

Emperor Culture Group Limited (“Company”) and its subsidiaries (collectively referred to as “Group”) principally engages in entertainment, media and cultural development businesses, which mainly include the operation of cinemas under *Emperor Cinemas Group*.

MARKET REVIEW

In Mainland China, pandemic containment measures were lifted in early 2023, plus several Chinese-made blockbusters launched, and a substantial revival in consumer spending was seen from the second quarter of 2023 onwards. Against this backdrop, annual box office sales in Mainland China increased by 34.7% to RMB52.6 billion during the year ended 30 June 2024 (“Year”), as compared with the previous year. On the other hand, annual box office sales in Hong Kong decreased slightly, mainly due to the lack of overseas blockbusters showing in Hong Kong.

RESULTS

As a result of the recovery of the film industry in Mainland China as well as the increase in the total number of its cinemas, the Group’s revenue increased by 8.4% to HK\$494.5 million (2023: HK\$456.2 million) during the Year, which mainly included the revenue from box office takings amounting to HK\$401.9 million (2023: HK\$389.1 million), accounting for 81.3% (2023: 85.3%) of the cinema operation revenue. In terms of revenue by geographical segment, revenue from the Mainland China market increased by 55.0% to HK\$207.7 million (2023: HK\$134.0 million) and accounted for 42.0% (2023: 29.4%) of the cinema operation revenue, while revenue from the Hong Kong market was HK\$264.3 million (2023: HK\$295.8 million) and accounted for 53.4% (2023: 64.8%) of the cinema operation revenue. During the Year, the Group recorded a net loss of HK\$715.1 million (2023: HK\$317.0 million), which was mainly attributable to the recognition of the impairment allowances on the right-of-use assets and property, plant and equipment. Basic loss per share was HK\$0.22 (2023: HK\$0.10).

BUSINESS REVIEW

During the Year, two *Emperor Cinemas* were newly opened, in Chongqing and Chengdu, in Mainland China, and two *Emperor Cinemas Plus+* were newly opened, in The Wai, Tai Wai and THE SOUTHSIDE, Wong Chuk Hang, in Hong Kong. As at 30 June 2024, the Group had a total of 25 cinemas in Mainland China, Hong Kong and Macau under the *Emperor Cinemas* and *Emperor Cinemas Plus+*, as well as *MCL Cinemas Plus+* brands, offering a total of 187 houses with over 27,000 seats.

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

The film exhibition industry has been undergoing market consolidation since the onset of the pandemic. Although business operating environments had improved in 2023 due to the removal of pandemic containment measures, the recent macroeconomic headwinds such as sustained inflation and high unemployment rate, have been affecting consumption sentiment, and the growth momentum of the film exhibition industry in Hong Kong and Mainland China has moderated subsequent to the Year.

That said, cinemas are located in most of the new and large shopping malls, which are regarded as integrated modern lifestyle hubs nowadays, providing shoppers a one-stop affordable entertainment experience. According to the “Global Entertainment and Media Industry Outlook 2023-2027” report released by PwC in 2023, China and the United States are the world’s two largest film markets, with China’s share of film market revenues projected to continue expanding to account for 27.0% of global revenues in 2027, and projected to overtake the United States during 2024-2025 to become the world’s largest market. As disposable income and living standards in Mainland China continue growing, the Group is confident there will be room for further development of the film industry in the long run.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 30 June 2024, the Group’s cash and cash equivalents amounted to HK\$84.6 million (2023: HK\$82.0 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 2024, the Group had total borrowings of HK\$977.0 million (2023: HK\$685.9 million), which comprised a loan from a related party of HK\$889.7 million (2023: HK\$595.6 million), bank loan of HK\$17.0 million (2023: HK\$20.0 million) and

amount due to non-controlling interest of HK\$70.3 million (2023: HK\$70.3 million), respectively. Except for the amount due to non-controlling interest, which was unsecured and interest-free, all these borrowings were unsecured, interest-bearing and have fixed repayment terms.

Having considered the business performance of 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 and Macau Pataca. 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.