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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 2021

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 2021 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2021

		Six months ended 31 January	
		2021 (Unaudited)	2020 (Unaudited) (Restated)
	Notes	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
TURNOVER	4	284,122	511,383
Cost of sales		<u>(185,392)</u>	<u>(272,839)</u>
Gross profit		98,730	238,544
Other revenue		81,062	26,530
Selling and marketing expenses		(10,004)	(27,886)
Administrative expenses		(143,186)	(175,634)
Other operating expenses, net		<u>(80,933)</u>	<u>(292,908)</u>
LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	5	(54,331)	(231,354)
Finance costs	6	(30,721)	(43,418)
Share of profits and losses of joint ventures		2,384	(1,716)
Share of profits and losses of associates		<u>–</u>	<u>(3)</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(82,668)	(276,491)
Tax	7	<u>(3,600)</u>	<u>(18,646)</u>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(86,268)	(295,137)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	8	<u>–</u>	<u>(587,362)</u>
LOSS FOR THE PERIOD		<u><u>(86,268)</u></u>	<u><u>(882,499)</u></u>
Attributable to:			
Owners of the Company		(75,741)	(526,569)
Non-controlling interests		<u>(10,527)</u>	<u>(355,930)</u>
		<u><u>(86,268)</u></u>	<u><u>(882,499)</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*
For the six months ended 31 January 2021

		Six months ended	
		31 January	
		2021	2020
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic			
For loss for the period		<u><u>(HK\$0.051)</u></u>	<u><u>(HK\$0.353)</u></u>
For loss for the period from continuing operations		<u><u>(HK\$0.051)</u></u>	<u><u>(HK\$0.183)</u></u>
Diluted			
For loss for the period		<u><u>(HK\$0.051)</u></u>	<u><u>(HK\$0.353)</u></u>
For loss for the period from continuing operations		<u><u>(HK\$0.051)</u></u>	<u><u>(HK\$0.183)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2021

	Six months ended 31 January	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(86,268)	(882,499)
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	(8,968)	(431,649)
Share of other comprehensive income of joint ventures	–	452
Share of other comprehensive loss of associates	–	(9)
Release of exchange reserve upon dissolution of subsidiaries	(265)	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(9,233)	(431,206)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(95,501)	(1,313,705)
Attributable to:		
Owners of the Company	(81,862)	(758,706)
Non-controlling interests	(13,639)	(554,999)
	(95,501)	(1,313,705)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2021

	<i>Notes</i>	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		235,805	257,425
Right-of-use assets		729,327	786,397
Film rights		4,256	7,055
Film and TV program products		65,241	65,121
Music catalogs		4,543	8,584
Goodwill		10,000	10,000
Investments in joint ventures		13,791	15,979
Financial assets at fair value through profit or loss		37,535	37,793
Deposits, prepayments, other receivables and other assets		109,222	98,663
Deferred tax assets		2,121	2,121
		1,211,841	1,289,138
Total non-current assets			
CURRENT ASSETS			
Films and TV programs under production and film investments		409,584	313,384
Inventories		14,885	14,280
Debtors	11	99,074	94,682
Financial assets at fair value through profit or loss		153,155	153,083
Deposits, prepayments, other receivables and other assets		226,703	177,922
Prepaid tax		200	77
Pledged and restricted time deposits and bank balances		180,120	205,120
Cash and cash equivalents		1,622,195	1,613,979
		2,705,916	2,572,527
Assets classified as held for sale		–	8,057
		2,705,916	2,580,584
Total current assets			
CURRENT LIABILITIES			
Creditors and accruals	12	364,395	351,919
Deposits received and contract liabilities		346,631	261,044
Lease liabilities		195,592	192,576
Tax payable		113,368	112,845
Interest-bearing bank loans		107,930	107,910
		1,127,916	1,026,294
Total current liabilities			
NET CURRENT ASSETS		1,578,000	1,554,290
TOTAL ASSETS LESS CURRENT LIABILITIES		2,789,841	2,843,428

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 January 2021

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,789,841</u>	<u>2,843,428</u>
NON-CURRENT LIABILITIES		
Lease liabilities	908,715	985,821
Interest-bearing bank loans	62,764	71,696
Other borrowings	218,417	215,577
Deferred tax liabilities	145	101
Total non-current liabilities	<u>1,190,041</u>	<u>1,273,195</u>
Net assets	<u><u>1,599,800</u></u>	<u><u>1,570,233</u></u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	745,927	745,927
Reserves	766,532	851,506
	1,512,459	1,597,433
Non-controlling interests	<u>87,341</u>	<u>(27,200)</u>
Total equity	<u><u>1,599,800</u></u>	<u><u>1,570,233</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2021

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (“**Financial Statements**”) for the six months ended 31 January 2021 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 2020.

In addition, the Group has adopted the *Conceptual Framework for Financial Reporting 2018* and 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

For the period ended 31 January 2020, operating segments of property development, property investment and hotel and serviced apartment were classified as discontinued operations because of the Group’s disposal of Lai Fung Holdings Limited (“**Lai Fung**”) and its subsidiaries (together, the “**Lai Fung Group**”) on 14 May 2020. The segment information reported does not include any amounts for the discontinued operations during the period ended 31 January 2020, which are described in more details in note 8.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue/results:

	Six months ended 31 January									
	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Continuing operations										
Segment revenue:										
Sales to external customers	163,534	202,827	57,235	111,354	61,074	194,576	2,279	2,626	284,122	511,383
Intersegment sales	–	86	3,019	5,252	146	675	881	1,006	4,046	7,019
Other revenue	1,556	1,491	2,527	1,671	64,767	20,204	7,374	914	76,224	24,280
Total	<u>165,090</u>	<u>204,404</u>	<u>62,781</u>	<u>118,277</u>	<u>125,987</u>	<u>215,455</u>	<u>10,534</u>	<u>4,546</u>	<u>364,392</u>	<u>542,682</u>
Elimination of intersegment sales									(4,046)	(7,019)
Total revenue									<u>360,346</u>	<u>535,663</u>
Segment results	<u>21,575</u>	<u>20,543</u>	<u>13,200</u>	<u>(6,595)</u>	<u>(60,005)</u>	<u>(152,024)</u>	<u>(33,939)</u>	<u>(95,528)</u>	<u>(59,169)</u>	<u>(233,604)</u>
Unallocated interest income									4,838	2,250
Loss from operating activities from continuing operations									(54,331)	(231,354)
Finance costs									(30,721)	(43,418)
Share of profits and losses of joint ventures	2,805	869	(463)	(778)	42	–	–	(1,807)	2,384	(1,716)
Share of profits and losses of associates	–	(30)	–	27	–	–	–	–	–	(3)
Loss before tax from continuing operations									(82,668)	(276,491)
Tax									(3,600)	(18,646)
Loss for the period from continuing operations									<u>(86,268)</u>	<u>(295,137)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	Six months ended 31 January									
	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Continuing operations										
Impairment of property, plant and equipment	-	-	-	-	-	(97,050)	-	-	-	(97,050)

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Segment assets	334,889	337,944	886,678	763,534	1,133,981	1,168,707	1,355,407	1,382,427	3,710,955	3,652,612
Investments in joint ventures	8,855	11,599	1,484	1,947	43	-	3,409	2,433	13,791	15,979
Unallocated assets									193,011	193,074
Assets classified as held for sale									-	8,057
Total assets									<u>3,917,757</u>	<u>3,869,722</u>
Segment liabilities	97,874	119,289	499,201	382,044	1,152,706	1,234,088	65,552	55,939	1,815,333	1,791,360
Unallocated liabilities									<u>502,624</u>	<u>508,129</u>
Total liabilities									<u>2,317,957</u>	<u>2,299,489</u>

4. TURNOVER

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

	Six months ended 31 January	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) (Restated) <i>HK\$'000</i>
Turnover from contracts with customers		
Entertainment event income	489	66,886
Distribution commission income, licence fee income from and sales of film and TV program products and film rights	57,118	109,944
Album sales, licence income and distribution commission income from music publishing and licensing	45,202	43,847
Box-office takings, concessionary income and related income from cinemas	61,074	194,576
Artiste management fee income	6,237	7,413
Advertising income	117	1,410
Sale of game products	111,606	84,681
Sale of merchandising products	2,279	2,626
	284,122	511,383
Timing of recognition of turnover from contracts with customers		
At a point in time	248,738	487,917
Over time	35,384	23,466
	284,122	511,383

5. LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

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

	Six months ended 31 January	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) (Restated) <i>HK\$'000</i>
Depreciation of property, plant and equipment [^]	27,491	34,956
Depreciation of right-of-use assets [^]	65,363	84,948
Amortisation of film rights [#]	3,849	1,826
Amortisation of film and TV program products [#]	26,208	39,631
Amortisation of music catalogs [#]	4,041	3,666
Impairment of property, plant and equipment*	–	97,050
Impairment of amounts due from joint ventures*	1,006	1,071
Write-back of impairment of film rights*	(1,050)	(12,000)
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*	(51)	17,142
Foreign exchange differences, net*	(44,333)	8,067
	<u><u>30,721</u></u>	<u><u>43,418</u></u>

[^] Depreciation charge of HK\$88,242,000 (six months ended 31 January 2020: HK\$109,287,000) related to cinema operation is included in "Other operating expenses, net" 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, net" on the face of the unaudited condensed consolidated income statement.

6. FINANCE COSTS

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

	Six months ended 31 January	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) (Restated) <i>HK\$'000</i>
Interest on:		
Lease liabilities	25,193	24,921
Bank loans	1,873	2,128
Other borrowings	2,840	2,881
Loans from a fellow subsidiary	–	12,796
Amortisation of transaction fee for bank loans	88	100
Other finance costs	727	592
	<u><u>30,721</u></u>	<u><u>43,418</u></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 2021 and 31 January 2020. 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	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current		
– Hong Kong		
Charge for the period	1,721	829
Overprovision in prior periods	(33)	(96)
	<u>1,688</u>	<u>733</u>
– Mainland China		
Corporate income tax		
Charge for the period	1,888	20,733
Overprovision in prior periods	(20)	(150)
	<u>1,868</u>	<u>20,583</u>
	<u>3,556</u>	21,316
Deferred tax	<u>44</u>	<u>(2,670)</u>
Total tax charge for the period from continuing operations	3,600	18,646
Total tax charge for the period from discontinued operations	–	200,380
	<u>3,600</u>	<u>219,026</u>

8. DISCONTINUED OPERATIONS

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

On 14 May 2020, all conditions to the Offer have been fulfilled or waived by the Offeror and the Offer has been declared unconditional in all respects. The Group disposed of its entire equity interest in Lai Fung Group during the year ended 31 July 2020 and since then, the Lai Fung Group is no longer consolidated into the Group.

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

The results of the Lai Fung Group after fair value adjustments and intragroup eliminations are presented below:

	Period ended 31 January 2020 (Unaudited) HK\$'000
Turnover	595,992
Cost of sales	<u>(289,411)</u>
Gross profit	306,581
Other revenue	30,505
Selling and marketing expenses	(33,010)
Administrative expenses	(132,788)
Other operating expenses, net	(55,762)
Fair value losses on investment properties	(386,916)
Finance costs	(115,477)
Share of profits and losses of joint ventures	(107)
Share of profits and losses of associates	<u>(8)</u>
Loss before tax	(386,982)
Tax	<u>(200,380)</u>
Loss for the period from the discontinued operations	<u><u>(587,362)</u></u>
Attributable to:	
Owners of the Company	(254,158)
Non-controlling interests	<u>(333,204)</u>
	<u><u>(587,362)</u></u>

9. 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 2020: 1,491,854,598) in issue during the period.

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

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

The calculation of basic and diluted loss per share is based on:

	Six months ended 31 January	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation:		
From continuing operations	(75,741)	(272,411)
From discontinued operations	–	(254,158)
	<u>–</u>	<u>(526,569)</u>
Loss for the purpose of basic and diluted loss per share	<u>(75,741)</u>	<u>(526,569)</u>

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2021 (six months ended 31 January 2020: Nil).

11. 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.

11. DEBTORS (continued)

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at 31 January 2021 and 31 July 2020 is as follows:

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Trade debtors:		
Unbilled or neither past due nor impaired	76,535	59,979
1 to 90 days past due	18,999	25,133
Over 90 days past due	3,540	9,570
	<hr/>	<hr/>
Total	99,074	94,682
	<hr/> <hr/>	<hr/> <hr/>

12. 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 2021 and 31 July 2020, is as follows:

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	5,727	12,493
31 to 60 days	1,937	434
61 to 90 days	1,830	248
Over 90 days	2,162	1,488
	<hr/>	<hr/>
Other creditors and accruals	11,656	14,663
	352,739	337,256
	<hr/>	<hr/>
Total	364,395	351,919
	<hr/> <hr/>	<hr/> <hr/>

13. COMPARATIVE FIGURES

The comparative unaudited condensed consolidated income statement, related notes to this results announcement and operating segment information have been restated as if the operations discontinued on 14 May 2020 had been discontinued at the beginning of the comparative period (note 8).

14. EVENT AFTER THE REPORTING PERIOD

On 25 January 2021, the Group and U A Cinema Circuit Limited (“UA”) entered into an asset sale and purchase agreement that the Group has conditionally agreed to purchase the cinema related assets at a consideration of HK\$56,000,000. On the same date, the Group, UA and Hong Kong Island Development Limited entered into a novation and amendment agreement that the Group has conditionally agreed to take all of the estate, rights, title, benefits and interest of the tenancy agreement for L4 and L5 of K11 MUSEA, Tsim Sha Tsui, Kowloon. As at 31 January 2021, initial deposit of HK\$5,600,000 was paid. The completion of the transactions took place in early March 2021. Details are set out in a joint announcement of the Company, LSD and LSG dated 25 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

2020 has been one of the toughest years in the history of the entertainment industry marked by the global coronavirus (COVID-19) pandemic. Although vaccination programs have been launched on massive scales by various governments, mass immunisation will take time. Therefore, it is anticipated that the COVID-19 containment measures will continue in the near term.

The disruption of cinema operation of the Group continued during the six months ended 31 January 2021. The Group's cinemas in Hong Kong have been requested to close three times for over 160 days since the outbreak of COVID-19 in early 2020. The latest mandatory closure when the fourth wave of COVID-19 emerged from 2 December 2020 to 17 February 2021 throughout the holiday seasons has inevitably impacted the Group's box office performance for the period under review. Cinemas in Mainland China re-opened in late July 2020 after being closed for over 5 months and the box office has shown a signal of recovery. However, business performance of cinema operation in Hong Kong and Mainland China are still suffering from the delay in releases of blockbuster movies and the social distancing measures such as restrictions on the seating capacity and food and beverages 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 long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong. In March 2021, the Group took over the site in K11 MUSEA in Tsim Sha Tsui, Kowloon that was previously operated by U A Cinema Circuit Limited and the cinema named K11 Art House started the business on 6 March 2021. The K11 Art House with 12 houses and a total of 1,708 seats is the first cinema in Hong Kong that uses IMAX laser, equipped with all the latest audiovisual technology, such as IMAX 12-channel IMMERSIVE Sound system and 4K RGB Laser for an extraordinary theatrical effect. The Group also secured the cinema site at The ONE, 100 Nathan Road in Tsim Sha Tsui, Kowloon and the operation is expected to commence in April 2023. The Group is closely monitoring the market conditions in Hong Kong and Mainland China and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

The outbreak of novel COVID-19 also posted unprecedented challenges to the media and entertainment industry, with entertainment spending affected severely by the accompanying economic recession and social distancing measures. In light of the unstable business environment in the near term, 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, is focusing on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedures. As the consumption of online content has substantially increased in areas of streaming platforms and e-commerce as a result of pandemic lockdown measures and social distancing policies, it is believed that there are opportunities in online e-commerce and influencer market which **MAGHL Group** has been directing its resources towards development of related businesses.

MAGHL Group continues to invest in original production of quality films with Chinese themes. The current production pipeline include “*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, and “*Tales from the Occult*”, a psychological thriller made up of three short stories produced by John Chong and Mathew Tang, and directed by Wesley Hoi, Fung Chih Chiang and Fruit Chan.

A 52 episode romance drama series “*New Horizon*” starring Zheng Kai and Chen Chiao-en, is in the post-production stage. Projects under production include “*Modern Dynasty*”, a 30 episode modern-day drama series tailor-made for Alibaba’s Youku platforms. MAGHL Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence of MAGHL Group’s music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide it with stable income contribution. During the period under review, MAGHL Group set up a joint venture namely “Cool Style Talent Management Limited” with One Cool Group to expand its artiste management business. Other shareholders of Cool Style Talent Management Limited include model and actress Angelababy Yeung Wing and film director Stephen Fung Tak Lun. 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.

Several concerts of MAGHL Group have been postponed due to the public health concerns. MAGHL Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Eman Lam.

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 China entertainment market with a balanced and synergistic approach. The Group is monitoring market conditions closely and will take a prudent approach to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

The clawback offer (“**Clawback Offer**”) and the placing (“**Placing**”) in relation to the loan capitalisation proposal jointly announced by the Company together with MAGHL, Lai Sun Development Company Limited and Lai Sun Garment (International) Limited on 6 November 2020 were completed on 18 January 2021. The net proceeds received by the Company from the Clawback Offer and the Placing are approximately HK\$126.3 million after deducting the direct transaction costs incurred in the Clawback Offer and the Placing, and the Group placed the net proceeds together with the net proceeds of HK\$1,515.9 million from the disposal of all shares of Lai Fung Holdings Limited (“**Lai Fung**”, together with its subsidiaries, “**Lai Fung Group**”) owned by the Company (“**LF Disposal**”) as disclosed in the circular of the Company dated 24 April 2020. Up to 31 January 2021, approximately HK\$473.8 million have been used, including approximately HK\$141.0 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$39.8 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$43.0 million for general corporate usages. In light of the uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Group will continue to adopt a cautious approach and evaluate its business objectives from time to time and may make modifications against the changing market conditions.

As at 31 January 2021, the Group's consolidated cash and bank deposits amounted to HK\$1,802.3 million (HK\$1,535.5 million excluding MAGHL Group) (31 July 2020: HK\$1,819.1 million (HK\$1,501.4 million excluding MAGHL Group)) and the debt to equity ratio as at 31 January 2021 amounted to 25.7% (31 July 2020: 24.7%). The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF INTERIM RESULTS

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

For the six months ended 31 January 2021, the continuing operations of the Group recorded a turnover of HK\$284.1 million, representing a decrease of 44.4% from the restated figure of HK\$511.4 million for the same period of last year. The gross profit dropped by approximately 58.6% to HK\$98.7 million (2020 (restated): HK\$238.5 million).

The net loss attributable to owners of the Company from the continuing operations of the Group for the six months ended 31 January 2021 was approximately HK\$75.7 million (2020 (restated): net loss of HK\$272.4 million). The decrease in consolidated loss for the period under review is primarily due to the rent concessions granted by certain landlords for cinema operation and the absence of impairment of certain property, plant and equipment during the period under review as compared to the same period of last year. Net loss per share attributable to owners of the Company from the continuing operations of the Group was HK\$0.051 (2020 (restated): net loss of HK\$0.183 per share).

Equity attributable to owners of the Company as at 31 January 2021 amounted to HK\$1,512.5 million (31 July 2020: HK\$1,597.4 million). Net asset value per share attributable to owners of the Company as at 31 January 2021 was HK\$1.014 per share (31 July 2020: HK\$1.071 per share).

Cinema Operation

For the six months ended 31 January 2021, this segment recorded a turnover of HK\$61.1 million (2020: HK\$194.6 million) and segment results of a loss of HK\$60.0 million (2020 (restated): a loss of HK\$152.0 million). The box office performance of the Group has been severely affected by cinema closures and the delay in major blockbuster movies amidst the global COVID-19 pandemic. As at the date of this results announcement, the Group operates twelve 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
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		67	9,735
Total		89	12,686

Note: On 100% basis

Media and Entertainment

For the six months ended 31 January 2021, this segment recorded a turnover of HK\$163.5 million (2020: HK\$202.8 million) and segment results increased slightly to HK\$21.6 million from that of HK\$20.5 million in the same period of last year.

Live Entertainment

During the period under review, the Group organised and invested in 1 (2020: 39) show(s).

Music Production, Distribution and Publishing

For the six months ended 31 January 2021, the Group released 9 (2020: 12) albums, including titles by Sammi Cheng, Andy Leung, Chan Kin On, Jay Fung and Nowhere Boys. 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.

Film and TV Program Production and Distribution

For the six months ended 31 January 2021, this segment recorded a turnover of HK\$57.2 million (2020: HK\$111.4 million) and segment results of a profit of HK\$13.2 million (2020: a loss of HK\$6.6 million).

During the period under review, a total of 2 films produced/invested by the Group were theatrically released, namely “*I’m Livin’ It*” and “*The Calling of A Bus Driver*”. The Group also distributed 10 (2020: 17) films and 107 (2020: 179) videos with high profile titles including “*Doraemon: Nobita’s New Dinosaur*”, “*Onward*”, “*Greenland*” and “*Trolls World Tour*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2021, cash and bank balances held by the Group amounted to HK\$1,802.3 million (31 July 2020: HK\$1,819.1 million) of which around 80.8% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) currencies, and around 18.5% 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 2021 was HK\$1,535.5 million (31 July 2020 (excluding MAGHL Group): HK\$1,501.4 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges 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 2021, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$389.1 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 January 2021, the Group had secured general banking facilities granted by a bank. As at 31 January 2021, the Group had outstanding bank loans of HK\$170.7 million and utilised letter of credit and letter of guarantee facilities of HK\$1.7 million. The maturity profile of the Group's bank loans is spread with HK\$107.9 million repayable within 1 year, HK\$17.8 million repayable in the second year and HK\$45.0 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD. The Group has the undrawn facilities of HK\$23.3 million as at 31 January 2021.

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\$105.4 million for the said unsecured other borrowings as at 31 January 2021. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2021.

MAGHL

MAGHL had no outstanding loans as at 31 January 2021.

Charge on Assets and Gearing

As at 31 January 2021, time deposits and bank balances of approximately HK\$180.1 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 January 2021, the consolidated net assets attributable to the owners of the Company amounted to HK\$1,512.5 million (31 July 2020: HK\$1,597.4 million). As at 31 January 2021, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company, was approximately 25.7%.

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 2020.

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

During the six months ended 31 January 2021, 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 (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) throughout the six months ended 31 January 2021 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 22 January 2019 (“**Nomination Policy**”) for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2021, the Group employed a total of around 530 (excluding Lai Fung Group) (2020: 2,770 (including Lai Fung Group)) 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 pro-active 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.

During the period under review, certain investor relations activities have been postponed or cancelled due to the global COVID-19 pandemic. The Group maintains proactive interactions with the investment community via conference calls and virtual events and provides them with updates on the Group’s operations, financial performance and outlook. 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 INEDs, 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 2021, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

By order of the Board
Low Chee Keong
Chairman

Hong Kong, 23 March 2021

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