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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2023

RESULTS

The board of directors (“Board” and “Directors”, respectively) of eSun Holdings Limited (“Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 31 January 2023 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2023

	Notes	Six months ended 31 January	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
TURNOVER	4	513,260	506,653
Cost of sales		(270,461)	(286,435)
Gross profit		242,799	220,218
Other revenue		24,079	15,759
Selling and marketing expenses		(18,783)	(7,248)
Administrative expenses		(136,841)	(142,711)
Other operating gains		32,577	7,737
Other operating expenses		(207,642)	(194,462)
LOSS FROM OPERATING ACTIVITIES	5	(63,811)	(100,707)
Finance costs	6	(25,629)	(28,497)
Share of profits and losses of joint ventures		(2,343)	(347)
LOSS BEFORE TAX		(91,783)	(129,551)
Tax	7	(924)	(4,261)
LOSS FOR THE PERIOD		(92,707)	(133,812)
Attributable to:			
Owners of the Company		(82,431)	(128,323)
Non-controlling interests		(10,276)	(5,489)
		(92,707)	(133,812)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		(HK\$0.055)	(HK\$0.086)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 January 2023

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(92,707)	(133,812)
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	1,800	981
Release of exchange reserve upon dissolution of a subsidiary	—	(176)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,800	805
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(90,907)	(133,007)
Attributable to:		
Owners of the Company	(80,796)	(128,010)
Non-controlling interests	(10,111)	(4,997)
	(90,907)	(133,007)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2023

		31 January 2023 (Unaudited) HK\$'000	31 July 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		186,788	208,957
Right-of-use assets		605,394	758,895
Film rights		16,688	19,162
Film and TV program products		61,861	61,174
Music catalogs		—	663
Goodwill		10,000	10,000
Investments in joint ventures		26,896	30,729
Financial assets at fair value through profit or loss		109,770	111,878
Deposits, prepayments, other receivables and other assets		132,346	131,398
Deferred tax assets		249	517
		1,149,992	1,333,373
Total non-current assets			
CURRENT ASSETS			
Films and TV programs under production and film investments		286,651	317,109
Inventories		42,031	16,611
Debtors	10	130,722	135,930
Financial assets at fair value through profit or loss		21,053	6,822
Deposits, prepayments, other receivables and other assets		171,417	157,753
Prepaid tax		326	199
Pledged and restricted time deposits and bank balances		399,271	146,300
Cash and cash equivalents		724,894	1,056,587
		1,776,365	1,837,311
Total current assets			
CURRENT LIABILITIES			
Creditors and accruals	11	496,875	425,772
Deposits received and contract liabilities		161,594	139,871
Interest-bearing bank loans		135,000	143,956
Lease liabilities		155,627	202,724
Tax payable		16,078	78,871
Derivative financial instruments		1,778	—
		966,952	991,194
Total current liabilities			
NET CURRENT ASSETS		809,413	846,117
TOTAL ASSETS LESS CURRENT LIABILITIES		1,959,405	2,179,490

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

31 January 2023

		31 January 2023 (Unaudited) HK\$'000	31 July 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	8,163	8,163
Lease liabilities		809,834	941,994
Other borrowings		229,867	226,864
Deferred tax liabilities		66	87
		<hr/>	<hr/>
Total non-current liabilities		1,047,930	1,177,108
		<hr/>	<hr/>
Net assets		911,475	1,002,382
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		137,282	219,230
		<hr/>	<hr/>
		883,209	965,157
Non-controlling interests		28,266	37,225
		<hr/>	<hr/>
Total equity		911,475	1,002,382
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (“**Financial Statements**”) for the six months ended 31 January 2023 have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2022.

In addition, the Group has adopted a number of revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and interpretations) which are applicable to the Group for the first time for the current period’s unaudited Financial Statements. The adoption of these revised HKFRSs has had no material impact on the financial performance or financial position of the Group.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Six months ended 31 January									
	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	176,048	147,244	72,927	135,362	263,127	223,940	1,158	107	513,260	506,653
Intersegment sales	—	—	3,741	3,282	3,366	1,335	908	757	8,015	5,374
Other revenue	1,989	1,633	1,519	537	10,514	9,443	919	495	14,941	12,108
Total	<u>178,037</u>	<u>148,877</u>	<u>78,187</u>	<u>139,181</u>	<u>277,007</u>	<u>234,718</u>	<u>2,985</u>	<u>1,359</u>	<u>536,216</u>	<u>524,135</u>
Elimination of intersegment sales									<u>(8,015)</u>	<u>(5,374)</u>
Total revenue									<u>528,201</u>	<u>518,761</u>
Segment results	<u>17,914</u>	<u>10,634</u>	<u>(12,193)</u>	<u>11,839</u>	<u>(6,788)</u>	<u>(58,121)</u>	<u>(62,220)</u>	<u>(60,669)</u>	<u>(63,287)</u>	<u>(96,317)</u>
Unallocated interest income									9,138	3,651
Fair value losses on financial assets at fair value through profit or loss	—	—	—	—	—	—	(9,662)	(8,041)	<u>(9,662)</u>	<u>(8,041)</u>
Loss from operating activities									<u>(63,811)</u>	<u>(100,707)</u>
Finance costs									<u>(25,629)</u>	<u>(28,497)</u>
Share of profits and losses of joint ventures	(255)	92	1	(437)	(2,089)	(2)	—	—	<u>(2,343)</u>	<u>(347)</u>
Loss before tax									<u>(91,783)</u>	<u>(129,551)</u>
Tax									<u>(924)</u>	<u>(4,261)</u>
Loss for the period									<u>(92,707)</u>	<u>(133,812)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	31 January 2023 (Unaudited) <i>HK\$'000</i>	31 July 2022 (Audited) <i>HK\$'000</i>	31 January 2023 (Unaudited) <i>HK\$'000</i>	31 July 2022 (Audited) <i>HK\$'000</i>	31 January 2023 (Unaudited) <i>HK\$'000</i>	31 July 2022 (Audited) <i>HK\$'000</i>	31 January 2023 (Unaudited) <i>HK\$'000</i>	31 July 2022 (Audited) <i>HK\$'000</i>	31 January 2023 (Unaudited) <i>HK\$'000</i>	31 July 2022 (Audited) <i>HK\$'000</i>
Segment assets	296,339	268,037	717,370	706,865	1,052,684	1,234,545	701,670	811,092	2,768,063	3,020,539
Investments in joint ventures	9,756	10,524	1,428	1,659	11,808	12,690	3,904	5,856	26,896	30,729
Unallocated assets									131,398	119,416
Total assets									<u>2,926,357</u>	<u>3,170,684</u>
Segment liabilities	121,474	83,049	377,219	370,275	1,070,334	1,225,677	64,844	39,523	1,633,871	1,718,524
Unallocated liabilities									381,011	449,778
Total liabilities									<u>2,014,882</u>	<u>2,168,302</u>

4. TURNOVER

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

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Turnover from contracts with customers		
Entertainment event income	98,869	7,898
Distribution commission income, licence income from and sales of film and TV program products and film rights	68,416	132,877
Album sales, licence income and distribution commission income from music publishing and licensing	27,208	47,861
Box-office takings, concessionary income and related income from cinemas	263,127	223,940
Artiste management fee income	7,916	7,485
Advertising income	4,511	2,485
Sale of game products	42,055	84,000
Sale of merchandising products	1,158	107
	<u>513,260</u>	<u>506,653</u>
Timing of recognition of turnover from contracts with customers		
At a point in time	500,178	481,784
Over time	13,082	24,869
	<u>513,260</u>	<u>506,653</u>

5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Six months ended	
	31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment [^]	23,121	24,978
Depreciation of right-of-use assets [^]	68,540	75,339
Amortisation of film rights [#]	2,474	3,434
Amortisation of film and TV program products [#]	24,565	168
Amortisation of music catalogs [#]	663	2,150
Impairment of debtors [*]	134	3,526
Write-back of impairment of advances and other receivables [@]	(811)	(2,458)
Impairment of amounts due from joint ventures [*]	4,086	677
Fair value losses on financial assets at fair value through profit or loss [*]	9,662	8,041
Fair value change from film investments [@]	(5,131)	(2,363)
Fair value losses on derivative financial instruments [*]	2,044	—
Gain on termination of leases [@]	(25,042)	—
Foreign exchange differences, net ^{*/@}	2,573	(1,252)
Rent concessions related to COVID-19 ^{**}	(786)	(3,805)
Government grants ^{**}	(4,472)	(1,629)

[^] Depreciation charge of HK\$86,969,000 (six months ended 31 January 2022: HK\$95,990,000) related to cinema operation is included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement.

[#] These items are included in "Cost of sales" on the face of the unaudited condensed consolidated income statement.

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

[@] These items are included in "Other operating gains" on the face of the unaudited condensed consolidated income statement.

^{**} These items are included in "Other revenue" on the face of the unaudited condensed consolidated income statement.

6. FINANCE COSTS

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

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on:		
Lease liabilities	18,850	23,712
Bank loans	2,900	1,075
Other borrowings	3,003	2,847
Amortisation of transaction fee for bank loans	44	88
Other finance costs	832	775
	<u>25,629</u>	<u>28,497</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2023 and 31 January 2022. 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.

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current		
— Hong Kong		
Charge for the period	549	2,103
Overprovision in prior periods	(572)	(147)
	<u>(23)</u>	<u>1,956</u>
— Mainland China		
Charge for the period	700	4,827
Overprovision in prior periods	—	(1)
	<u>700</u>	<u>4,826</u>
	677	6,782
Deferred tax	247	(2,521)
	<u>924</u>	<u>4,261</u>

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (six months ended 31 January 2022: 1,491,854,598) in issue during the period.

No adjustment had been made to the basic loss per share amounts presented for the six months ended 31 January 2023 and 31 January 2022 in respect of a dilution as the impact of the share options of the Company had an anti-dilutive effect on the basic loss per share amounts presented.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2023 (six months ended 31 January 2022: Nil).

10. DEBTORS

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.

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at 31 January 2023 and 31 July 2022, is as follows:

	31 January 2023 (Unaudited) HK\$'000	31 July 2022 (Audited) HK\$'000
Trade debtors:		
Unbilled or neither past due nor impaired	31,552	66,227
1 to 90 days past due	71,972	62,607
Over 90 days past due	27,198	7,096
	<hr/>	<hr/>
Total	130,722	135,930
	<hr/> <hr/>	<hr/> <hr/>

11. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased, as at 31 January 2023 and 31 July 2022, is as follows:

	31 January 2023 (Unaudited) HK\$'000	31 July 2022 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	18,082	63,791
31 to 60 days	9,768	595
61 to 90 days	2,727	93
Over 90 days	7,573	1,783
	38,150	66,262
Other creditors and accruals	466,888	367,673
	505,038	433,935
Less: Portion classified as current	(496,875)	(425,772)
Non-current portion	8,163	8,163

12. COMPARATIVE FIGURES

Certain comparative amounts of the operating segment information have been re-presented to conform with the current period's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

13. EVENT AFTER THE REPORTING PERIOD

Further to the joint announcement of the Company, Lai Sun Garment (International) Limited (“**LSG**”), Lai Sun Development Company Limited (“**LSD**”), Media Asia Group Holdings Limited (“**MAGHL**”) and Perfect Sky Holdings Limited (a wholly-owned subsidiary of the Company, the “**Offeror**”) dated 10 November 2022 and the scheme document jointly issued by the Company, the Offeror and MAGHL dated 12 January 2023, among others, in respect of the proposed merger of MAGHL by the Company and the Offeror (“**Proposal**”) by way of a scheme of arrangement (“**Scheme**”), all the conditions to the Proposal and the Scheme were fulfilled on 16 March 2023 and the Scheme became effective. Since then, MAGHL became a wholly-owned subsidiary of the Group.

As set out in the joint announcement of the Company, LSG, LSD, MAGHL and the Offeror dated 17 March 2023 (“**Scheme Effective Date Announcement**”), valid elections for the partial cash alternative in respect of a total of 809,548,215 scheme shares had been made by the scheme shareholders. The remaining scheme shareholders holding a total of 154,917,153 scheme shares will receive the share alternative. Accordingly, an aggregate of 264,022,268 new shares of the Company will be allotted and issued to the scheme shareholders on 27 March 2023, and a total cash consideration of approximately HK\$194.3 million (the funding of which was included in restricted bank balances as at 31 January 2023) will be paid. Details are set out in the Scheme Effective Date Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With the mask mandate arrangement and all social distancing measures being lifted in Hong Kong and the nationwide loosening of COVID-19 restrictions and relaxation of border controls in Mainland China, social and economic activities have seen a revival but consumer sentiment might still be dampened by the worse-than-expected economic outlook in Hong Kong and the deterioration of global economic prospects.

Due to the gradual relaxation of COVID-19 restrictions 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 period under review, the Group's cinemas in Hong Kong were requested to operate at 85% capacity for all screens before further relaxation of social distancing measures in Hong Kong since 22 December 2022. The Group's cinemas in Hong Kong are now operating at full capacity without any COVID-19 restriction. Business performance of cinema operation in Mainland China also suffered from the social distancing requirements such as restrictions on the seating capacity and food and beverage consumption within the cinema houses in 2022. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022. Despite short-term interruption in January 2023 from the nationwide easing of anti-epidemic measures, the cinema operation in Mainland China has largely returned to normal. 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. MCL Cinemas Plus+ Plaza Hollywood, the new cinema in Hong Kong at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with Emperor Cinemas Group opened in July 2022. The two forthcoming cinemas of the Group at AIRSIDE in Kai Tak, Kowloon and The ONE in Tsim Sha Tsui, Kowloon are expected to commence business in the third quarter of 2023. 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.

Media Asia Group Holdings Limited (“**MAGHL**”, an indirect wholly-owned subsidiary of the Company as at the date of this results announcement, 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: Body and Soul*” and “*Tales from the Occult: Ultimate Malevolence*”, 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: Body and Soul), and Li Chi Ngai, Peter Lee and Pater Wong (Tales from the Occult: Ultimate Malevolence).

“*Dead Ringer*”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. Projects under development include “*Heir to the Throne*”, a 30-episode modern-drama series tailor-made for Alibaba’s Youku Platforms. 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.

Congratulations to Joyce Cheng who won the Best Female Singer Gold Award and was voted the favourite female singer for the second consecutive year in Ultimate Song Chart Awards Presentation 2022. 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 “*Re: Grasshopper Concert 2022*”, “*Super Junior World Tour-Super Show 9: Road in Hong Kong*”, “*Here & Now Ekin In Concert 2022*” and “*Believe Us Joyce in Concert 2023*” have earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for coming months include concerts of NCT Dream, Jay Fung, Yoga Lin, Tsai Chin and Sammi Cheng.

It is believed that integrated media platform of MAGHL Group 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 will continue to explore cooperation and investment opportunities to enrich MAGHL Group’s portfolio, broaden the income stream of the Group.

The Company announced on 10 November 2022 to privatise MAGHL by way of a scheme of arrangement (“**Scheme**”) and trading in shares of the Company (“**Shares**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) was resumed on 11 November 2022. On 13 February 2023, the Scheme was approved at the court meeting and special general meeting of MAGHL and the special general meeting of the Company by respective shareholders of MAGHL and the Company. The Scheme was sanctioned (without modification) by the Supreme Court of Bermuda on 3 March 2023 and became effective on 16 March 2023, and the listing of MAGHL Shares was withdrawn at 4:00 p.m. on 20 March 2023. An aggregate of 264,022,268 new Shares will be allotted and issued and cash consideration of approximately HK\$194.3 million will be paid to the relevant Scheme shareholders. MAGHL became an indirect wholly-owned subsidiary of the Company and the Company remained an indirect non-wholly-owned subsidiary of Lai Sun Development Company Limited (“**LSD**”). Immediately upon completion of the Scheme, the Company will be indirectly owned as to approximately 63.4% by LSD, approximately 36.28% of the total issued Shares will be held by the public and the public float of the Company will be restored to above the 25% minimum level under the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The net proceeds received by the Company from the clawback offer (“**Clawback Offer**”) and the placing (“**Placing**”) in relation to the loan capitalisation proposal jointly announced by the Company together with MAGHL, LSD and Lai Sun Garment (International) Limited on 6 November 2020 are approximately HK\$126.3 million, after deducting the direct transaction costs incurred in the Clawback Offer and the Placing. 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 January 2023, approximately HK\$1,108.6 million have been used, including approximately HK\$523.2 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\$118.4 million for general corporate uses.

As at 31 January 2023, the Group’s consolidated cash and bank deposits amounted to HK\$1,124.2 million (31 July 2022: HK\$1,202.9 million) and the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company was approximately 41.3% (31 July 2022: 38.4%). The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF INTERIM 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 six months ended 31 January 2023, the Group recorded turnover of HK\$513.3 million (2022: HK\$506.7 million). As a result of the stabilisation of the COVID-19 situation and further relaxation of social distancing measures during the period under review, revenue from media and entertainment businesses and cinema operation recorded growth of 19.6% and 17.5%, respectively as compared to the same period last year. Revenue from film and TV program dropped due to the lower income from TV program licence fee, distribution commission and sale of TV program products during the period under review. The gross profit increased by approximately 10.3% to HK\$242.8 million (2022: HK\$220.2 million).

The net loss attributable to owners of the Company for the six months ended 31 January 2023 was approximately HK\$82.4 million (2022: net loss of HK\$128.3 million). The decrease in consolidated loss for the period under review is primarily due to (i) improved performance of cinema operation of the Group; and (ii) a non-recurring gain on derecognition of lease liabilities during the period under review. Net loss per share attributable to owners of the Company was HK\$0.055 (2022: net loss of HK\$0.086 per share).

Equity attributable to owners of the Company as at 31 January 2023 amounted to HK\$883.2 million (31 July 2022: HK\$965.2 million). Net asset value per share attributable to owners of the Company as at 31 January 2023 was HK\$0.592 per share (31 July 2022: HK\$0.647 per share).

Cinema Operation

For the six months ended 31 January 2023, this segment recorded a turnover of HK\$263.1 million (2022: HK\$223.9 million) and segment results of a loss of HK\$6.8 million (2022: a loss of HK\$58.1 million). The Hong Kong box office was encouraging with a strong line-up of locally produced movies and Hollywood blockbusters released during the period under review. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022 and a non-recurring gain on derecognition of lease liabilities was recognised during the period under review. 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 <i>(Note)</i>	No. of seats <i>(Note)</i>
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 Telford Cinema (including MX4D theatre)	95	6	789
MCL Metro City Cinema	95	6	690
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 six months ended 31 January 2023, this segment recorded a turnover of HK\$176.0 million (2022: HK\$147.2 million) and segment results of an increased profit to HK\$17.9 million from that of HK\$10.6 million in the same period last year.

Events Management

During the period under review, the Group organised and invested in 47 (2022: 8) shows by popular local, Asian and internationally renowned artistes, including Grasshopper, Super Junior, Ekin Cheng, Sammi Cheng, ILUB, Miriam Yeung and C AllStar.

Music Production, Distribution and Publishing

During the period under review, the Group released 5 (2022: 6) albums, including titles by Jay Fung, Cloud Wan and Leslie Cheung. 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 businesses. The Group currently has 27 artistes under its management.

Film and TV Program Production and Distribution

For the six months ended 31 January 2023, this segment recorded a turnover of HK\$72.9 million (2022: HK\$135.4 million) and segment results of a loss of HK\$12.2 million (2022: a profit of HK\$11.8 million).

During the period under review, a total of 2 (2022: 2) films produced/invested by the Group were theatrically released, namely “*Warriors of Future*” and “*Tales From The Occult I*”. The Group also distributed 17 (2022: 10) films and 127 (2022: 133) videos with high profile titles including “*Warriors of Future*”, “*Mama’s Affair*”, “*Godfather*”, “*Jurassic World Dominion*” and “*Top Gun: Maverick*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2023, cash and bank balances held by the Group amounted to HK\$1,124.2 million (31 July 2022: HK\$1,202.9 million) of which around 86.5% was denominated in Hong Kong dollars (“**HKD**”) and around 10.4% was denominated in Renminbi (“**RMB**”). 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 had entered into certain forward contracts with a financial institution to hedge the foreign exchange exposure of trading receipts. Apart from the forward contract arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 January 2023, the Group had outstanding consolidated total borrowings in the amount of HK\$364.9 million. The borrowings of the Group are as follows:

As at 31 January 2023, the Group had outstanding bank loans of HK\$135.0 million and utilised letter of credit and letter of guarantee facilities of HK\$1.6 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\$23.4 million as at 31 January 2023.

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\$116.9 million for the said unsecured other borrowings as at 31 January 2023. 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 January 2023.

Charge on Assets and Gearing

As at 31 January 2023, time deposits of HK\$153.4 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 January 2023, the consolidated net assets attributable to the owners of the Company amounted to HK\$883.2 million (31 July 2022: HK\$965.2 million). As at 31 January 2023, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company was approximately 41.3%.

Taking into account the amount of cash being held as at the end of the reporting period, the available facilities to the Group 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.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2022.

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

During the six months ended 31 January 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 31 January 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2023, the Group employed a total of around 530 (2022: 550) 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 period 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 (Virtual)	Organiser	Investor Base
October 2022	Post results non-deal roadshow	DBS	Hong Kong
October 2022	Post results non-deal roadshow	DBS	United States
November 2022	Post results non-deal roadshow	DBS	United States
December 2022	DBS Vickers Hong Kong Property and Logistics Conference Calls	DBS	Hong Kong/Singapore

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 INTERIM 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 Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2023, the accounting principles and practices adopted by the Company as well as the risk management, internal control and financial reporting matters.

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

Hong Kong, 21 March 2023

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.