英皇文化產業集團有限公司

Emperor Culture Group Limited

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

INTERIM REPORT

2018/2019

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Culture Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") principally engage in entertainment, media and cultural development business, particularly in Greater China, which include (i) cinema development and operation; (ii) investment and production of films, TV programmes and other media related projects; (iii) investment in a variety of cultural events including music concerts, live shows and theatrical performance; and (iv) investment in securities.

MARKET REVIEW

Supported by the continued expansion in theatre network, the box office receipts of China, the world's second-largest movie market, recorded another year of growth in 2018. According to the State Film Administration, China's movie box office revenue grew 9% in 2018 to RMB61.0 billion. Data released by Entgroup* (北京藝恩世紀數據科技股份有限公司), a leading research centre of China entertainment industry, revealed that 1,193 new cinemas with 8,476 screens were opened in 2018, bringing its total to 10,504 cinemas and 61,490 screens nationwide by the end of 2018, boasting the world's largest screen count. The rapid growth over the past years underlines the growing popularity of cinemas and lays a solid foundation for the sustained growth of China's film industry.

FINANCIAL REVIEW

Overall Review

During the six months ended 31 December 2018 (the "**Period**"), the Group posted a threefold increase in revenue to HK$73.6 million from HK$21.4 million in the corresponding period of previous year, driven by the growth of film exhibition income from an expanding cinema network. However, due to an impairment loss on goodwill arisen from certain project investment, a loss for the Period attributable to the owners of the Company of HK$77.4 million (2017: HK$67.2 million) was recorded. Basic loss per share was HK$0.02 (2017: HK$0.02).

Use of Proceeds from Equity Fund Raising

During the Period, 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.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

The Group continued to fund its operations and capital expenditure during the Period by cash generated internally from its operations as well as the net proceeds from the Subscription. As at 31 December 2018, the Group's cash and bank balances amounted to HK$240.9 million (30 June 2018: HK$264.1 million) which are mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2018, amounts due to non-controlling interests and related companies amounted to HK$44.9 million and HK$15.4 million (30 June 2018: HK$44.9 million and HK$15.5 million) respectively, which were denominated in Hong Kong dollars and Renminbi, unsecured, interest-free and repayable on demand. Other loan of HK$12.0 million (30 June 2018: Nil) was denominated in Hong Kong dollars, secured by the issued share capital of a non-wholly owned subsidiary, interest bearing and has fixed repayment term. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was 10.8% (30 June 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 less than 10% of its net assets as at 31 December 2018. Hence, the Group's exposure to fluctuations in exchange rates is insignificant.

Profit Guarantee

Pursuant to the terms of the sale and purchase agreement (the "**S&P Agreement**") dated 4 May 2016 entered into by a wholly-owned subsidiary of the Company with Jade Sparkle Holdings Limited and Mr. Wong Chun Loong (now known as "Mr. Huang Tony Jademan Xian Zhen") (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 as the "**Guarantee Period**") would be no less than HK$10.0 million (the "**Guaranteed Sum**").

FINANCIAL REVIEW *(Continued)*

Profit Guarantee *(Continued)*

In case the Profit Guarantee is not fulfilled in any of the Guaranteed Period, the Vendors shall pay 78.64% of the difference between the Guaranteed Sum and the audited consolidated profit after tax of JDMM Group of the relevant Guaranteed Period (the "**Shortfall**") to the Group, and for avoidance of doubt, if JDMM Group sustained a loss for such Guaranteed Period, 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, amounting to HK$7.9 million, being 78.64% of the Guaranteed Sum to the Group. Subsequent to the end of the reporting period, the Group had 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.

BUSINESS REVIEW

Film Exhibition

The Group devotes to expand its film exhibition network in prominent locations through its label "***Emperor Cinemas***". As at 31 December 2018, the Group has five branded "***Emperor Cinemas***" (31 December 2017: one) in operation, offering a total of 54 houses (31 December 2017: 13) with more than 6,200 seats (31 December 2017: 1,980). With an expanded capacity in place, revenue from film exhibition segment increased remarkably to HK$68.2 million (2017: HK$18.3 million) during the Period, representing a growth of 271.8%.

"***Emperor Cinemas***" are strategically located in either large-scale commercial and entertainment complex or upscale residential areas including MixC in Hefei, Chongqing Shin Kong Place in Chongqing, Emperor Group Centre in Beijing, Donghai Garden in Shenzhen as well as New Town Mansion in Tuen Mun, Hong Kong. They 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)*

Film and TV Programme Investment and Production and Others

During the Period, this segment generated a revenue of HK$5.4 million (2017: HK$2.2 million) to the Group which was mainly contributed by release of certain co-invested films and distribution and licensing income arisen from animation business.

As of 31 December 2018, the carrying values of the Group's film and TV programme rights and production in progress were HK$8.6 million and HK$112.7 million (30 June 2018: HK$14.0 million and HK$150.8 million) respectively whilst the carrying amount of the investments in film production was HK$68.5 million (30 June 2018: HK$35.3 million). During the Period, the Group recognised an impairment loss of investments in film production of HK$0.1 million (2017: HK$20.8 million).

The expected income of certain animation projects was affected due to the deferral of release schedule amid market volatilities in mainland China. The management of the Group took a prudent view to forecast the production, distribution and licensing of animated TV episodes and theatrical films business. Accordingly, an impairment loss on goodwill of HK$28.3 million (2017: Nil) was recognised during the Period.

Event Investment and Others

The Group did not generate any revenue from the segment of event investment and others (2017: HK$0.9 million) during the Period. The Group continues to take a prudent approach in the selection of events to be invested.

Investment in Securities

During the Period, the Group did not have any transaction in relation to investment in listed securities (2017: Nil). Based on the stock market price of the securities portfolio held by the Group, a decrease in the fair value of HK$13.0 million (2017: HK$15.8 million) was recognised for the Period. As at 31 December 2018, the carrying amount of the listed securities held by the Group was HK$7.7 million (30 June 2018: HK$20.7 million).

PROSPECTS

China remains the fastest growing film market in the world. Despite recent macro uncertainties, spending on entertainment by Chinese consumers is expected to exhibit solid growth, fueled by rising disposable income and improvement on their quality of life. Taking into account the robust development of China's film market, the Group is positive about the entertainment industry and will continue to expand its film exhibition network in Greater China. Going forward, the Group is forging ahead with a solid expansion pipeline of launching "***Emperor Cinemas***". A number of locations in mainland China, Hong Kong (including Tsim Sha Tsui, Ma On Shan and Tseung Kwan O), Macau and even beyond the borders in Malaysia have been secured. The planned network of openings will be launched subsequently after mid-2019.

To stay on track for long-term growth, the Group will focus on boosting a series of branding and marketing initiatives, strengthening its presence in strategic locations and delivering service excellence. 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.

The Group is optimistic about the long-term sustained growth of China's film and entertainment market. The Group also strives to respond to forthcoming market opportunities with flexibility and decisiveness, and to expand according to a strategy that is both disciplined and forward thinking.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group's number of employees was 295 (30 June 2018: 316). Total staff costs including the remuneration of the Company's directors during the Period were HK$18.3 million (2017: HK$9.2 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. The Company adopted a share option scheme to provide incentive or rewards to staff.

INTERIM DIVIDEND

The Board of Directors of the Company (the "**Board**" or the "**Directors**") has resolved not to declare any interim dividend for the Period (2017: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months 31 December 2018

The Board announces the unaudited condensed consolidated results of the Group for the Period together with the comparative figures for the corresponding period in 2017 as set out below:

		Six months ended 31 December	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	3	**73,580**	21,382
Cost of sales		**(34,399)**	(11,238)
Gross profit		**39,181**	10,144
Other revenue		**2,629**	2,954
Selling and distribution expenses		**(58,475)**	(23,082)
Administrative expenses		**(22,325)**	(18,719)
Other operating expenses	5	**(28,393)**	(25,568)
Change in fair value of financial assets at fair value through profit or loss		**(13,045)**	(15,766)
Loss from operations	5	**(80,428)**	(70,037)
Finance cost	6	**(874)**	—
Loss before taxation	4	**(81,302)**	(70,037)
Taxation credit	7	**—**	91
Loss for the period		**(81,302)**	(69,946)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months 31 December 2018

	Note	Six months ended 31 December **2018** **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
Other comprehensive (loss)/ income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,048)**	7,450
Other comprehensive (loss)/ income for the period, net of tax		**(8,048)**	7,450
Total comprehensive loss for the period		**(89,350)**	(62,496)
Loss for the period attributable to:			
Owners of the Company		**(77,399)**	(67,170)
Non-controlling interests		**(3,903)**	(2,776)
		(81,302)	(69,946)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(84,404)**	(61,040)
Non-controlling interests		**(4,946)**	(1,456)
		(89,350)	(62,496)
Loss per share attributable to owners of the Company:	9		
— Basic and diluted		**HK$(0.02)**	HK$(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	As at 31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**214,039**	236,902
Goodwill		**39,987**	68,260
Intangible assets		**31,164**	27,661
		285,190	332,823
Current assets			
Inventories		**818**	894
Film and TV programme rights		**8,598**	14,031
Film and TV programme production in progress		**112,676**	150,797
Investments in film production		**68,486**	35,302
Trade receivables	11	**12,654**	12,227
Other receivables, deposits and prepayments		**70,895**	64,432
Contingent consideration receivable		**7,864**	7,210
Financial assets at fair value through profit or loss		**7,705**	20,750
Cash and bank balances		**240,858**	264,142
		530,554	569,785

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	As at 31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Current liabilities			
Trade and other payables	13	**74,682**	101,045
Contract liabilities		**17,051**	—
Amounts due to related companies		**15,351**	15,553
Amounts due to non-controlling interests		**44,870**	44,870
Other loan		**994**	—
		152,948	161,468
Net current assets		**377,606**	408,317
Total assets less current liabilities		**662,796**	741,140
Non-current liability			
Other loan		**11,006**	—
Net assets		**651,790**	741,140
Capital and reserves attributable to owners of the Company			
Share capital		**32,133**	32,133
Reserves		**636,169**	720,573
		668,302	752,706
Non-controlling interests		**(16,512)**	(11,566)
Total equity		**651,790**	741,140

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017 (Audited)	32,133	912,843	50	58,658	(2,138)	(97,367)	904,179	(23,285)	880,894
Loss for the period	—	—	—	—	—	(67,170)	(67,170)	(2,776)	(69,946)
Other comprehensive income for the period	—	—	—	—	6,130	—	6,130	1,320	7,450
Total comprehensive (loss)/ income for the period	—	—	—	—	6,130	(67,170)	(61,040)	(1,456)	(62,496)
At 31 December 2017 (Unaudited)	32,133	912,843	50	58,658	3,992	(164,537)	843,139	(24,741)	818,398
At 1 July 2018 (Audited)	**32,133**	**912,843**	**50**	**58,658**	**186**	**(251,164)**	**752,706**	**(11,566)**	**741,140**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(77,399)**	**(77,399)**	**(3,903)**	**(81,302)**
Other comprehensive loss for the period	**—**	**—**	**—**	**—**	**(7,005)**	**—**	**(7,005)**	**(1,043)**	**(8,048)**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(7,005)**	**(77,399)**	**(84,404)**	**(4,946)**	**(89,350)**
At 31 December 2018 (Unaudited)	**32,133**	**912,843**	**50**	**58,658**	**(6,819)**	**(328,563)**	**668,302**	**(16,512)**	**651,790**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in)/from operating activities	**(26,862)**	11,435
Net cash used in investing activities	**(4,724)**	(76,936)
Net cash from financing activities	**11,798**	44,965
Net decrease in cash and cash equivalents	**(19,788)**	(20,536)
Effect of foreign exchange rate changes	**(3,496)**	3,190
Cash and cash equivalents at the beginning of the reporting period	**264,142**	452,616
Cash and cash equivalents at the end of the reporting period, representing bank balances and cash	**240,858**	435,270

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements (the "**Interim Financial Statements**") have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2018.

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

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial assets, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, the accounting policies and methods of computation used in the Interim Financial Statements for the Period are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs

In the Period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2018 for the preparation of the Interim Financial Statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15, Revenue from Contracts with Customers
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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

During the Period, the Group has applied HKFRS 15. 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
- film and TV programme investment and production and others
- event investment and others
- investment in securities

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

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 Revenue and HKAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations including obligation to provide good or services to customers on complementary basis, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent (Continued)

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Directors considered that the Group acts as principal for goods sold or services provided to its customers, as the Group controls the specified good to be sold or service to be provided by the Group before good or service transferred to a customer.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The Directors reviewed and assessed the effect of application of HKFRS 15 in the current and prior periods and considered that there is no material impact on the timing and amounts of revenue recognised for both periods.

The following table illustrates the reclassification of receipt in advance to contract liabilities under HKFRS 15 at the date of initial application, 1 July 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 *(Continued)*

	Receipt in advance (Unaudited) HK$'000	Contract liabilities (Unaudited) HK$'000
Closing balance at 30 June 2018	10,934	—
Reclassification	**(10,934)**	**10,934**
Opening balance at 1 July 2018	**—**	**10,934**

The following table summaries the impact of applying HKFRS 15 on the Group's unaudited condensed consolidated statements of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not included.

	As reported (Unaudited) HK$'000	Adjustments (Unaudited) HK$'000	Amounts without application of HKFRS 15 (Unaudited) HK$'000
Current liabilities			
Receipt in advance	**—**	**17,051**	**17,051**
Contract liabilities	**17,051**	**(17,051)**	**—**

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the Period, 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) 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.

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "change in fair value of financial assets at FVTPL" line item.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

The Directors reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded there was no significant effect on classification and measurement on the Group's financial assets.

Impairment of ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including investments in film production, trade receivables, other receivables, deposits paid, financial assets at FVTPL, bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment of ECL model (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors.

For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment of ECL model (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment of ECL model (Continued)

Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment of ECL model (Continued)

Measurement and recognition of ECL (Continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

2.2.2 Summary of effects arising from initial application of HKFRS 9

As at 1 July 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. According to the results of the assessment, no significant impairment allowance was recognised as at 1 July 2018 and further assessment process is set out in note 12.

Except as described above, the application of other new and amendments to HKFRSs in the Period has had no material effect on the amounts reported in the Interim Financial Statements and/or disclosures set out in the Interim Financial Statements.

The Group has not early applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. REVENUE

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

	Six months ended 31 December 2018 (Unaudited) HK$'000
Recognised at a point in time:	
Income from cinema operation	68,171
Income from investment in securities	—
	68,171
Recognised over time:	
Income from film and TV programme investment and production and others	5,409
Income from event investment and others	—
	5,409
Revenue from contracts with customers	73,580

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 maker ("**CODM**"), focus on types of goods or services delivered or provided.

4. SEGMENT INFORMATION *(Continued)*

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

— Cinema operation
— Film and TV programme investment and production and others (including production, distribution and licensing of animated TV episodes and theatrical films)
— Event investment and others
— Investment in securities

Information regarding the above segments is reported as below:

Segment revenue and results
For the six months ended 31 December 2018

	Cinema operation (Unaudited) HK$'000	Film and TV programme investment and production and others (Unaudited) HK$'000	Event investment and others (Unaudited) HK$'000	Investment in securities (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Segment revenue	68,171	5,409	—	—	73,580
Segment results	(33,680)	(32,643)	—	—	(66,323)
Interest income					1,472
Gain on fair value change in respect of contingent consideration receivable					654
Unallocated corporate expenses					(3,186)
Change in fair value of financial assets at FVTPL					(13,045)
Finance cost					(874)
Loss before taxation					(81,302)

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 31 December 2017

	Cinema operation (Unaudited) HK$'000	Film and TV programme investment and production and others (Unaudited) HK$'000	Event investment and others (Unaudited) HK$'000	Investment in securities (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Segment revenue	18,335	2,185	862	—	21,382
Segment results	(25,207)	(22,954)	862	—	(47,299)
Interest income					968
Loss on fair value change in respect of contingent consideration receivable					(4,775)
Unallocated corporate expenses					(3,165)
Change in fair value of financial assets at FVTPL					(15,766)
Loss before taxation					(70,037)

Segment revenue reported above represents revenue generated from external customers. There is no inter-segment revenue for the Period (2017: Nil).

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

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

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

5. LOSS FROM OPERATIONS

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss from operations has been arrived at after charging/(crediting):		
Amortisation of film and TV programme rights (included in cost of sales)	**4,696**	2,275
Amortisation of intangible assets (included in administrative expenses)	**1,008**	1,008
Cost of investments in film production (included in cost of sales)	**1,494**	589
Depreciation of property, plant and equipment	**17,303**	4,628
Impairment loss recognised in respect of:		
— goodwill*	**28,273**	—
— investments film production*	**120**	20,793
Loss on disposal of property, plant and equipment	**—**	35
Loss on fair value change in respect of contingent consideration receivable*	**—**	4,775
Bank interest income	**(1,472)**	(968)
Gain on fair value change in respect of contingent consideration receivable (included in other revenue)	**(654)**	—

5. LOSS FROM OPERATIONS *(Continued)*

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

6. FINANCE COST

The amount represents interest expenses arising from other loan for the Period (2017: Nil).

7. TAXATION CREDIT

The amount represented the deferred tax liability in relation to the fair value adjustment arising from acquisition of subsidiaries being credited to profit or loss during the six months ended 31 December 2017 (2018: Nil).

No provision for Hong Kong Profits Tax and Enterprise Income Tax of the People's Republic of China (the "**PRC**") has been made as the Group has no assessable profits arising in Hong Kong and the PRC for both periods.

8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2017: Nil)

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(77,399)**	(67,170)

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

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share	**3,213,341**	3,213,341

During the Period and the six months ended 31 December 2017, diluted loss per share was the same as the basic loss per share since there was no dilutive potential ordinary share for both periods.

10. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired certain items of property, plant and equipment with a cost of HK$1,640,000 (2017: HK$77,904,000) for establishment and renovation of cinemas in mainland China and Hong Kong and back office purposes. During the six months ended 31 December 2017, certain items of property, plant and equipment with carrying amount of HK$35,000 (2018: Nil) were disposed of, which resulted in a loss on disposal of HK$35,000 (2018: Nil) for that period.

11. TRADE RECEIVABLES

	As at	
	31 December	30 June
	2018	2018
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables, net	**12,654**	12,227

11. TRADE RECEIVABLES *(Continued)*

The Group allows an average credit periods of 30 to 180 days (2017: 30 to 180 days) to its customers. The ageing analysis of the trade receivables of the Group based on the date of credit granted or the invoice date at the end of the reporting period is follows:

	As at **31 December 2018 (Unaudited) HK$'000**	30 June 2018 (Audited) HK$'000
0 – 90 days	**12,280**	12,302
91 – 180 days	**382**	—
Over 180 days	**1,700**	1,700
	14,362	14,002
Less: Impairment loss recognised in respect of trade receivables	**(1,708)**	(1,775)
	12,654	12,227

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group performs impairment assessment under ECL model upon application of HKFRS 9. The Group assessed the ECL for trade receivables individually as at 1 July 2018 and 31 December 2018. Impairment allowance was insignificant and thus negligible to be provided by the Group for the trade receivables assessed individually due to the low probability of default of those customers based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to the economic outlook of mainland China and Hong Kong and subsequent settlement of these customers, and concluded that the credit risk inherent in the Group's outstanding trade receivable is insignificant.

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(Continued)*

During the Period, the movement in impairment loss in respect of trade receivables was as follows:

	(Unaudited) HK$'000
At 1 July 2018	(1,775)
Exchange realignment	67
At 31 December 2018	(1,708)

For the rest of other receivables, deposits paid, financial assets at FVTPL, bank deposits and bank balances, allowance for impairment was insignificant and thus negligible to be made since the management of the Group considers the probability of default is negligible after assessing counterparties' financial background and creditability or the counterparties are banks with high credit ratings assigned by international credit-rating agencies, and have low credit risk.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Trade payables	9,116	5,684
Accruals	23,158	21,346
Receipt in advance	—	10,934
Other payables (note)	42,408	63,081
	74,682	101,045

Note:

Other payables mainly include consideration payables to independent third parties for enhancement and expansion of cinemas.

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	As at 31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
0 – 90 days	**9,110**	5,864
Over 90 days	**6**	—
	9,116	5,864

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

	Fair value as at			
	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets at FVTPL:				
Contingent consideration receivable	**7,864**	7,210	Level 3	Income approach was used to capture the expected future economic benefits that will flow into the Group arising from the contingent consideration.
Equity securities listed in Hong Kong	**7,705**	20,750	Level 1	Quoted bid prices in an active market.

The fair value of the financial assets traded in active market is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These financial assets are included in Level 1.

The fair value of contingent consideration receivable in relation to the acquisition of JDMM Group are measured at fair value under the income approach and are taken into consideration of whether the Profit Guarantee given by the Vendors is probable to be fulfilled.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Pursuant to the S&P Agreement, the Vendors had given a Profit Guarantee to the Group that the audited consolidated profit after tax of JDMM Group for the three financial years ended 31 December 2016, 2017 and 2018 would be no less than HK$10,000,000 for each of the Guaranteed Period. In case the Profit Guarantee was not fulfilled in any of the Guaranteed Period, the Vendors would pay the Shortfall, being 78.64% of the difference between the Guaranteed Sum and the audited consolidated profit after tax of JDMM Group, to the Group. During the two years ended 31 December 2016 and 2017, the audited consolidated profit after tax of JDMM Group did not satisfy the Profit Guarantee. Hence, the Vendors had paid the Shortfall to the Group in accordance with the terms and condition as stated in the S&P Agreement.

In respect of the final settlement of the Profit Guarantee as at 31 December 2018, the Group made reference to the management accounts of JDMM Group and considered that JDMM Group was unable to meet the Profit Guarantee for its financial year ended 31 December 2018. The Group expected the Vendors would pay the Shortfall to the Group in accordance with terms and conditions as stated in the S&P Agreement. However, the audited consolidated financial statements of JDMM Group for its financial year ended 31 December 2018 was not available at the reporting date. The Directors used their best estimates to determine the Shortfall with reference to the management accounts of JDMM Group and considered an amount of HK$7,864,000 would be received under the profit guarantee obligation, which approximates the fair value of contingent consideration receivable as at 31 December 2018.

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

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

	As at 31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
At the beginning of the reporting period	**7,210**	8,483
Gain/(loss) on fair value change for the period/year	**654**	(1,273)
At the end of the reporting period	**7,864**	7,210

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Period.

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

The Directors consider that the carrying amounts of all other financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their corresponding fair values.

15. CAPITAL COMMITMENTS

	As at	
	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Contracted for but not provided in the Interim Financial Statements, net of amounts paid, in respect of property, plant and equipment	**14,046**	2,049

16. PLEDGE OF ASSET

As at 31 December 2018, the Group had pledged the issued share capital of a non-wholly owned subsidiary held by the Group to an independent financial institution in obtaining a loan facility of HK$12,000,000. This loan facility had been utilised at the end of the reporting period.

17. RELATED PARTY TRANSACTIONS

(a) During the Period, the Group had the following significant transactions with related parties:

	Six months ended 31 December	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Event investment cost to a related company	**—**	1,989
Professional service fees to related companies	**340**	240
Reimbursement of administrative expenses to a related company	**2,686**	3,665
Rental expenses to related companies	**7,247**	4,680
Sales of merchandising goods to related parties	**708**	—

17. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

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

(b) The key management personnel of the Company are the Directors and the total remunerations paid to them during the Period are set out below:

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees	**802**	634

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

	As at	
	31 December	30 June
	2018	2018
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Amounts due to related companies	**15,351**	15,553
Amounts due to non-controlling interests	**44,870**	44,870

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

As at 31 December 2018, the following Directors and chief executives of the Company had or were deemed or taken to have interests and short positions in the following shares, underlying shares and debentures of the Company or its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**"):

LONG POSITIONS INTERESTS IN THE COMPANY

Ordinary shares of HK$0.01 each of the Company (the "Shares")

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

Note:

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

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2018, so far as is known to any Directors or chief executives of the Company, the persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("**DI Register**") or as otherwise notified to the Company were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

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

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

Notes:

1. These Shares were the same shares of which Mr. Yeung Ching Loong, Alexander had deemed interests as set out under the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

2. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon also had deemed interests in the same Shares held by Dr. Albert Yeung.

3. These Shares were the same shares held by Golden Skill Limited.

All interests stated above represent long position. As at 31 December 2018, no short positions were recorded in the DI Register.

Save as disclosed above, as at 31 December 2018, the Directors or chief executives of the Company were not aware of any other persons or corporations (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in Shares or underlying Shares as recorded in the DI Register or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTIONS

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company had complied throughout the Period with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted during the Period.

REVIEW OF INTERIM REPORT

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

CHANGE OF INFORMATION OF DIRECTORS

Save as the change of Independent Non-executive Directors and members of Board Committee as disclosed in the announcement of the Company dated 13 November 2018, the Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Annual Report 2017/2018.

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

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

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

Hong Kong, 26 February 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

This Interim Report (in both English and Chinese versions) is available to any shareholder of the Company either in printed form or on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.empculture.com). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, by post at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-ecom@hk.tricorglobal.com.