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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Final Results for the Year Ended 31 July 2021

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of eSun Holdings Limited (“**Company**”) announces the consolidated results of the Company and its subsidiaries (“**Group**”) for the year ended 31 July 2021 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CONTINUING OPERATIONS			
TURNOVER	4	835,303	929,156
Cost of sales		(651,209)	(627,262)
Gross profit		184,094	301,894
Other revenue		133,511	94,987
Selling and marketing expenses		(24,525)	(31,686)
Administrative expenses		(282,837)	(328,689)
Other operating expenses, net		(349,521)	(877,234)
LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		(339,278)	(840,728)
Finance costs	5	(60,987)	(79,984)
Share of profits and losses of joint ventures		420	(2,237)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(399,845)	(922,949)
Tax	7	(8,398)	(79,262)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(408,243)	(1,002,211)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	8	–	(8,150,401)
LOSS FOR THE YEAR		(408,243)	(9,152,612)
Attributable to:			
Owners of the Company		(351,126)	(8,585,404)
Non-controlling interests		(57,117)	(567,208)
		(408,243)	(9,152,612)

CONSOLIDATED INCOME STATEMENT *(continued)*
Year ended 31 July 2021

	<i>Notes</i>	2021	2020
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic			
For loss for the year		<u>(HK\$0.235)</u>	<u>(HK\$5.755)</u>
For loss for the year from continuing operations		<u>(HK\$0.235)</u>	<u>(HK\$0.621)</u>
Diluted			
For loss for the year		<u>(HK\$0.235)</u>	<u>(HK\$5.755)</u>
For loss for the year from continuing operations		<u>(HK\$0.235)</u>	<u>(HK\$0.621)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 July 2021*

	2021 HK\$'000	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(408,243)</u>	<u>(9,152,612)</u>
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
<i>Items that may be subsequently reclassified to the income statement:</i>		
Exchange realignment on translation of foreign operations	(9,789)	(764,209)
Share of other comprehensive income/(loss) of joint ventures	235	(41)
Share of other comprehensive loss of associates	–	(13)
Release of exchange reserve upon deregistration and disposal of subsidiaries	<u>(265)</u>	<u>1,150,216</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(9,819)</u>	<u>385,953</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(418,062)</u></u>	<u><u>(8,766,659)</u></u>
Attributable to:		
Owners of the Company	(357,790)	(7,832,163)
Non-controlling interests	<u>(60,272)</u>	<u>(934,496)</u>
	<u><u>(418,062)</u></u>	<u><u>(8,766,659)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		266,715	257,425
Right-of-use assets		883,505	786,397
Film rights		15,109	7,055
Film and TV program products		54,838	65,121
Music catalogs		3,124	8,584
Goodwill		10,000	10,000
Investments in joint ventures		20,461	15,979
Financial assets at fair value through profit or loss		35,308	37,793
Deposits, prepayments, other receivables and other assets		119,037	98,663
Deferred tax assets		516	2,121
		1,408,613	1,289,138
CURRENT ASSETS			
Films and TV programs under production and film investments		235,844	313,384
Inventories		5,203	14,280
Debtors	10	106,919	94,682
Financial assets at fair value through profit or loss		145,113	153,083
Deposits, prepayments, other receivables and other assets		174,493	177,922
Prepaid tax		–	77
Pledged and restricted time deposits		164,120	205,120
Cash and cash equivalents		1,476,796	1,613,979
		2,308,488	2,572,527
Assets classified as held for sale		–	8,057
		2,308,488	2,580,584
CURRENT LIABILITIES			
Creditors and accruals	11	405,960	351,919
Deposits received and contract liabilities	12	205,067	261,044
Interest-bearing bank loans		107,950	107,910
Lease liabilities		217,110	192,576
Tax payable		121,129	112,845
		1,057,216	1,026,294
NET CURRENT ASSETS		1,251,272	1,554,290
TOTAL ASSETS LESS CURRENT LIABILITIES		2,659,885	2,843,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 July 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,659,885	2,843,428
NON-CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	8,019	–
Interest-bearing bank loans		53,831	71,696
Lease liabilities		1,050,823	985,821
Other borrowings		221,217	215,577
Deferred tax liabilities		2,629	101
Total non-current liabilities		1,336,519	1,273,195
Net assets		1,323,366	1,570,233
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		517,453	851,506
Non-controlling interests		1,263,380	1,597,433
		59,986	(27,200)
Total equity		1,323,366	1,570,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 July 2021

1. BASIS OF PREPARATION

The financial information has 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, 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 current assets classified as held for sale were stated at the lower of their carrying amount and fair value less costs to sell. The financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The Group has early adopted the amendment to HKFRS 16 in the current year’s financial statements. Except for the amendment to HKFRS 16, the adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs has had no significant financial effect on the financial performance or financial position of the Group.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early adopted the amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with earlier application permitted. During the year ended 31 July 2021, certain lease payments for the leases of the Group’s cinema related properties have been waived by the lessors as a result of the COVID-19 pandemic. The Group has early adopted the amendment on 1 August 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 July 2021. Accordingly, a reduction in lease payments arising from the rent concessions of HK\$75,668,000 has been accounted for as other revenue and credited to the consolidated income statement for the year ended 31 July 2021.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Continuing operations										
Segment revenue:										
Sales to external customers	321,126	326,604	298,892	370,215	213,003	229,274	2,282	3,063	835,303	929,156
Intersegment sales	4	128	8,597	6,231	478	516	1,869	1,949	10,948	8,824
Other revenue	4,584	2,563	4,308	3,935	107,253	76,942	7,983	5,091	124,128	88,531
Total	<u>325,714</u>	<u>329,295</u>	<u>311,797</u>	<u>380,381</u>	<u>320,734</u>	<u>306,732</u>	<u>12,134</u>	<u>10,103</u>	<u>970,379</u>	<u>1,026,511</u>
Elimination of intersegment sales									(10,948)	(8,824)
Total revenue									<u>959,431</u>	<u>1,017,687</u>
Segment results	<u>(17,400)</u>	<u>(5,770)</u>	<u>(94,894)</u>	<u>(80,068)</u>	<u>(151,033)</u>	<u>(534,984)</u>	<u>(107,657)</u>	<u>(153,922)</u>	<u>(370,984)</u>	<u>(774,744)</u>
Unallocated interest income									9,383	6,456
Gain on disposal of an asset classified as held for sale	-	-	-	-	-	-	22,323	-	22,323	-
Impairment of goodwill	-	-	-	-	-	(72,440)	-	-	-	(72,440)
Loss from operating activities from continuing operations									(339,278)	(840,728)
Finance costs									(60,987)	(79,984)
Share of profits and losses of joint ventures	1,309	(155)	(889)	243	-	-	-	(2,325)	420	(2,237)
Loss before tax from continuing operations									(399,845)	(922,949)
Tax									(8,398)	(79,262)
Loss for the year from continuing operations									<u>(408,243)</u>	<u>(1,002,211)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	356,758	337,944	588,886	763,534	1,337,956	1,168,707	1,232,103	1,382,427	3,515,703	3,652,612
Investments in joint ventures	15,018	11,599	1,057	1,947	–	–	4,386	2,433	20,461	15,979
Unallocated assets									180,937	193,074
Assets classified as held for sale									–	8,057
Total assets									<u>3,717,101</u>	<u>3,869,722</u>
Segment liabilities	134,911	119,289	367,812	382,044	1,340,446	1,234,088	43,810	55,939	1,886,979	1,791,360
Unallocated liabilities									506,756	508,129
Total liabilities									<u>2,393,735</u>	<u>2,299,489</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations										
Depreciation of property, plant and equipment	1,081	1,340	155	508	51,684	56,259	592	1,210	53,512	59,317
Depreciation of right-of-use assets	1,795	4,656	2,693	6,501	133,676	157,844	3,273	6,743	141,437	175,744
Impairment of property, plant and equipment	493	638	125	273	8,149	94,832	644	1,507	9,411	97,250
Impairment of right-of-use assets	4,255	2,954	865	5,292	25,945	294,703	1,702	6,331	32,767	309,280
Impairment of films and TV programs under production	-	-	2,553	12,439	-	-	-	-	2,553	12,439
Amortisation of film rights	-	-	6,595	29,689	-	-	-	-	6,595	29,689
Amortisation of film and TV program products	-	-	176,388	128,011	-	-	-	-	176,388	128,011
Amortisation of music catalogs	5,460	7,045	-	-	-	-	-	-	5,460	7,045
Write-back of impairment of film rights	-	-	(12,803)	(12,000)	-	-	-	-	(12,803)	(12,000)
Impairment of advances and other receivables	19,788	5,233	3,188	16,065	-	-	-	775	22,976	22,073
Impairment of debtors	7,209	7,416	2,683	128	-	-	-	-	9,892	7,544
Impairment/(write-back of impairment) of amounts due from joint ventures	1,273	703	(1,183)	765	-	-	-	-	90	1,468
Impairment of inventories	821	59	777	2,466	4	20	-	-	1,602	2,545
Additions of property, plant and equipment	606	491	142	142	68,545	59,723	1,405	359	70,698	60,715
Additions of film rights	-	-	1,846	136	-	-	-	-	1,846	136
Additions of film and TV program products	-	-	2,661	1,655	-	-	-	-	2,661	1,655
Additions of films and TV programs under production and film investments	-	-	224,588	155,297	-	-	-	-	224,588	155,297
Additions of right-of-use assets	3,879	1,656	1,395	2,563	261,885	123,180	1,181	10,297	268,340	137,696

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue:								
Sales to external customers from continuing operations	<u>484,748</u>	<u>479,224</u>	<u>299,469</u>	<u>402,731</u>	<u>51,086</u>	<u>47,201</u>	<u>835,303</u>	<u>929,156</u>
Assets:								
Segment assets:								
– non-current assets	1,323,674	1,210,533	48,853	38,039	262	652	1,372,789	1,249,224
– current assets	1,848,150	1,884,411	305,173	524,559	10,052	10,397	2,163,375	2,419,367
Unallocated assets							180,937	193,074
Assets classified as held for sale							–	8,057
Total assets							<u>3,717,101</u>	<u>3,869,722</u>

Information about major customers:

Revenue from one (2020: one) customer which accounted for revenue exceeding 10% of the Group's total revenue from continuing operations amounted to approximately HK\$147,881,000 for the year ended 31 July 2021 (2020: HK\$116,690,000).

4. TURNOVER

An analysis of the Group's turnover from continuing operations is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Turnover from contracts with customers		
Entertainment event income	72,429	68,922
Distribution commission income, licence income from and sales of film and TV program products and film rights	297,562	368,548
Album sales, licence income and distribution commission income from music publishing and licensing	79,171	89,197
Box-office takings, concessionary income and related income from cinemas	213,003	229,274
Artiste management fee income	11,929	11,965
Advertising income	1,330	1,667
Sale of game products	157,597	156,520
Sale of merchandising products	2,282	3,063
	<u>835,303</u>	<u>929,156</u>
Timing of revenue recognition		
At a point in time	777,939	858,556
Over time	57,364	70,600
	<u>835,303</u>	<u>929,156</u>
Total turnover from contracts with customers	<u>835,303</u>	<u>929,156</u>

5. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Lease liabilities	50,572	50,978
Bank loans	3,091	4,538
Other borrowings	5,640	5,689
Loans from a fellow subsidiary	–	17,305
Amortisation of transaction fee for bank loans	175	187
Other finance costs	1,509	1,287
	<u>60,987</u>	<u>79,984</u>
Total finance costs	<u>60,987</u>	<u>79,984</u>

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of film rights, licence rights and film and TV program products	346,297	324,814
Cost of artiste management services and services for entertainment events provided	84,108	77,353
Cost of theatrical releasing and concessionary sales	80,483	83,250
Cost of inventories sold	140,321	141,845
	<hr/>	<hr/>
Total cost of sales	651,209	627,262
	<hr/>	<hr/>
Depreciation of property, plant and equipment [^]	53,512	59,317
Depreciation of right-of-use assets [^]	141,437	175,744
Impairment of goodwill*	–	72,440
Impairment of property, plant and equipment*	9,411	97,250
Impairment of right-of-use assets*	32,767	309,280
Write-off of items of property, plant and equipment*	40	267
Impairment of films and TV programs under production [#]	2,553	12,439
Fair value change from film investments*	12,702	5,014
Fair value change from entertainment events organised by co-investors*	1,280	(2,962)
Amortisation of film rights [#]	6,595	29,689
Amortisation of film and TV program products [#]	176,388	128,011
Amortisation of music catalogs [#]	5,460	7,045
Impairment of debtors*	9,892	7,544
Impairment of advances and other receivables*	22,976	22,073
Impairment of amounts due from joint ventures*	90	1,468
Write-back of impairment of film rights*	(12,803)	(12,000)
Gain on deregistration of subsidiaries*	(576)	–
Loss on disposal of joint ventures*	142	–
Fair value losses on financial assets at fair value through profit or loss*	6,552	19,177
Loss/(gain) on disposal of items of property, plant and equipment*	(25)	10
Gain on termination of a lease*	(163)	–
Impairment of inventories [#]	1,602	2,545
Gain on disposal of an asset classified as held for sale*	(22,323)	–
Share of net gain from entertainment events organised by the Group to co-investors*	3,242	–
Foreign exchange differences, net*	(36,325)	8,261
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* These items are included in “Other operating expenses, net” on the face of the consolidated income statement.

These items are included in “Cost of sales” on the face of the consolidated income statement.

[^] Depreciation charge of HK\$185,360,000 (2020: HK\$214,103,000) related to cinema operation is included in “Other operating expenses, net” on the face of the consolidated income statement.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2021 HK\$'000	2020 <i>HK\$'000</i>
Current		
– Hong Kong		
Charge for the year	1,586	2,083
Overprovision in prior years	(91)	(504)
	1,495	1,579
– Mainland China		
Charge for the year	2,809	70,656
Overprovision in prior years	(39)	(57)
	2,770	70,599
	4,265	72,178
Deferred tax	4,133	7,084
Total tax charge for the year from continuing operations	8,398	79,262
Total tax charge for the year from discontinued operations	–	113,976
	8,398	193,238

8. DISCONTINUED OPERATIONS

On 21 February 2020, Holy Unicorn Limited (“**Offeror**”, a wholly-owned subsidiary of Lai Sun Development Company Limited (“**LSD**”)) made a conditional voluntary general cash offer (“**Offer**”) to acquire all of the issued shares of Lai Fung Holdings Limited (“**Lai Fung**”) (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the Lai Fung shares owned by the Company, and to cancel all the outstanding share options of Lai Fung. The offer price for each Lai Fung share was HK\$8.99 in cash. Details were set out in a joint announcement of the Company, Lai Sun Garment (International) Limited, LSD, Lai Fung and the Offeror dated 21 February 2020.

On 14 May 2020, all conditions to the Offer had been fulfilled or waived by the Offeror and the Offer had been declared unconditional in all respects. The Group disposed of its entire equity interest in Lai Fung and since then, Lai Fung and its subsidiaries (“**Lai Fung Group**”) was no longer consolidated into the Group.

8. DISCONTINUED OPERATIONS (continued)

The principal business and activities of the Lai Fung Group consisted of property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. With the Lai Fung Group being classified as discontinued operations, the operating segment information of property development and property investment business were no longer included in note 3.

The results of the Lai Fung Group after fair value adjustments and intragroup eliminations for the period from 1 August 2019 to 14 May 2020 and the effect of the disposal of Lai Fung Group were presented below:

	<i>HK\$'000</i>
Turnover	820,042
Cost of sales	<u>(399,243)</u>
Gross profit	420,799
Other revenue	42,042
Selling and marketing expenses	(46,819)
Administrative expenses	(203,497)
Other operating expenses, net	(239,853)
Fair value losses on investment properties	(564,880)
Finance costs	(184,727)
Share of profits and losses of joint ventures	(145)
Share of profits and losses of associates	<u>(317)</u>
Loss before tax	(777,397)
Tax	<u>(113,976)</u>
Loss for the period	(891,373)
Loss on disposal of subsidiaries	<u>(7,259,028)</u>
Loss for the period from the discontinued operations	<u><u>(8,150,401)</u></u>
Attributable to:	
Owners of the Company	(7,658,961)
Non-controlling interests	<u>(491,440)</u>
	<u><u>(8,150,401)</u></u>

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2020: 1,491,854,598) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 July 2021.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 July 2020 in respect of a dilution as the impact of share options of Lai Fung had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted loss per share are based on:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations:		
From continuing operations	(351,126)	(926,443)
From discontinued operations	—	(7,658,961)
	<u> </u>	<u> </u>
Loss for the purpose of basic and diluted loss per share calculation	<u>(351,126)</u>	<u>(8,585,404)</u>

10. DEBTORS

	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade debtors	133,263	111,288
Impairment	(26,344)	(16,606)
	<u> </u>	<u> </u>
	<u>106,919</u>	<u>94,682</u>

The trading terms of the Group with its customers are mainly on credit. Invoices are normally payable within 30 to 90 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's debtors are widely dispersed in different sectors and industries. The Group's debtors are non-interest-bearing.

The Group does not hold any collateral or other credit enhancements over these balances.

10. DEBTORS (continued)

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at the end of the reporting period, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade debtors:		
Unbilled or neither past due nor impaired	72,671	59,979
1 to 90 days past due	29,019	25,133
Over 90 days past due	5,229	9,570
	<u>106,919</u>	<u>94,682</u>
Total	<u><u>106,919</u></u>	<u><u>94,682</u></u>

11. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at the end of the reporting period, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade creditors:		
Less than 30 days	16,068	12,493
31 to 60 days	1,159	434
61 to 90 days	1,162	248
Over 90 days	960	1,488
	<u>19,349</u>	<u>14,663</u>
Other creditors and accruals	<u>394,630</u>	<u>337,256</u>
	<u>413,979</u>	<u>351,919</u>
Less: Portion classified as non-current	<u>(8,019)</u>	<u>–</u>
Current portion	<u><u>405,960</u></u>	<u><u>351,919</u></u>

12. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

An analysis of the deposits received and contract liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits received	75,630	52,746
Contract liabilities	129,437	208,298
	<u>205,067</u>	<u>261,044</u>
Total	<u><u>205,067</u></u>	<u><u>261,044</u></u>

13. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2021 (2020: Nil) for shareholders' approval at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

This financial year has been one of the toughest years in the history of the entertainment industry marked by the global coronavirus (COVID-19) pandemic. Although vaccination programs have been launched on massive scales by various governments, the sector remains at the mercy of the coronavirus, with the recent rising prevalence of the Delta variant affecting business confidence and the risks of future outbreaks ever present.

The disruption of cinema operation of the Group continued during the year ended 31 July 2021. The Group's cinemas in Hong Kong have been requested to close twice for a total of 105 days during the year under review. The latest mandatory closure occurred when the fourth wave of COVID-19 emerged from 2 December 2020 to 17 February 2021 throughout the holiday season and has inevitably impacted the Group's box office performance. Cinemas in Mainland China re-opened in late July 2020 after being closed for over 5 months and the box office has shown a sign of recovery. The recent resurgence of Delta variant cases in Mainland China halted people's plan to go to cinemas. The May Flower Cinema in Guangzhou was forced to close for 28 days in response to the Delta variant outbreak in Guangdong province in June 2021. The business performance of cinemas in Hong Kong and Mainland China, that are allowed to re-open, are still suffering from the delay in releases of blockbuster movies and the social distancing measures such as restrictions on the seating capacity and bans on eating and drinking in the cinema houses. Despite the challenging operating environment under the COVID-19 pandemic, the Group remains cautiously optimistic about the fundamental demand for entertainment in long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong.

During the year under review, the Group took over three sites that were previously operated by U A Cinema Circuit Limited, including one at K11 MUSEA in Tsim Sha Tsui, Kowloon, one at Citygate, Tung Chung and the other one at Amoy Plaza, Kowloon. The K11 Art House with 12 houses and a total of 1,708 seats started the business on 6 March 2021 and is the first cinema in Hong Kong that uses IMAX laser, equipped with all the latest audiovisual technology, such as IMAX 12-channel IMMERSIVE Sound system and 4K RGB Laser for an extraordinary theatrical effect. The MCL Citygate Cinema and the MCL Amoy Cinema opened on 17 June 2021 and 15 July 2021, respectively. Another new cinema of the Group in Kai Tak, Kowloon, is expected to commence business in the fourth quarter of 2022. The Group also secured the cinema site at The ONE in Tsim Sha Tsui, Kowloon and the operation is expected to commence in April 2023. The Group is closely monitoring the market conditions in Hong Kong and Mainland China and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

The outbreak of novel COVID-19 also posted unprecedented challenges to the media and entertainment industry, with entertainment spending affected severely by the accompanying economic recession and social distancing measures. The entertainment consumption of the PRC and local markets started to recover amid the novel coronavirus epidemic. Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company, together with its subsidiaries, "**MAGHL Group**"), being the media and entertainment arm of the Group, continues focusing on producing high quality and commercially viable products to rise the challenge and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture related market opportunities.

MAGHL Group continues to invest in original production of quality films with Chinese themes. “*Tales from the Occult*”, a psychological thriller made up of three short stories produced by John Chong and Mathew Tang, and directed by Wesley Hoi, Fung Chih Chiang and Fruit Chan is in post-production stage. “*Septet: the Story of Hong Kong*”, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam, was selected as the opening film of the 45th Hong Kong International Film Festival. This film is scheduled for theatrical release soon.

A 30 episode modern-day drama series “*Modern Dynasty*”, featuring Cheung Chi Lam and Tavia Yeung, tailor-made for Alibaba’s Youku platforms, is in post-production stage. Projects under development include “*Twin Shadows*”, a 24 episode modern-day drama featuring Bosco Wong, which will commence shooting in December 2021. The Group is in discussion with various Chinese portals and video websites for new project development in TV drama production.

The distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group. MAGHL Group will keep looking for new talent in Greater China and further cooperation with Asian artistes with an aim to build up a strong artiste roster for the Group.

The recent “*Leon Lai Talk & Sing 2021 Concert*” and “*C AllStar in Concert 2021*” have earned good reports/feedback and public praises. MAGHL Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Eman Lam, Yoga Lin and Tsai Chin.

It is believed that MAGHL Group’s integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put it in a strong position to capture the opportunities of the entertainment market by a balanced and synergistic approach. The Group is monitoring market conditions closely and will take a prudent approach to explore cooperation and investment opportunities to enrich its portfolio and broaden its income stream.

The clawback offer (“**Clawback Offer**”) and the placing (“**Placing**”) in relation to the loan capitalisation proposal jointly announced by the Company together with MAGHL, Lai Sun Development Company Limited and Lai Sun Garment (International) Limited on 6 November 2020 were completed on 18 January 2021. The net proceeds received by the Company from the Clawback Offer and the Placing are approximately HK\$126.3 million after deducting the direct transaction costs incurred in the Clawback Offer and the Placing, and the Group placed the net proceeds together with the net proceeds of HK\$1,515.9 million from the disposal of all shares of Lai Fung Holdings Limited (“**Lai Fung**”, together with its subsidiaries, “**Lai Fung Group**”) owned by the Company (“**LF Disposal**”) as disclosed in the circular of the Company dated 24 April 2020. Up to 31 July 2021, approximately HK\$637.0 million have been used, including approximately HK\$264.0 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$80.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$43.0 million for general corporate uses. In light of the uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Group will continue to adopt a cautious approach and evaluate its business objectives from time to time and may make modifications against the changing market conditions.

As at 31 July 2021, the Group's consolidated cash position of HK\$1,640.9 million (HK\$1,345.4 million excluding MAGHL Group) (2020: HK\$1,819.1 million (HK\$1,501.4 million excluding MAGHL Group)) and the debt to equity ratio as at 31 July 2021 amounted to approximately 30.3% (2020: 24.7%). The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF ANNUAL RESULTS

Upon completion of the LF Disposal in May 2020, the Group no longer held any interest in Lai Fung Group. Accordingly, financial results of Lai Fung Group ceased to be consolidated into the consolidated financial statements of the Group. The Group's continuing operations include development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

For the year ended 31 July 2021, the continuing operations of the Group recorded a turnover of HK\$835.3 million, representing a decrease of approximately 10.1% from that of HK\$929.2 million last year, primarily due to the decrease in revenue from film and TV program segment of the Group during the year under review. The gross profit dropped by approximately 39.0% to HK\$184.1 million (2020: HK\$301.9 million).

The net loss attributable to owners of the Company from continuing operations of the Group for the year ended 31 July 2021 was approximately HK\$351.1 million (2020: HK\$926.4 million). The decrease in consolidated loss is primarily due to (i) the reduction in the impairment of right-of-use assets and property, plant and equipment; and (ii) the absence of impairment of goodwill during the year under review as compared to last year. Net loss per share attributable to owners of the Company from continuing operations of the Group was HK\$0.235 (2020: net loss of HK\$0.621).

Net loss attributable to owners of the Company for the year ended 31 July 2021 was approximately HK\$351.1 million (2020: HK\$8,585.4 million). The significant decrease is primarily due to (i) the non-recurrence of the loss on disposal and the operating results of Lai Fung Group after the completion of the LF Disposal in May 2020; and (ii) the reduction in the net loss attributable to owners of the Company from continuing operations of the Group for the year under review. Net loss per share attributable to owners of the Company was HK\$0.235 (2020: net loss of HK\$5.755).

Equity attributable to owners of the Company as at 31 July 2021 amounted to HK\$1,263.4 million (2020: HK\$1,597.4 million). Net asset value per share attributable to owners of the Company as at 31 July 2021 was HK\$0.847 (2020: HK\$1.071).

Cinema Operation

For the year ended 31 July 2021, this segment recorded a turnover of HK\$213.0 million (2020: HK\$229.3 million) and segment results showed a loss of HK\$151.0 million (2020: HK\$535.0 million). Decrease in segment loss is primarily due to decrease in the impairment of right-of-use assets and property, plant and equipment during the year under review as compared to last year. As at the date of this results announcement, the Group operates fourteen cinemas in Hong Kong and three cinemas in Mainland China and details on the number of screens and seats of each cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens <i>(Note)</i>	No. of seats <i>(Note)</i>
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		74	11,011
Total		96	13,962

Note: On 100% basis

Media and Entertainment

For the year ended 31 July 2021, this segment recorded a turnover of HK\$321.1 million (2020: HK\$326.6 million) and segment results showed a loss of HK\$17.4 million (2020: HK\$5.8 million).

Live Entertainment

During the year under review, the Group organised and invested in 14 (2020: 39) shows by popular local, Asian and internationally renowned artistes, including Leon Lai, C AllStar and Eman Lam.

Music Production, Distribution and Publishing

For the year ended 31 July 2021, the Group released 19 (2020: 15) albums, including titles by Sammi Cheng, C AllStar, Andy Leung, Chan Kin On, Jay Fung, Nowhere Boys and Joyce Cheng.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing TV drama production and film production businesses.

Film and TV Program Production and Distribution

For the year ended 31 July 2021, this segment recorded a turnover of HK\$298.9 million (2020: HK\$370.2 million) and segment showed a loss of HK\$94.9 million (2020: HK\$80.1 million).

During the year under review, a total of 6 (2020: 5) films produced/invested by the Group were theatrically released, namely “*I’m Livin’ It*”, “*The Calling Of A Bus Driver*”, “*All U Need Is Love*”, “*The Legend of the Condor Heroes: The Cadaverous Claws*”, “*The Legend of the Condor Heroes: The Dragon Tamer*” and “*1921*”. The Group also distributed 27 (2020: 25) films and 165 (2020: 468) videos with high profile titles including “*1921*”, “*Stand By Me Doraemon 2*”, “*77 Heartwarmings*” and “*Snake Eyes*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2021, cash and bank balances held by the Group amounted to HK\$1,640.9 million (31 July 2020: HK\$1,819.1 million) of which around 83.8% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) currencies, and around 15.6% was denominated in Renminbi (“**RMB**”). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group as at 31 July 2021 was HK\$1,345.4 million (31 July 2020 (excluding MAGHL Group): HK\$1,501.4 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. The Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2021, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$383.0 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2021, the Group had secured general banking facilities granted by a bank. As at 31 July 2021, the Group had outstanding bank loans of HK\$161.8 million and utilised letter of credit and letter of guarantee facilities of HK\$1.7 million. The maturity profile of the Group's bank loans is spread with HK\$108.0 million repayable within one year and HK\$53.8 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD. The Group has undrawn facilities of HK\$23.3 million.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK\$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK\$108.2 million for the said unsecured other borrowings as at 31 July 2021. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2021.

MAGHL

MAGHL had no outstanding loans as at 31 July 2021.

Charge on Assets and Gearing

As at 31 July 2021, time deposits of approximately HK\$164.1 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 July 2021, the consolidated net assets attributable to the owners of the Company amounted to HK\$1,263.4 million (31 July 2020: HK\$1,597.4 million). As at 31 July 2021, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company, was approximately 30.3%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity for its present requirements to finance its existing operations and projects underway.

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

During the year ended 31 July 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules" and "Stock Exchange", respectively).

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2021 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2 as follows:

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Directors (“**NEDs**”, including the independent non-executive Directors (“**INEDs**”)) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Bye-laws of the Company (“**Bye-laws**”), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (“**AGM**”) (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

Under code provision A.5.1, a nomination committee comprising a majority of independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). Pursuant to the CG Code, the Company has adopted its nomination policy in January 2019 (“**Nomination Policy**”) for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to travel restriction between Hong Kong and Singapore as a result of the COVID-19 pandemic, Mr. Low Chee Keong (“**Mr. Low**”), the chairman of the Board, was not present at the AGM held on 18 December 2020. However, Mr. Lui Siu Tsuen, Richard, an Executive Director and the Chief Executive Officer of the Company present at that meeting, took the chair pursuant to Bye-law 63 of the Bye-laws to ensure an effective communication with the Shareholders thereat.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2021, the Group employed a total of around 580 (2020: 540) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programs are offered to eligible employees.

INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management engages in a proactive investor relations program. Our Executive Directors and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

Despite the pandemic, the Group maintains proactive interactions with the investment community and provides them with updates on the Group's operations, financial performance and outlook. During the year under review, the Company has been communicating with a number of research analysts and investors via online meetings and conference calls as follows:

Month	Event	Organiser	Investor Base
October 2020	Post results non-deal roadshow	DBS	Hong Kong / Singapore
March 2021	Post results non-deal roadshow	DBS	Hong Kong / Singapore
March 2021	Post results non-deal roadshow	Daiwa	United States
April 2021	Post results non-deal roadshow	Daiwa	Europe
June 2021	DBS Vickers HK Property Conference Calls	DBS	Hong Kong / Singapore / United States

The Company is keen on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116, by fax at (852) 2853 6651 or by e-mail at ir@esun.com.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (“**Audit Committee**”) currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low and Mr. Alfred Donald Yap. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 July 2021, the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2021 as set out in the preliminary results announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Friday, 17 December 2021. Notice of the 2021 AGM together with the Company's Annual Report for the year ended 31 July 2021 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in about mid-November 2021.

By order of the Board
Low Chee Keong
Chairman

Hong Kong, 19 October 2021

As at the date of this announcement, the Board comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Yip Chai Tuck; one Non-executive Director, namely Madam U Po Chu; and four Independent Non-executive Directors, namely Messrs. Low Chee Keong (Chairman), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.