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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 2022

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 2022 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2022

	Notes	Six months ended 31 January	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
TURNOVER	4	506,653	284,122
Cost of sales		(286,435)	(185,392)
Gross profit		220,218	98,730
Other revenue		15,759	81,062
Selling and marketing expenses		(7,248)	(10,004)
Administrative expenses		(142,711)	(143,186)
Other operating gains		7,737	69,665
Other operating expenses		(194,462)	(150,598)
LOSS FROM OPERATING ACTIVITIES	5	(100,707)	(54,331)
Finance costs	6	(28,497)	(30,721)
Share of profits and losses of joint ventures		(347)	2,384
LOSS BEFORE TAX		(129,551)	(82,668)
Tax	7	(4,261)	(3,600)
LOSS FOR THE PERIOD		(133,812)	(86,268)
Attributable to:			
Owners of the Company		(128,323)	(75,741)
Non-controlling interests		(5,489)	(10,527)
		(133,812)	(86,268)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		(HK\$0.086)	(HK\$0.051)
Diluted		(HK\$0.086)	(HK\$0.051)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2022

	Six months ended 31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(133,812)</u>	<u>(86,268)</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	981	(8,968)
Release of exchange reserve upon dissolution and deregistration of subsidiaries	<u>(176)</u>	<u>(265)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>805</u>	<u>(9,233)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(133,007)</u>	<u>(95,501)</u>
Attributable to:		
Owners of the Company	(128,010)	(81,862)
Non-controlling interests	<u>(4,997)</u>	<u>(13,639)</u>
	<u>(133,007)</u>	<u>(95,501)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2022

	<i>Notes</i>	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		242,511	266,715
Right-of-use assets		806,609	883,505
Film rights		11,675	15,109
Film and TV program products		56,914	54,838
Music catalogs		974	3,124
Goodwill		10,000	10,000
Other intangible assets		315	–
Investments in joint ventures		18,694	20,461
Financial assets at fair value through profit or loss		33,454	35,308
Deposits, prepayments, other receivables and other assets		126,939	119,037
Deferred tax assets		516	516
		1,308,601	1,408,613
Total non-current assets			
CURRENT ASSETS			
Films and TV programs under production and film investments		337,442	235,844
Inventories		13,938	5,203
Debtors	<i>10</i>	86,370	106,919
Financial assets at fair value through profit or loss		131,154	145,113
Deposits, prepayments, other receivables and other assets		191,472	174,493
Prepaid tax		199	–
Pledged time deposits		155,000	164,120
Cash and cash equivalents		1,210,005	1,476,796
		2,125,580	2,308,488
Total current assets			
CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	407,039	405,960
Deposits received and contract liabilities		124,588	205,067
Interest-bearing bank loans		107,970	107,950
Lease liabilities		204,239	217,110
Tax payable		124,871	121,129
		968,707	1,057,216
Total current liabilities			
NET CURRENT ASSETS		1,156,873	1,251,272
TOTAL ASSETS LESS CURRENT LIABILITIES		2,465,474	2,659,885

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2022

		31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,465,474</u>	<u>2,659,885</u>
NON-CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	8,019	8,019
Interest-bearing bank loans		44,899	53,831
Lease liabilities		949,745	1,050,823
Other borrowings		224,064	221,217
Deferred tax liabilities		<u>108</u>	<u>2,629</u>
Total non-current liabilities		<u>1,226,835</u>	<u>1,336,519</u>
Net assets		<u>1,238,639</u>	<u>1,323,366</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		<u>419,058</u>	<u>517,453</u>
Non-controlling interests		<u>1,164,985</u>	<u>1,263,380</u>
		<u>73,654</u>	<u>59,986</u>
Total equity		<u>1,238,639</u>	<u>1,323,366</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (“**Financial Statements**”) for the six months ended 31 January 2022 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 2021.

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000								
Segment revenue:										
Sales to external customers	147,244	163,534	135,362	57,235	223,940	61,074	107	2,279	506,653	284,122
Intersegment sales	–	–	3,282	3,019	1,335	146	757	881	5,374	4,046
Other revenue	1,633	1,556	537	2,527	9,443	64,767	495	7,374	12,108	76,224
Total	148,877	165,090	139,181	62,781	234,718	125,987	1,359	10,534	524,135	364,392
Elimination of intersegment sales									(5,374)	(4,046)
Total revenue									518,761	360,346
Segment results	10,634	21,575	11,839	13,200	(58,121)	(60,005)	(68,710)	(33,939)	(104,358)	(59,169)
Unallocated interest income									3,651	4,838
Loss from operating activities									(100,707)	(54,331)
Finance costs									(28,497)	(30,721)
Share of profits and losses of joint ventures	92	2,805	(437)	(463)	(2)	42	–	–	(347)	2,384
Loss before tax									(129,551)	(82,668)
Tax									(4,261)	(3,600)
Loss for the period									(133,812)	(86,268)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	31 January 2022 (Unaudited) <i>HK\$'000</i>	31 July 2021 (Audited) <i>HK\$'000</i>								
Segment assets	270,625	356,758	714,602	588,886	1,243,467	1,337,956	1,021,470	1,232,103	3,250,164	3,515,703
Investments in joint ventures	9,796	15,018	620	1,057	2,917	–	5,361	4,386	18,694	20,461
Unallocated assets									165,323	180,937
Total assets									3,434,181	3,717,101
Segment liabilities	94,380	134,911	304,976	367,812	1,246,287	1,340,446	47,987	43,810	1,693,630	1,886,979
Unallocated liabilities									501,912	506,756
Total liabilities									2,195,542	2,393,735

4. TURNOVER

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

	Six months ended 31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover from contracts with customers		
Entertainment event income	7,898	489
Distribution commission income, licence income from and sales of film and TV program products and film rights	132,877	57,118
Album sales, licence income and distribution commission income from music publishing and licensing	47,861	45,202
Box-office takings, concessionary income and related income from cinemas	223,940	61,074
Artiste management fee income	7,485	6,237
Advertising income	2,485	117
Sale of game products	84,000	111,606
Sale of merchandising products	107	2,279
	<u>506,653</u>	<u>284,122</u>
Timing of recognition of turnover from contracts with customers		
At a point in time	481,784	248,738
Over time	<u>24,869</u>	<u>35,384</u>
	<u>506,653</u>	<u>284,122</u>

5. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment [^]	24,978	27,491
Depreciation of right-of-use assets [^]	75,339	65,363
Amortisation of film rights [#]	3,434	3,849
Amortisation of film and TV program products [#]	168	26,208
Amortisation of music catalogs [#]	2,150	4,041
Impairment of debtors [*]	3,526	–
Write-back of impairment of advances and other receivables [@]	(2,458)	(189)
Impairment of amounts due from joint ventures [*]	677	1,006
Write-back of impairment of film rights [@]	–	(1,050)
Gain on disposal of an asset classified as held for sale [@]	–	(22,943)
Fair value losses/(gains) on financial assets at fair value through profit or loss ^{*/@}	8,041	(51)
Fair value change from film investments [@]	(2,363)	–
Foreign exchange gains, net [@]	(1,252)	(44,333)
Rent concessions related to COVID-19 ^{**}	(3,805)	(49,047)
Government grants ^{**}	(1,629)	(19,493)

[^] Depreciation charge of HK\$95,990,000 (six months ended 31 January 2021: HK\$88,242,000) 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on:		
Lease liabilities	23,712	25,193
Bank loans	1,075	1,873
Other borrowings	2,847	2,840
Amortisation of transaction fee for bank loans	88	88
Other finance costs	775	727
	<u>28,497</u>	<u>30,721</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 2022 and 31 January 2021. 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current		
– Hong Kong		
Charge for the period	2,103	1,721
Overprovision in prior periods	(147)	(33)
	<u>1,956</u>	<u>1,688</u>
– Mainland China		
Charge for the period	4,827	1,888
Overprovision in prior periods	(1)	(20)
	<u>4,826</u>	<u>1,868</u>
	6,782	3,556
Deferred tax	(2,521)	44
	<u>4,261</u>	<u>3,600</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 2021: 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 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.

The Group had no potential dilutive ordinary shares in issue during the six months ended 31 January 2021.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2022 (six months ended 31 January 2021: 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 2022 and 31 July 2021, is as follows:

	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
Trade debtors:		
Unbilled or neither past due nor impaired	67,173	72,671
1 to 90 days past due	10,531	29,019
Over 90 days past due	8,666	5,229
Total	86,370	106,919

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 31 January 2022 and 31 July 2021, is as follows:

	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	25,457	16,068
31 to 60 days	6,785	1,159
61 to 90 days	3,623	1,162
Over 90 days	<u>1,731</u>	<u>960</u>
	37,596	19,349
Other creditors and accruals	<u>377,462</u>	<u>394,630</u>
	415,058	413,979
Less: Portion classified as non-current	<u>(8,019)</u>	<u>(8,019)</u>
Current portion	<u><u>407,039</u></u>	<u><u>405,960</u></u>

12. COMPARATIVE FIGURES

Certain comparative amounts of the unaudited condensed consolidated income statement have been reclassified 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

On 23 February 2022, the Group entered into a tenancy agreement with a landlord in respect of the tenancy renewal of a cinema for a term of thirty-six months commencing on 1 February 2024. Details are set out in the announcement of the Company dated 23 February 2022.

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. Although vaccination programs have been launched on a massive scale in Hong Kong and Mainland China, the sector remains at the mercy of the coronavirus, with the recent new waves of Omicron COVID-19 variant infections affecting business confidence and the risks of future outbreaks ever present.

Due to the relaxation of social distancing measures and the release of a number of blockbuster movies, the cinema operation of the Group recovered gradually in 2021 from the worst of the COVID-19 pandemic. During the period under review, the Group's cinemas in Hong Kong were allowed to operate at 85% capacity for all screens before the surge of the fifth-wave COVID-19 cases in January 2022 and have been requested to close since 7 January 2022 as part of the government's ramped up measures to contain the spread of the Omicron variant. Cinemas in Mainland China re-opened in late July 2020 and the box office has shown a recovery in 2021 driven by the success of patriotic blockbusters. However, business performance of cinema operation in Hong Kong and Mainland China are still suffering from the social distancing measures such as restrictions on the seating capacity and food and beverage consumption within 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 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. The Group also secured the cinema site at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with one of major cinema operators in Hong Kong and the new cinema is expected to commence business in the third quarter of 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 outbreak of COVID-19 also posted unprecedented challenges to the media and entertainment industry, with entertainment spending affected severely by the accompanying social distancing measures. The entertainment consumption of the PRC markets started to recover amid the novel coronavirus epidemic. However, the recent surge of Omicron COVID-19 variant infections in Hong Kong posed a challenge to the local entertainment market. 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 focus on producing high quality and commercially viable products to rise to the challenge, 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 production of quality films with Chinese themes. The current production pipeline include “*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*” series, three psychological thriller each made up of three short stories produced by John Chong and Mathew Tang, and directed by Wesley Hoi, Fung Chih Chiang and Fruit Chan (Tales from the Occult I), 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).

“*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, will be scheduled for theatrical release in later stage.

The drama series “*Modern Dynasty*” started broadcasting in Alibaba’s Youku and TVB since January 2022 and have generated satisfactory viewership for the two platforms. “*Twin Shadows*”, a 24-episode modern-day drama series featuring Bosco Wong and Chrissie Chau, is under production. MAGHL Group is in discussion with various Chinese portals and video websites for new project development in TV drama production.

Congratulations to Joyce Cheng who just won the best female singer award and was voted the favorite female singer in Ultimate Song Chart Awards Presentation 2021. 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 distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Jay Fung, Yoga Lin and Tsai Chin are to be held in later stage in the hope of recovery after the pandemic situation.

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 owned by the Company as disclosed in the circular of the Company dated 24 April 2020. Up to 31 January 2022, approximately HK\$841.6 million have been used, including approximately HK\$366.0 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$157.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$68.6 million for general corporate uses. In light of the uncertainties around recent resurgent waves of COVID-19 cases on the 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 January 2022, the Group’s consolidated cash and bank deposits amounted to HK\$1,365.0 million (HK\$1,228.0 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 January 2022 amounted to 32.4% (31 July 2021: 30.3%). 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 2022, the Group recorded turnover of HK\$506.7 million, representing an increase of 78.3% from HK\$284.1 million for the same period of last year. During the period under review, the Group had three more cinemas in Hong Kong in operation, namely K11 Art House, MCL Citygate Cinema and MCL Amoy Cinema and the box office of its cinemas in Hong Kong recorded significant growth compared to the same period last year, especially during the holiday season before the surge of fifth-wave COVID-19 cases in January 2022. The drama series “*Modern Dynasty*” produced by MAGHL Group started broadcasting in Alibaba’s Youku and TVB since January 2022 and have generated satisfactory viewership. The gross profit increased by approximately 123.1% to HK\$220.2 million (2021: HK\$98.7 million).

The net loss attributable to owners of the Company for the six months ended 31 January 2022 was approximately HK\$128.3 million (2021: net loss of HK\$75.7 million). The increase in consolidated loss for the period under review is primarily due to (i) a significant reduction in government grants and rent concessions related to COVID-19; and (ii) the non-recurrence of a gain on disposal of asset classified as held for sale, during the period under review. Net loss per share attributable to owners of the Company was HK\$0.086 (2021: net loss of HK\$0.051 per share).

Equity attributable to owners of the Company as at 31 January 2022 amounted to HK\$1,165.0 million (31 July 2021: HK\$1,263.4 million). Net asset value per share attributable to owners of the Company as at 31 January 2022 was HK\$0.781 per share (31 July 2021: HK\$0.847 per share).

Cinema Operation

For the six months ended 31 January 2022, this segment recorded a turnover of HK\$223.9 million (2021: HK\$61.1 million) and segment results of a loss of HK\$58.1 million (2021: a loss of HK\$60.0 million). 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 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
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 six months ended 31 January 2022, this segment recorded a turnover of HK\$147.2 million (2021: HK\$163.5 million) and segment results of a profit decreased to HK\$10.6 million from that of HK\$21.6 million in the same period of last year.

Events Management

During the period under review, the Group organised and invested in 8 (2021: 1) show(s) by popular local renowned artistes, including Sammi Cheng, C AllStar, Joyce Cheng, Jay Fung and Eman Lam.

Music Production, Distribution and Publishing

For the six months ended 31 January 2022, the Group released 6 (2021: 9) albums, including titles by Sammi Cheng, Ivana Wong, C AllStar, Joyce Cheng and Jay Fung. 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.

Film and TV Program Production and Distribution

For the six months ended 31 January 2022, this segment recorded a turnover of HK\$135.4 million (2021: HK\$57.2 million) and segment results of a profit of HK\$11.8 million (2021: HK\$13.2 million).

During the period under review, a total of 2 (2021: 2) films produced/invested by the Group were theatrically released, namely “*American Girl*” and “*Fireflies in the Sun*”. The Group also distributed 10 (2021: 10) films and 133 (2021: 107) videos with high profile titles including “*American Girl*”, “*Fast & Furious 9*”, “*No Time to Die*” and “*Till We Meet Again*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2022, cash and bank balances held by the Group amounted to HK\$1,365.0 million (31 July 2021: HK\$1,640.9 million) of which around 83.6% was denominated in Hong Kong dollars (“**HKD**”) and United States dollars (“**USD**”), and around 15.3% 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 January 2022 was HK\$1,228.0 million (31 July 2021 (excluding MAGHL Group): HK\$1,345.4 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 January 2022, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$376.9 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 January 2022, the Group had secured general banking facilities granted by a bank. As at 31 January 2022, the Group had outstanding bank loans of HK\$152.9 million and utilised letter of credit and letter of guarantee facilities of HK\$1.6 million. The maturity profile of the Group's bank loans is spread with HK\$108.0 million repayable within one year and HK\$44.9 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD. The Group has the undrawn facilities of HK\$23.4 million as at 31 January 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\$111.0 million for the said unsecured other borrowings as at 31 January 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 January 2022.

MAGHL

As at 31 January 2022, MAGHL had an unsecured and interest-bearing loan from the Company of HK\$77.0 million. The loan is repayable in the third year. The loan is on floating rate basis and is denominated in HKD. The undrawn facility of MAGHL was HK\$123.0 million as at 31 January 2022.

Charge on Assets and Gearing

As at 31 January 2022, time deposits of HK\$155.0 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 January 2022, the consolidated net assets attributable to the owners of the Company amounted to HK\$1,165.0 million (31 July 2021: HK\$1,263.4 million). As at 31 January 2022, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company was 32.4%.

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.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2021.

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

During the six months ended 31 January 2022, 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 in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in the six months' period ended 31 January 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 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 January 2022, the Group employed a total of around 550 (2021: 530) 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 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

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 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 2022, 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, 22 March 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.