	(53,709)
Other expenses, net		(85,725)	(10,066)
Finance costs	7	(85,368)	(62,946)
Share of losses of joint ventures		<u>(25,620)</u>	<u>(3,318)</u>
LOSS BEFORE TAX	6	(316,984)	(218,402)
Income tax expense	8	—	—
LOSS FOR THE YEAR		<u>(316,984)</u>	<u>(218,402)</u>
Attributable to:			
Owners of the parent		(329,939)	(201,379)
Non-controlling interests		12,955	(17,023)
		<u>(316,984)</u>	<u>(218,402)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	<u>HK\$(0.10)</u>	<u>HK\$(0.06)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(316,984)</u>	<u>(218,402)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	(10,915)	(1,383)
Release of exchange fluctuation reserve for loss of control of a foreign operation	<u>7,097</u>	<u>–</u>
	<u>(3,818)</u>	<u>(1,383)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(320,802)</u></u>	<u><u>(219,785)</u></u>
Attributable to:		
Owners of the parent	(334,828)	(203,151)
Non-controlling interests	<u>14,026</u>	<u>(16,634)</u>
	<u><u>(320,802)</u></u>	<u><u>(219,785)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		428,759	555,973
Right-of-use assets		762,733	1,001,020
Prepayments, deposits and other receivables		50,627	60,431
Investments in joint ventures		21,313	13,432
Total non-current assets		1,263,432	1,630,856
CURRENT ASSETS			
Inventories		3,595	2,989
Trade receivables	11	24,521	17,653
Prepayments, deposits and other receivables		28,181	34,443
Amounts due from joint ventures		618	–
Financial assets at fair value through profit or loss		63	5,850
Cash and cash equivalents		81,986	117,412
Total current assets		138,964	178,347
CURRENT LIABILITIES			
Trade payables, other payables and accruals	12	135,701	117,160
Contract liabilities		24,870	43,102
Interest-bearing bank and other borrowings		20,030	20,018
Lease liabilities		147,619	183,083
Amounts due to related companies		4,103	3,249
Amount due to a joint venture		250	250
Amount due to non-controlling interest		70,259	70,225
Total current liabilities		402,832	437,087
NET CURRENT LIABILITIES		(263,868)	(258,740)
TOTAL ASSETS LESS CURRENT LIABILITIES		999,564	1,372,116
NON-CURRENT LIABILITIES			
Provisions		61,761	64,695
Interest-bearing bank and other borrowings		595,633	452,476
Lease liabilities		913,244	1,186,643
Total non-current liabilities		1,570,638	1,703,814
Net liabilities		(571,074)	(331,698)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2023

	2023	2022
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	32,133	32,133
Reserves	(600,413)	(265,585)
	(568,280)	(233,452)
Non-controlling interest	(2,794)	(98,246)
Total equity	(571,074)	(331,698)

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 Group had loss before tax for the Year of HK\$317.0 million (2022: HK\$218.4 million) and net current liabilities and net liabilities as at 30 June 2023 of HK\$263.9 million (2022: HK\$258.7 million) and HK\$571.1 million (2022: HK\$331.7 million), respectively. The Group’s net loss for the Year included certain non-cash depreciation and impairment losses in an aggregate amount of HK\$357.3 million (2022: HK\$248.2 million). The Group had total cash and cash equivalents as at 30 June 2023 of HK\$82.0 million (2022: HK\$117.4 million).

The outbreak of novel coronavirus (Covid-19) had disrupted the business operations and developments of the Group in prior years and detrimentally affected its historical results and financial and liquidity positions. Against this backdrop, the Group was able to turn around and recorded a 48.7% increase in revenue to HK\$456.2 million during the current year as compared to the prior year, reflecting a 81.7% increase in revenue of its business operations in Hong Kong to HK\$295.8 million and a 9.0% increase in revenue of its business operations in Mainland China to HK\$134.0 million. In the opinion of the Directors, such increases were mainly attributable to a recovery of the Hong Kong market, and a progressive improvement of business operations/developments of certain cinemas of the Group in Mainland China.

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. Measures of active cost-saving and financial resources improvement 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 “**Cost-saving and Improvement Measures**”).

As part of such Cost-saving and Improvement Measures, in November 2022, Emperor UA, being the sole shareholder of Emperor UA (Guangdong), as well as the shareholders of Emperor UA respectively resolved to cease the entire operation of Emperor UA (Guangdong) (the “**Cessation of Emperor UA (Guangdong) Business Operation**”), to early dissolve Emperor UA (Guangdong) and to have Emperor UA (Guangdong) to file an insolvency liquidation application to the relevant court in Mainland China. As disclosed in an announcement of the Company dated 21 November 2022, having assessed the actual contribution and financial position of Emperor UA (Guangdong) and external environmental factors, the Group believes that the Cessation of Emperor UA (Guangdong) Business Operation will improve the financial position of the Group.

The Group has maintained a long-term loan facility from a related party in the amount of HK\$1,200.0 million (the “**Other Loan Facility**”), of which an aggregate loan principal amount of HK\$564.5 million was utilised as at 30 June 2023. The Group has also maintained a revolving loan facility from a bank in the amount of HK\$20.0 million (the “**Bank Loan Facility**”), of which an aggregate loan principal amount of HK\$20.0 million was utilised as at 30 June 2023.

1. BASIS OF PREPARATION *(continued)*

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 Cost-saving and 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 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 following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combination during the Year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 July 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:
(continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group's financial liabilities during the Year, the amendment did not have any significant impact on the financial position or 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

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 unlisted 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 2023/At 30 June 2023

	Cinema operation HK\$'000	Investments in films HK\$'000	Total HK\$'000
Segment revenue <i>(note 4)</i>			
Sales to external customers	<u>456,197</u>	<u>–</u>	<u>456,197</u>
Segment results	(285,486)	(120)	(285,606)
<i>Reconciliation:</i>			
Bank interest income			103
Unallocated corporate and other expenses			(4,308)
Finance costs (other than interest on lease liabilities)			<u>(27,173)</u>
Loss before tax			<u>(316,984)</u>
Segment assets	1,320,053	63	1,320,116
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>82,280</u>
Total assets			<u>1,402,396</u>
Segment liabilities	1,356,795	70	1,356,865
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>616,605</u>
Total liabilities			<u>1,973,470</u>
Other segment information			
Share of losses of joint ventures	25,620	–	25,620
Depreciation of property, plant and equipment	94,285	–	94,285
Depreciation of right-of-use assets	118,356	–	118,356
Gain on lease modifications	(179,273)	–	(179,273)
Impairment of property, plant and equipment	41,169	–	41,169
Impairment of right-of-use assets	103,441	–	103,441
Loss on loss of control of a subsidiary attributable to the parent	41,827	–	41,827
Investments in joint ventures	21,313	–	21,313
Capital expenditure [#]	<u>30,818</u>	<u>–</u>	<u>30,818</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2022/At 30 June 2022

	Cinema operation HK\$'000	Investments in films HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Sales to external customers	306,713	–	306,713
Segment results	(205,815)	947	(204,868)
<i>Reconciliation:</i>			
Bank interest income			77
Unallocated corporate and other expenses			(5,110)
Finance costs (other than interest on lease liabilities)			(8,501)
Loss before tax			(218,402)
Segment assets	1,685,648	5,850	1,691,498
<i>Reconciliation:</i>			
Corporate and other unallocated assets			117,705
Total assets			1,809,203
Segment liabilities	1,667,491	50	1,667,541
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			473,360
Total liabilities			2,140,901
Other segment information			
Share of loss of a joint venture	3,318	–	3,318
Depreciation of property, plant and equipment	89,637	–	89,637
Depreciation of right-of-use assets	117,838	–	117,838
Impairment of property, plant and equipment	11,077	–	11,077
Impairment of right-of-use assets	29,672	–	29,672
Fair value gains on financial assets at FVPL	–	(1,011)	(1,011)
Gain on lease modifications	(66,258)	–	(66,258)
Investment in a joint venture	13,432	–	13,432
Capital expenditure [#]	107,699	–	107,699

[#] Capital expenditure consists of additions to property, plant and equipment (including additions related to a common control combination).

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	133,987	122,925
Hong Kong	295,789	162,771
Macau	23,512	20,890
Other region in Asia Pacific	2,909	127
	<u>456,197</u>	<u>306,713</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	448,538	641,924
Hong Kong	618,209	745,069
Macau	145,958	170,377
Other region in Asia Pacific	100	13,055
	<u>1,212,805</u>	<u>1,570,425</u>

The non-current asset information above is based on the locations of the assets and excludes non-current deposits and other receivables.

Information about major customers

Revenue from transactions with an external customer derived from the cinema operation segment contributing over 10% of the total revenue of the Group is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
An external customer	<u>51,555</u>	<u>47,393</u>

4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Income from cinema operation	<u>456,197</u>	<u>306,713</u>
Revenue from contracts with customers		
<i>(a) Disaggregated revenue information</i>		
Segment	Cinema operation	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of goods or services		
Box office takings	389,086	270,093
Sale of concession goods	42,218	17,545
Screen advertising services	7,108	6,245
Others	<u>17,785</u>	<u>12,830</u>
Total revenue from contracts with customers	<u>456,197</u>	<u>306,713</u>
Geographical markets		
Mainland China	133,987	122,925
Hong Kong	295,789	162,771
Macau	23,512	20,890
Other region in Asia Pacific	<u>2,909</u>	<u>127</u>
	<u>456,197</u>	<u>306,713</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Short-term advances received from customers:		
Cinema operation	<u>39,598</u>	<u>19,325</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 arrangement, 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from:		
– Bank balances	103	77
– Deposits paid	1,875	2,771
Government subsidies	7,138	6,614
Others	2,306	404
	<u>11,422</u>	<u>9,866</u>

6. LOSS BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold [#]	9,925	4,276
Depreciation of property, plant and equipment ^{**}	94,285	89,637
Depreciation of right-of-use assets ^{**}	118,356	117,838
Gain on lease modifications [^]	(179,273)	(66,258)
Impairment of right-of-use assets [^]	103,441	29,672
Impairment of property, plant and equipment [*]	41,169	11,077
Loss on loss of control of a subsidiary attributable to the parent	41,827	–
Loss on disposal of property, plant and equipment	65	–
Fair value gains on financial assets at FVPL, net [*]		
– Mandatorily classified as such, including those held for trading	–	(1,011)
	<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.

[^] Included in “Gain relating to leases, net” in the consolidated statement of profit or loss.

^{**} Depreciation of property, plant and equipment of HK\$94,149,000 (2022: HK\$89,345,000) and depreciation of right-of-use assets of HK\$117,088,000 (2022: HK\$116,038,000) are included in “Selling, marketing and other cinema operating expenses” in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank and other borrowings	27,173	8,501
Interest on lease liabilities	58,195	54,445
	<u> </u>	<u> </u>
	<u>85,368</u>	<u>62,946</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 (2022: 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 People's Republic of China Enterprise Income Tax has been made for 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.

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.

9. DIVIDEND

The Board has resolved not to recommend any final dividend in respect of the Year (2022: 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\$329,939,000 (2022: HK\$201,379,000), and the weighted average number of ordinary shares of the Company of approximately 3,213,341,000 (2022: 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 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2023 and 2022.

11. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	25,956	20,854
Impairment	<u>(1,435)</u>	<u>(3,201)</u>
	<u>24,521</u>	<u>17,653</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.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	11,733	12,192
1 to 3 months	3,126	4,120
Over 3 months	<u>9,662</u>	<u>1,341</u>
	<u>24,521</u>	<u>17,653</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	60,857	34,531
Accruals	19,343	24,369
Other payables (<i>note (b)</i>)	55,501	58,260
	<u>135,701</u>	<u>117,160</u>

Notes:

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	34,332	32,102
Over 3 months	26,525	2,429
	<u>60,857</u>	<u>34,531</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.

13. DECONSOLIDATION OF A SUBSIDIARY

Deconsolidation of Emperor UA (Guangdong)

During the Year, Emperor UA (Guangdong) made an application to the relevant court in Mainland China for insolvency liquidation. The court accepted the application and designated an administrator in May 2023. In the opinion of the Directors, upon the designation of the administrator and the administrator's assumption of relevant power over Emperor UA (Guangdong) under the Enterprise Insolvency Law of the People's Republic of China, the Group has lost its control over Emperor UA (Guangdong) as it no longer has power over Emperor UA (Guangdong) in accordance with HKFRS 10 *Consolidated Financial Statements* and, accordingly, has since deconsolidated Emperor UA (Guangdong).

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of 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, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee of the Company ("**Audit Committee**"), which comprises three Independent Non-executive Directors, had reviewed the consolidated financial statements for the Year in conjunction with the Group's auditors, Ernst & Young. Based on this review and discussions with the management of the Company, 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 2023 and the annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") throughout the Year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the 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 of the Company will be dispatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

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

Hong Kong, 28 September 2023

As at the date of this announcement, the Board comprises:

Executive Directors:

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

Independent Non-executive Directors:

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