

**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**

With a number of challenges including competition from streaming platforms, lack of blockbusters, high rental costs, and changes in audience consumption habits, the cinema industry in Hong Kong has been undergoing a consolidation – during the year ended 30 June 2025 (“Year”), more than 10 cinemas in the Hong Kong market closed down. According to statistics published by Hong Kong Box Office Limited, box office takings in Hong Kong during the year decreased by 5.1% year-on-year to HK\$1.2 billion. In view of the industry slump, the Hong Kong government launched promotional activities including the Cinema Day and 1st October Movie Fiesta, as well as some film production support schemes, to support the industry. In the meantime, the entertainment preferences of audiences in the Mainland China market have been changing as a result of the rise of short reels, short dramas, etc. Movie lovers may opt to only go to cinemas for blockbusters, which tend to be concentrated during long holidays only such as Chinese New Year, summer and Golden Week. During the Year, the Chinese film market slowed down, with Mainland China box office revenue dropping by 8.8% year-on-year to RMB48.0 billion.

## **RESULTS**

During the Year, global headwinds continued impacting the macro economy, resulting in a challenging business environment for the Group. Although affected by weak consumption sentiment and the lack of blockbusters, the Group’s total revenue recorded only a mild decrease to HK\$480.6 million (2024: HK\$494.5 million) during the Year, which included revenue from box office takings of HK\$389.2 million (2024: HK\$401.9 million), accounting for 81.0% (2024: 81.3%) of the total revenue, and other income of HK\$91.4 million (2024: HK\$92.7 million), accounting for 19.0% (2024: 18.7%) of the total revenue. The Group’s box office takings from the Mainland China and Hong Kong markets during the Year recorded mild declines of 0.5% and 4.7% respectively, while the overall box office takings of the two markets during the same period dropped by 8.8% and 5.1% respectively, reflecting the Group’s outperformance of its box office takings against the market.

Attributable mainly to the significant decrease in impairment allowances to HK\$29.8 million (2024: HK\$430.5 million) as well as effective cost control measures implemented by the Group, the Group recorded earnings before interest, tax, depreciation and amortization of HK\$54.6 million during the Year (2024: loss before interest, tax, depreciation and amortisation of HK\$416.2 million), and its net loss significantly narrowed to HK\$141.6 million (2024: HK\$715.1 million). Basic loss per share was HK\$0.04 (2024: HK\$0.22).

## **BUSINESS REVIEW**

During the Year, one *Emperor Cinemas* was newly opened in Sanlitun, Beijing, China. As at 30 June 2025, the Group had a total of 24 cinemas in Mainland China, Hong Kong and Macau under the *Emperor Cinemas* and *Emperor Cinemas Plus+* brands, offering a total of 172 houses with approximately 25,000 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. Recently, the Group's *Emperor Cinemas* located at iSquare, Tsim Sha Tsui, Hong Kong received the "2024-2025 IMAX Excellence Awards – Best Performing IMAX Theatre", which was a testament to the Group's dedication to provide exceptional cinemas facilities and excellent services to its customers.

## **PROSPECTS**

A significant number of cinemas have closed down amid the ongoing market consolidation, while the Group's cinema network remains resilient and solid, enabling the Group to expand its market share. Supported by the Hong Kong government's measures for enhancing both quality and quantity of Hong Kong films as well as funding projects and activities that cultivate the public's cinema-going habit, the Group will strive to capture market opportunities when the industry revives. In the meantime, an increasing number of high-quality cinemas are being opened in new shopping malls in Mainland China. Many of them feature advanced audio-visual systems and spacious and comfortable seating, and offer a wide variety of food and beverages – providing audiences with especially enjoyable cinema experiences, which should help boost the numbers of cinema patrons, in turn benefitting the Group's business in Mainland China.

Recently, more collaboration between producers in Hong Kong and Mainland China are evident. It is envisaged that more Chinese blockbusters will be produced, and the Group has a positive view regarding the long-term development of the film and cinema industries. Leveraging its “*Emperor*” brand established over the past decades, the Group will continue strengthening its core competencies in order to seize the opportunities amid the consolidation of the cinema industry, driving towards its goal of becoming the local market leader and delivering sustainable returns to its shareholders.

## **FINANCIAL INFORMATION**

### **Liquidity and Financial Resources**

As at 30 June 2025, the Group’s cash and cash equivalents amounted to HK\$49.8 million (2024: HK\$84.6 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 2025, the Group had total borrowings of HK\$1,066.0 million (2024: HK\$977.0 million), which comprised a loan from a related party of HK\$995.7 million (2024: HK\$889.7 million), amount due to non-controlling interests of HK\$70.3 million (2024: HK\$70.3 million) and zero balance of bank loan (2024: HK\$17.0 million). Except for the amount due to non-controlling interests, which was unsecured and interest-free, all these borrowings were unsecured, interest-bearing and had fixed repayment terms.

Having considered the business performance of the Group and the available loan facilities granted by the related party, 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 dollar, 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.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2025, the number of the Group's employees was 585 (2024: 776). Total staff costs including the Directors' remuneration and other staff costs for the Year were HK\$101.9 million (2024: HK\$127.3 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.