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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 2022

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 2022 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2022

	Notes	2022 HK\$'000	2021 HK\$'000
TURNOVER	4	830,237	835,303
Cost of sales		<u>(481,366)</u>	<u>(651,209)</u>
Gross profit		348,871	184,094
Other revenue		91,649	133,511
Selling and marketing expenses		(22,108)	(24,525)
Administrative expenses		(279,014)	(282,837)
Other operating gains		24,529	73,333
Other operating expenses		<u>(498,565)</u>	<u>(422,854)</u>
LOSS FROM OPERATING ACTIVITIES		(334,638)	(339,278)
Finance costs	5	(54,379)	(60,987)
Share of profits and losses of joint ventures		<u>(17,852)</u>	<u>420</u>
LOSS BEFORE TAX	6	(406,869)	(399,845)
Tax	7	<u>37,023</u>	<u>(8,398)</u>
LOSS FOR THE YEAR		<u>(369,846)</u>	<u>(408,243)</u>
Attributable to:			
Owners of the Company		(328,732)	(351,126)
Non-controlling interests		<u>(41,114)</u>	<u>(57,117)</u>
		<u>(369,846)</u>	<u>(408,243)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		<u>(HK\$0.220)</u>	<u>(HK\$0.235)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(369,846)</u>	<u>(408,243)</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	400	(9,789)
Share of other comprehensive income/(loss) of joint ventures	(153)	235
Release of exchange reserve upon dissolution and deregistration of subsidiaries	<u>335</u>	<u>(265)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>582</u>	<u>(9,819)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(369,264)</u></u>	<u><u>(418,062)</u></u>
Attributable to:		
Owners of the Company	(327,838)	(357,790)
Non-controlling interests	<u>(41,426)</u>	<u>(60,272)</u>
	<u><u>(369,264)</u></u>	<u><u>(418,062)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		208,957	266,715
Right-of-use assets		758,895	883,505
Film rights		19,162	15,109
Film and TV program products		61,174	54,838
Music catalogs		663	3,124
Goodwill		10,000	10,000
Investments in joint ventures		30,729	20,461
Financial assets at fair value through profit or loss		111,878	35,308
Deposits, prepayments, other receivables and other assets		131,398	119,037
Deferred tax assets		517	516
		1,333,373	1,408,613
TOTAL non-current assets			
CURRENT ASSETS			
Films and TV programs under production and film investments		317,109	235,844
Inventories		16,611	5,203
Debtors	9	135,930	106,919
Financial assets at fair value through profit or loss		6,822	145,113
Deposits, prepayments, other receivables and other assets		157,753	174,493
Prepaid tax		199	–
Pledged time deposits		146,300	164,120
Cash and cash equivalents		1,056,587	1,476,796
		1,837,311	2,308,488
TOTAL current assets			
CURRENT LIABILITIES			
Creditors and accruals	10	425,772	405,960
Deposits received and contract liabilities	11	139,871	205,067
Interest-bearing bank loans		143,956	107,950
Lease liabilities		202,724	217,110
Tax payable		78,871	121,129
		991,194	1,057,216
TOTAL current liabilities			
NET CURRENT ASSETS		846,117	1,251,272
TOTAL ASSETS LESS CURRENT LIABILITIES		2,179,490	2,659,885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 July 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,179,490</u>	<u>2,659,885</u>
NON-CURRENT LIABILITIES			
Creditors and accruals	<i>10</i>	8,163	8,019
Interest-bearing bank loans		–	53,831
Lease liabilities		941,994	1,050,823
Other borrowings		226,864	221,217
Deferred tax liabilities		<u>87</u>	<u>2,629</u>
Total non-current liabilities		<u>1,177,108</u>	<u>1,336,519</u>
Net assets		<u>1,002,382</u>	<u>1,323,366</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		<u>219,230</u>	<u>517,453</u>
		965,157	1,263,380
Non-controlling interests		<u>37,225</u>	<u>59,986</u>
Total equity		<u>1,002,382</u>	<u>1,323,366</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 July 2022

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 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 following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and had other borrowings denominated in Hong Kong dollars based on The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) prime rate as at 31 July 2022. The Group expects that HIBOR and HSBC prime rate will continue to exist and the interest rate benchmark reform has had no significant financial effect on the financial performance or financial position of the Group.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	256,771	321,126	185,794	298,892	385,023	213,003	2,649	2,282	830,237	835,303
Intersegment sales	-	4	3,891	8,597	1,972	478	1,726	1,869	7,589	10,948
Other revenue	1,802	4,584	1,737	4,308	76,177	107,253	4,745	7,983	84,461	124,128
Total	<u>258,573</u>	<u>325,714</u>	<u>191,422</u>	<u>311,797</u>	<u>463,172</u>	<u>320,734</u>	<u>9,120</u>	<u>12,134</u>	<u>922,287</u>	<u>970,379</u>
Elimination of intersegment sales									<u>(7,589)</u>	<u>(10,948)</u>
Total revenue									<u>914,698</u>	<u>959,431</u>
Segment results	<u>(7,735)</u>	<u>(17,400)</u>	<u>(52,757)</u>	<u>(94,894)</u>	<u>(128,584)</u>	<u>(151,033)</u>	<u>(96,336)</u>	<u>(101,105)</u>	<u>(285,412)</u>	<u>(364,432)</u>
Unallocated interest income									7,188	9,383
Fair value losses on financial assets at fair value through profit or loss	-	-	(4,418)	-	-	-	(51,996)	(6,552)	(56,414)	(6,552)
Gain on disposal of an asset classified as held for sale	-	-	-	-	-	-	-	22,323	-	22,323
Loss from operating activities									<u>(334,638)</u>	<u>(339,278)</u>
Finance costs									<u>(54,379)</u>	<u>(60,987)</u>
Share of profits and losses of joint ventures	(543)	1,309	(847)	(889)	(16,462)	-	-	-	<u>(17,852)</u>	<u>420</u>
Loss before tax									<u>(406,869)</u>	<u>(399,845)</u>
Tax									<u>37,023</u>	<u>(8,398)</u>
Loss for the year									<u>(369,846)</u>	<u>(408,243)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets	268,037	356,758	706,865	588,886	1,234,545	1,337,956	811,092	1,232,103	3,020,539	3,515,703
Investments in joint ventures	10,524	15,018	1,659	1,057	12,690	–	5,856	4,386	30,729	20,461
Unallocated assets									119,416	180,937
Total assets									<u>3,170,684</u>	<u>3,717,101</u>
Segment liabilities	83,049	134,911	370,275	367,812	1,225,677	1,340,446	39,523	43,810	1,718,524	1,886,979
Unallocated liabilities									449,778	506,756
Total liabilities									<u>2,168,302</u>	<u>2,393,735</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	993	1,081	165	155	49,068	51,684	386	592	50,612	53,512
Depreciation of right-of-use assets	1,302	1,795	4,324	2,693	143,242	133,676	3,363	3,273	152,231	141,437
Impairment of property, plant and equipment	618	493	142	125	7,829	8,149	855	644	9,444	9,411
Impairment of right-of-use assets	3,262	4,255	8,234	865	40,309	25,945	2,340	1,702	54,145	32,767
Impairment of films and TV programs under production	-	-	39,977	2,553	-	-	-	-	39,977	2,553
Amortisation of film rights	-	-	5,397	6,595	-	-	-	-	5,397	6,595
Amortisation of film and TV program products	-	-	10,076	176,388	-	-	-	-	10,076	176,388
Amortisation of music catalogs	2,461	5,460	-	-	-	-	-	-	2,461	5,460
Write-back of impairment of film rights	-	-	(8,901)	(12,803)	-	-	-	-	(8,901)	(12,803)
Impairment of advances and other receivables	5,507	19,788	-	3,188	-	-	-	-	5,507	22,976
Write-back of impairment of advances and other receivables	(6,460)	-	-	-	-	-	-	-	(6,460)	-
Impairment of debtors	7,050	7,209	50	2,683	-	-	-	-	7,100	9,892
Impairment of amounts due from joint ventures	1,711	1,273	-	-	-	-	-	-	1,711	1,273
Write-back of impairment of amounts due from joint ventures	-	-	(1,551)	(1,183)	-	-	-	-	(1,551)	(1,183)
Impairment of inventories	1,164	821	319	777	-	4	-	-	1,483	1,602
Additions of property, plant and equipment	548	606	732	142	708	68,545	618	1,405	2,606	70,698
Additions of film rights	-	-	549	1,846	-	-	-	-	549	1,846
Additions of film and TV program products	-	-	-	2,661	-	-	-	-	-	2,661
Additions of films and TV programs under production and film investments	-	-	244,246	224,588	-	-	-	-	244,246	224,588
Additions of right-of-use assets	-	3,879	-	1,395	-	261,885	1,279	1,181	1,279	268,340

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue:								
Sales to external customers	<u>599,590</u>	<u>484,748</u>	<u>183,012</u>	<u>299,469</u>	<u>47,635</u>	<u>51,086</u>	<u>830,237</u>	<u>835,303</u>
Assets:								
Segment assets:								
– non-current assets	1,200,328	1,323,674	20,597	48,853	53	262	1,220,978	1,372,789
– current assets	1,521,860	1,848,150	293,705	305,173	14,725	10,052	1,830,290	2,163,375
Unallocated assets							<u>119,416</u>	<u>180,937</u>
Total assets							<u>3,170,684</u>	<u>3,717,101</u>

Information about major customers:

Revenue from one (2021: one) customer which accounted for revenue exceeding 10% of the Group's total revenue amounted to approximately HK\$109,650,000 for the year ended 31 July 2022 (2021: HK\$147,881,000).

4. TURNOVER

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Turnover from contracts with customers		
Entertainment event income	36,963	72,429
Distribution commission income, licence income from and sales of film and TV program products and film rights	181,394	297,562
Album sales, licence income and distribution commission income from music publishing and licensing	80,713	79,171
Box-office takings, concessionary income and related income from cinemas	385,023	213,003
Artiste management fee income	11,052	11,929
Advertising income	4,400	1,330
Sale of game products	128,043	157,597
Sale of merchandising products	2,649	2,282
	<u>830,237</u>	<u>835,303</u>
Timing of revenue recognition		
At a point in time	790,093	777,939
Over time	40,144	57,364
	<u>830,237</u>	<u>835,303</u>
Total turnover from contracts with customers	<u>830,237</u>	<u>835,303</u>

5. FINANCE COSTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Lease liabilities	44,817	50,572
Bank loans	2,238	3,091
Other borrowings	5,647	5,640
Amortisation of transaction fee for bank loans	175	175
Other finance costs	1,502	1,509
	<u>54,379</u>	<u>60,987</u>
Total finance costs	<u>54,379</u>	<u>60,987</u>

6. LOSS BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of film rights, licence rights and film and TV program products	146,400	346,297
Cost of artiste management services and services for entertainment events provided	57,905	84,108
Cost of theatrical releasing and concessionary sales	159,154	80,483
Cost of inventories sold	117,907	140,321
	<u>481,366</u>	<u>651,209</u>
Total cost of sales		
Depreciation of property, plant and equipment [^]	50,612	53,512
Depreciation of right-of-use assets [^]	152,231	141,437
Amortisation of film rights [#]	5,397	6,595
Amortisation of film and TV program products [#]	10,076	176,388
Amortisation of music catalogs [#]	2,461	5,460
Impairment of films and TV programs under production [#]	39,977	2,553
Impairment of property, plant and equipment [*]	9,444	9,411
Impairment of right-of-use assets [*]	54,145	32,767
Impairment of debtors [*]	7,100	9,892
Write-back of impairment of debtors [@]	(223)	–
Impairment of advances and other receivables [*]	5,507	22,976
Write-back of impairment of advances and other receivables [@]	(6,460)	–
Impairment of amounts due from joint ventures [*]	1,711	1,273
Write-back of impairment of amounts due from joint ventures [@]	(1,551)	(1,183)
Write-back of impairment of film rights [@]	(8,901)	(12,803)
Loss on disposal of joint ventures [*]	–	142
Loss/(gain) on dissolution/deregistration of subsidiaries ^{*/@}	335	(576)
Fair value change from film investments ^{@/*}	(1,656)	12,702
Fair value change from entertainment events organised by co-investors ^{@/*}	(155)	1,280
Fair value losses on financial assets at fair value through profit or loss [*]	56,414	6,552
Gain on termination of a lease [@]	(298)	(163)
Impairment of inventories [#]	1,483	1,602
Gain on disposal of an asset classified as held for sale [@]	–	(22,323)
Share of net gain/(loss) from entertainment events organised by the Group to co-investors ^{*/@}	(555)	3,242
Foreign exchange differences, net ^{*/@}	6,784	(36,325)

[^] Depreciation charge of HK\$192,310,000 (2021: HK\$185,360,000) related to cinema operation is included in “Other operating expenses” on the face of the consolidated income statement.

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

^{*} These items are included in “Other operating expenses” on the face of the consolidated income statement.

[@] These items are included in “Other operating gains” on the face of the consolidated income statement.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

	2022 HK\$'000	2021 HK\$'000
Current		
– Hong Kong		
Charge for the year	2,113	1,586
Overprovision in prior years	(178)	(91)
	<u>1,935</u>	<u>1,495</u>
– Mainland China		
Charge for the year	5,556	2,809
Overprovision in prior years	(41,971)	(39)
	<u>(36,415)</u>	<u>2,770</u>
	(34,480)	4,265
Deferred tax	<u>(2,543)</u>	<u>4,133</u>
	<u>(37,023)</u>	<u>8,398</u>

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount 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 (2021: 1,491,854,598) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 July 2022 in respect of a dilution as the impact of share options of the Company had an anti-dilutive effect on the basic loss per share amount presented.

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

9. DEBTORS

	2022 HK\$'000	2021 <i>HK\$'000</i>
Trade debtors	167,115	133,263
Impairment	(31,185)	(26,344)
	<u>135,930</u>	<u>106,919</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.

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:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Trade debtors:		
Unbilled or neither past due nor impaired	66,227	72,671
1 to 90 days past due	62,607	29,019
Over 90 days past due	7,096	5,229
	<u>135,930</u>	<u>106,919</u>
Total	<u>135,930</u>	<u>106,919</u>

10. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade creditors:		
Less than 30 days	63,791	16,068
31 to 60 days	595	1,159
61 to 90 days	93	1,162
Over 90 days	1,783	960
	<u>66,262</u>	19,349
Other creditors and accruals	367,673	394,630
	<u>433,935</u>	413,979
Less: Portion classified as current	(425,772)	(405,960)
	<u>8,163</u>	<u>8,019</u>

11. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits received	6,815	75,630
Contract liabilities	133,056	129,437
	<u>139,871</u>	<u>205,067</u>

12. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2022 (2021: Nil).

13. COMPARATIVE FIGURES

Certain comparative amounts in the consolidated income statement and certain notes to the consolidated financial statements have been re-presented to conform with the current year's presentation. In the opinion of the Directors, this presentation would better reflect the financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The COVID-19 pandemic has had a drastic impact on every facet of the global economy, including the entertainment industry. With the epidemic situation gradually stabilising in Hong Kong, social and economic activities have seen some revival but consumer sentiment might be dampened by the worse-than-expected economic outlook in Hong Kong and the deterioration of global economic prospects.

Due to the relaxation of social distancing measures and the release of a number of local and international blockbuster movies, the cinema operation of the Group recovered gradually from the worst of the COVID-19 pandemic. During the year under review, the Group's cinemas in Hong Kong were allowed to operate at 85% capacity for all screens before the hit of the fifth-wave of COVID-19 in January 2022 resulting in us being requested to close from 7 January 2022 to 20 April 2022 as part of the government's ramped up measures to contain the spread of COVID-19. When we reopened on 21 April 2022 under the first phase of recent relaxation of social distancing measures in Hong Kong, the maximum number of customers allowed in cinemas was limited to 50% of their normal capacity, which has been relaxed to 85% since 19 May 2022. Cinemas in Mainland China have capped their attendance at 75% of capacity in low-risk areas and operations got suspended when their neighborhoods or districts were categorised as medium or high-risk areas. The box office in Mainland China has also shown a recovery since 2021 driven by the success of patriotic blockbusters. The performance of cinema operations in Hong Kong and Mainland China are still suffering from the social distancing measures as well as the challenging operating environment amid the economic uncertainty, the Group remains cautiously optimistic about the fundamental demand for entertainment in the long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong.

In February 2022, the Group extended the tenancy agreement of the Festival Grand Cinema in Festival Walk for 3 years commencing on 1 February 2024. Festival Walk is one of the most popular shopping and leisure destinations in Hong Kong with direct connection to the Kowloon Tong MTR Station and the Group has been operating the cinema since June 2016. Given its strategic location, the Group considers that the continued use of the premise after the expiry of the existing tenancy will be beneficial to the cinema operation of the Group and will further enhance its market position as a leading multiplex cinema operator in Hong Kong. MCL Cinemas Plus+ Plaza Hollywood, the new cinema at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with Emperor Cinemas Group opened in July 2022. Another new cinema of the Group in Kai Tak, Kowloon, is expected to commence business in the second quarter of 2023. The Group also secured the cinema site at The ONE in Tsim Sha Tsui, Kowloon and the operation is expected to commence in the third quarter of 2023. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022. The Group is closely monitoring the market conditions and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

The COVID-19 pandemic has changed the consumption behavior of the general public. To rise to this challenge, 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 will continue to produce high quality and commercially viable products, and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities.

MAGHL Group continues to invest in original productions of quality films with Chinese themes. The current production pipeline includes “*Twilight of the Warriors: Walled In*”, an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam and “*Tales from the Occult II & III*”, both are psychological thrillers each made up of three short stories produced by John Chong and Mathew Tang, and directed by Frank Hui, Daniel Chan and Doris Wong (*Tales from the Occult II*), and Li Chi Ngai, Peter Lee and Pater Wong (*Tales from the Occult III*).

“*Dead Ringer*”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. MAGHL 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 continue to provide stable income 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.

Upcoming events including long-awaited “*Re: Grasshopper In Concert 2022*”, “*Here & Now Ekin In Concert 2022*” and “*Super Junior World Tour – Super Show 9: Road in Hong Kong*” will be held in the coming months. MAGHL Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for next year include concerts of Joyce Cheng, Jay Fung, 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 public float of the Company remains below the minimum public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) due to the increase in the Company’s shareholding of Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk, they became substantial shareholders and core connected persons of the Company as defined under the Listing Rules. Trading in shares of the Company on the Stock Exchange has been suspended since 1 June 2022 and will remain suspended until the minimum public float is restored. The Company is taking appropriate steps to resolve the issues causing its trading suspension and further announcement(s) will be made by the Company as and when appropriate.

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 owned by the Company as disclosed in the circular of the Company dated 24 April 2020. Up to 31 July 2022, approximately HK\$1,075.8 million have been used, including approximately HK\$499.4 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$217.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$109.4 million for general corporate uses.

As at 31 July 2022, the Group’s consolidated cash and bank deposits amounted to HK\$1,202.9 million (HK\$1,028.3 million excluding MAGHL Group) (31 July 2021: HK\$1,640.9 million (HK\$1,345.4 million excluding MAGHL Group)) and the debt to equity ratio as at 31 July 2022 amounted to 38.4% (31 July 2021: 30.3%). The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF FINAL RESULTS

The Group’s 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 2022, the Group recorded turnover of HK\$830.2 million, representing a slight decrease of 0.6% from HK\$835.3 million last financial year. Revenue from film and TV program and media entertainment businesses dropped during the year under review while revenue from cinema operation recorded a growth of approximately 80.8% as compared to last financial year. The gross profit increased by approximately 89.5% to HK\$348.9 million (2021: HK\$184.1 million).

The net loss attributable to owners of the Company for the year ended 31 July 2022 was approximately HK\$328.7 million (2021: net loss of HK\$351.1 million). The slight decrease in consolidated loss for the year under review is primarily a mix of (i) improved gross profit of film and TV program and cinema businesses of the Group; (ii) a reduction in government grants and rent concessions related to COVID-19; (iii) the non-recurrence of a gain on disposal of asset classified as held for sale; (iv) increase in fair value losses on financial assets at fair value through profit or loss; and (v) reversal in tax provision made in prior years during the year under review. Net loss per share attributable to owners of the Company was HK\$0.220 (2021: net loss of HK\$0.235 per share).

Equity attributable to owners of the Company as at 31 July 2022 amounted to HK\$965.2 million (31 July 2021: HK\$1,263.4 million). Net asset value per share attributable to owners of the Company as at 31 July 2022 was HK\$0.647 per share (31 July 2021: HK\$0.847 per share).

Cinema Operation

For the year ended 31 July 2022, this segment recorded a turnover of HK\$385.0 million (2021: HK\$213.0 million) and segment results of a loss of HK\$128.6 million (2021: a loss of HK\$151.0 million). During the year under review, the Group has one more cinema in Hong Kong commenced operation, namely MCL Cinemas Plus+ Plaza Hollywood (a joint venture project with Emperor Cinemas Group). The box office of its cinemas in Hong Kong recorded significant growth compared to the last financial year, especially during the holiday season before the surge of fifth-wave COVID-19 cases in January 2022 and after their reopening from 21 April 2022 under the recent relaxation of social distancing measures in Hong Kong. As at the date of this results announcement, the Group operates fifteen cinemas in Hong Kong (including one joint venture project) and two cinemas in Mainland China and details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens (Note)	No. of seats (Note)
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Zhongshan May Flower Cinema City	100	5	905
Subtotal		15	2,345
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
MCL Cinemas Plus+ Plaza Hollywood	50	6	1,595
Subtotal		80	12,606
Total		95	14,951

Note: On 100% basis

Media and Entertainment Segment

For the year ended 31 July 2022, this segment recorded a turnover of HK\$256.8 million (2021: HK\$321.1 million) and segment results of a loss decreased to HK\$7.7 million from that of HK\$17.4 million in the same period last year.

Events Management

During the year under review, the Group organised and invested in 18 (2021: 14) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Joyce Cheng, Jay Fung, C AllStar, Nowhere Boys and Eman Lam.

Music Production, Distribution and Publishing

During the year under review, the Group released 18 (2021: 19) albums, including titles by Sammi Cheng, Joyce Cheng, Jay Fung, C AllStar, Ivana Wong, Leslie Cheung and Anita Mui. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

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 television drama production and film production business. The Group currently has 33 artistes under its management.

Film and TV Program Production and Distribution

For the year ended 31 July 2022, this segment recorded a turnover of HK\$185.8 million (2021: HK\$298.9 million) and segment results of a loss of HK\$52.8 million (2021: a loss of HK\$94.9 million).

During the year under review, a total of 8 (2021: 6) films produced/invested by the Group were theatrically released, namely “*American Girl*”, “*Chilli Laugh Story*”, “*Fireflies in the Sun*”, “*Look Up*”, “*Rising Boas In A Girl’s School*” and “*Septet: The Story of Hong Kong*”. The Group also distributed 19 (2021: 27) films and 196 (2021: 165) videos with high profile titles including “*American Girl*”, “*Fast & Furious 9*”, “*No Time to Die*”, “*Top Gun: Maverick*” and “*The Lost City*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2022, cash and bank balances held by the Group amounted to HK\$1,202.9 million (2021: HK\$1,640.9 million) of which around 81.0% was denominated in Hong Kong dollars (“**HKD**”) and around 15.9% 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 2022 was HK\$1,028.3 million (2021: HK\$1,345.4 million). 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 2022, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$370.8 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2022, the Group had secured general banking facilities granted by a bank. As at 31 July 2022, the Group had outstanding bank loans of HK\$143.9 million and utilised letter of credit and letter of guarantee facilities of HK\$2.2 million. The Group's bank loans are repayable within one year. All bank loans are on floating rate basis and are denominated in HKD. The Group has undrawn facilities of HK\$22.8 million as at 31 July 2022.

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\$113.9 million for the said unsecured other borrowings as at 31 July 2022. At the request of the Group, the joint executrixes of the estate of the late Mr. Lim Por Yen 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 2022.

MAGHL

As at 31 July 2022, MAGHL had unsecured interest-bearing loans from the Company of HK\$137.0 million and are repayable in the third year. The loans are on floating rate basis and are denominated in HKD. The undrawn facility of MAGHL from the Company was HK\$63.0 million as at 31 July 2022.

Charge on Assets and Gearing

As at 31 July 2022, time deposits of HK\$146.3 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 July 2022, the consolidated net assets attributable to the owners of the Company amounted to HK\$965.2 million (2021: HK\$1,263.4 million). As at 31 July 2022, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company was approximately 38.4%.

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 2022, 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 in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules.

The Company has complied with all applicable code provisions set out in Part 2 of the CG Code throughout the year ended 31 July 2022 save for the following deviation:

Under code provision F.2.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, nomination, remuneration and any other committees (as appropriate) to attend.

Due to the quarantine requirements travelling from Singapore to Hong Kong in light of the epidemic situation of the novel coronavirus (COVID-19), Mr. Low Chee Keong (“**Mr. Low**”, the chairman of the Board) had not attended the annual general meeting of the Company (“**AGM**”) held on 17 December 2021. 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 of the Company to ensure an effective communication with shareholders of the Company (“**Shareholders**”) thereat.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2022, the Group employed a total of around 560 (2021: 580) 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 2021	Post results non-deal roadshow	DBS	Hong Kong
October 2021	Post results non-deal roadshow	DBS	United States
October 2021	Post results non-deal roadshow	HSBC	Hong Kong/Singapore/ Mainland China
November 2021	Post results non-deal roadshow	DBS	United States
March 2022	Post results non-deal roadshow	DBS	Hong Kong/Singapore/ United Kingdom/ United Arab Emirates
March 2022	Post results non-deal roadshow	DBS	United States
March 2022	Post results non-deal roadshow	HSBC	Hong Kong
July 2022	DBS Vickers Hong Kong Property and Logistics 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 Independent Non-executive Directors, 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 2022 including the accounting principles and practices adopted by the Company as well as the risk management, 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 2022 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 opinion or assurance has been expressed by Ernst & Young on the preliminary results announcement.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, 16 December 2022. Notice of the 2022 AGM together with the Company's Annual Report for the year ended 31 July 2022 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in mid-November 2022.

By order of the Board
eSun Holdings Limited
Low Chee Keong
Chairman

Hong Kong, 18 October 2022

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.