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eSun Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 571)

**Announcement of Final Results
for the Year Ended 31 July 2020**

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of eSun Holdings Limited (“**Company**”) announces the consolidated results of the Company and its subsidiaries (“**Group**”) for the year ended 31 July 2020 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000 (Restated)
CONTINUING OPERATIONS			
TURNOVER	4	929,156	1,450,189
Cost of sales		<u>(627,262)</u>	<u>(971,334)</u>
Gross profit		301,894	478,855
Other revenue		94,987	41,966
Selling and marketing expenses		(31,686)	(31,368)
Administrative expenses		(328,689)	(347,095)
Other operating expenses, net		<u>(877,234)</u>	<u>(430,754)</u>
LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		(840,728)	(288,396)
Finance costs	5	(79,984)	(53,643)
Share of profits and losses of joint ventures		(2,237)	(3,422)
Share of profits and losses of associates		<u>—</u>	<u>827</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(922,949)	(344,634)
Tax	7	<u>(79,262)</u>	<u>(3,077)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(1,002,211)	(347,711)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	8	<u>(8,150,401)</u>	365,816
PROFIT/(LOSS) FOR THE YEAR		<u>(9,152,612)</u>	<u>18,105</u>
Attributable to:			
Owners of the Company		(8,585,404)	(77,645)
Non-controlling interests		<u>(567,208)</u>	<u>95,750</u>
		<u>(9,152,612)</u>	<u>18,105</u>

CONSOLIDATED INCOME STATEMENT *(continued)**Year ended 31 July 2020*

	<i>Notes</i>	2020	2019
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic			
For loss for the year		<u><u>(HK\$5.755)</u></u>	<u><u>(HK\$0.052)</u></u>
For loss for the year from continuing operations		<u><u>(HK\$0.621)</u></u>	<u><u>(HK\$0.197)</u></u>
Diluted			
For loss for the year		<u><u>(HK\$5.755)</u></u>	<u><u>(HK\$0.052)</u></u>
For loss for the year from continuing operations		<u><u>(HK\$0.621)</u></u>	<u><u>(HK\$0.197)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 July 2020*

	2020 HK\$'000	2019 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	(9,152,612)	18,105
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	(764,209)	(277,434)
Share of other comprehensive income/(loss) of joint ventures	(41)	10,912
Share of other comprehensive loss of associates	(13)	(20)
Release of exchange reserve upon disposal of/ winding-up of subsidiaries	1,150,216	(10,636)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	385,953	(277,178)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(8,766,659)</u>	<u>(259,073)</u>
Attributable to:		
Owners of the Company	(7,832,163)	(222,600)
Non-controlling interests	<u>(934,496)</u>	<u>(36,473)</u>
	<u>(8,766,659)</u>	<u>(259,073)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		257,425	4,931,149
Right-of-use assets		786,397	—
Properties under development		—	713,590
Investment properties		—	20,424,800
Film rights		7,055	24,608
Film and TV program products		65,121	75,022
Music catalogs		8,584	15,629
Goodwill		10,000	82,440
Investments in joint ventures		15,979	22,993
Investments in associates		—	5,804
Financial assets at fair value through profit or loss		37,793	75,815
Deposits, prepayments, other receivables and other assets		98,663	96,237
Deferred tax assets		2,121	9,108
Derivative financial instruments		—	20,581
Total non-current assets		<u>1,289,138</u>	<u>26,497,776</u>
CURRENT ASSETS			
Properties under development		—	1,815,822
Completed properties for sale		—	966,132
Films and TV programs under production and film investments		313,384	417,242
Inventories		14,280	19,031
Debtors	10	94,682	232,507
Financial assets at fair value through profit or loss		153,083	144,936
Deposits, prepayments, other receivables and other assets		177,922	637,799
Prepaid tax		77	42,031
Pledged and restricted time deposits and bank balances		205,120	1,173,895
Cash and cash equivalents		<u>1,613,979</u>	<u>2,598,020</u>
		<u>2,572,527</u>	<u>8,047,415</u>
Assets classified as held for sale		<u>8,057</u>	<u>68,186</u>
Total current assets		<u>2,580,584</u>	<u>8,115,601</u>
CURRENT LIABILITIES			
Creditors and accruals	11	351,919	2,577,378
Deposits received and contract liabilities	12	261,044	875,415
Lease liabilities		192,576	—
Tax payable		112,845	170,344
Interest-bearing bank loans		107,910	535,980
Other borrowings		—	41,440
Loans from a fellow subsidiary		—	900,000
Total current liabilities		<u>1,026,294</u>	<u>5,100,557</u>
NET CURRENT ASSETS		<u>1,554,290</u>	<u>3,015,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,843,428</u>	<u>29,512,820</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 July 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,843,428	29,512,820
NON-CURRENT LIABILITIES			
Lease liabilities		985,821	—
Long-term deposits received	12	—	147,876
Interest-bearing bank loans		71,696	5,554,150
Other borrowings		215,577	262,894
Loans from a fellow subsidiary		—	50,000
Guaranteed notes		—	2,720,857
Deferred tax liabilities		101	3,351,747
Total non-current liabilities		1,273,195	12,087,524
Net assets		1,570,233	17,425,296
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		851,506	8,352,694
		1,597,433	9,098,621
Non-controlling interests		(27,200)	8,326,675
Total equity		1,570,233	17,425,296

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 July 2020

1. BASIS OF PREPARATION

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction, derivative financial instruments and certain financial assets, which have been measured at fair value. The non-current assets classified as held for sale are stated at the lower of its carrying amount and fair value less costs to sell. The financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group has applied HKFRS 16 and Amendments to HKAS 28 for the first time and early adopted Amendment to HKFRS 16 in the current year’s financial statements. Except for HKFRS 16, Amendment to HKFRS 16 and Amendments to HKAS 28, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 August 2019, and the comparative information for prior periods was not restated and continued to be reported under HKAS 17 and related interpretations.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 Leases *(continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of cinema properties, other properties and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate at 1 August 2019. The weighted average incremental borrowing rate applied at 1 August 2019 was about 4.0%. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. In addition, leasehold land previously included in property, plant and equipment on the consolidated statement of financial position as at 31 July 2019 were reclassified to the right-of-use assets on 1 August 2019. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 August 2019. They continue to be measured at fair value applying HKAS 40.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 Leases *(continued)*

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

Financial impact at 1 August 2019

The impacts arising from the adoption of HKFRS 16 as at 1 August 2019 are as follows:

	Increase/(decrease) <i>HK\$ '000</i>
Assets	
Property, plant and equipment	(1,382,376)
Right-of-use assets	2,376,976
Deposits, prepayments, other receivables and other assets	(860)
Total assets	<u>993,740</u>
Liabilities	
Creditors and accruals	(39,361)
Lease liabilities	1,033,101
Total liabilities	<u>993,740</u>

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 is as follows:

	<i>HK\$ '000</i>
Operating lease commitments as at 31 July 2019	1,113,092
Add: Payments for optional extension periods not recognised as at 31 July 2019	118,660
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 July 2020 and commitments relating to leases of low-value assets	(3,496)
Less: Total future interest expenses	(195,155)
Lease liabilities as at 1 August 2019	<u>1,033,101</u>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has early adopted amendment to HKFRS 16 *Covid-19-Related Rent Concessions* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the year ended 31 July 2020, certain lease payments for the lease of the Group's cinema properties have been waived by the lessors as a result of the Covid-19 pandemic. The Group has early adopted the amendment on 1 August 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the year ended 31 July 2020. Accordingly, a reduction in lease payments arising from the rent concessions of HK\$40,857,000 has been accounted for as other revenue and credited to the consolidated income statement for the year ended 31 July 2020.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 August 2019 based on the facts and circumstances that existed on that date using the transitional requirements in the amendments. The adoption of the amendments on 1 August 2019 resulted in reclassification of HK\$15,529,000 from share of net liabilities of associates to provision for impairment losses and HK\$41,138,000 from share of net liabilities of joint ventures to provision for impairment losses. There is no impact on the net balances of the investments in associates and investments in joint ventures. The Group applies the relief from restating comparative information for prior periods upon adoption of the amendments.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Continuing operations										
Segment revenue:										
Sales to external customers	326,604	591,795	370,215	325,996	229,274	521,259	3,063	11,139	929,156	1,450,189
Intersegment sales	128	100	6,231	14,524	516	1,551	1,949	2,381	8,824	18,556
Other revenue	2,563	8,827	3,935	2,988	76,942	25,083	5,091	1,172	88,531	38,070
Total	<u>329,295</u>	<u>600,722</u>	<u>380,381</u>	<u>343,508</u>	<u>306,732</u>	<u>547,893</u>	<u>10,103</u>	<u>14,692</u>	<u>1,026,511</u>	<u>1,506,815</u>
Elimination of intersegment sales									(8,824)	(18,556)
Total revenue									<u>1,017,687</u>	<u>1,488,259</u>
Segment results	<u>(5,770)</u>	<u>65,068</u>	<u>(80,068)</u>	<u>(119,439)</u>	<u>(534,984)</u>	<u>(100,789)</u>	<u>(153,922)</u>	<u>(137,132)</u>	<u>(774,744)</u>	<u>(292,292)</u>
Unallocated interest income									6,456	3,896
Impairment of goodwill	–	–	–	–	(72,440)	–	–	–	(72,440)	–
Loss from operating activities from continuing operations									(840,728)	(288,396)
Finance costs									(79,984)	(53,643)
Share of profits and losses of joint ventures	(155)	(144)	243	(1,586)	–	–	(2,325)	(1,692)	(2,237)	(3,422)
Share of profits and losses of associates	–	(68)	–	432	–	463	–	–	–	827
Loss before tax from continuing operations									(922,949)	(344,634)
Tax									(79,262)	(3,077)
Loss for the year from continuing operations									<u>(1,002,211)</u>	<u>(347,711)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segments assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)		(Restated)
Segment assets	337,944	433,816	763,534	877,035	1,168,707	647,469	1,382,427	134,607	3,652,612	2,092,927
Investments in joint ventures	11,599	17,804	1,947	2,071	–	–	2,433	1,801	15,979	21,676
Unallocated assets									193,074	229,859
Assets classified as held for sale									8,057	–
Assets related to discontinued operations									–	32,268,915
Total assets									<u>3,869,722</u>	<u>34,613,377</u>
Segment liabilities	119,289	181,195	382,044	417,061	1,234,088	205,151	55,939	46,022	1,791,360	849,429
Unallocated liabilities									508,129	1,277,037
Liabilities related to discontinued operations									–	15,061,615
Total liabilities									<u>2,299,489</u>	<u>17,188,081</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)		(Restated)
Continuing operations										
Gain on disposal of subsidiaries	–	–	–	(4,720)	–	–	–	–	–	(4,720)
Gain on disposal of an associate	–	–	–	–	–	(19,705)	–	–	–	(19,705)
Depreciation of property, plant and equipment	1,340	1,587	508	1,508	56,259	64,699	1,210	3,341	59,317	71,135
Depreciation of right-of-use assets	4,656	–	6,501	–	157,844	–	6,743	–	175,744	–
Loss/(gain) on disposal of items of property, plant and equipment	30	28	4	–	(24)	39	–	(15)	10	52
Impairment of property, plant and equipment	638	–	273	–	94,832	40,850	1,507	–	97,250	40,850
Impairment of right-of-use assets	2,954	–	5,292	–	294,703	–	6,331	–	309,280	–
Impairment of films and TV programs under production	–	–	12,439	64,310	–	–	–	–	12,439	64,310
Amortisation of film rights	–	–	29,689	6,357	–	–	–	–	29,689	6,357
Amortisation of film and TV program products	–	–	128,011	69,019	–	–	–	–	128,011	69,019
Amortisation of music catalogs	7,045	2,870	–	–	–	–	–	–	7,045	2,870
Write-back of impairment of music catalogs	–	(8,842)	–	–	–	–	–	–	–	(8,842)
Write-back of impairment of film rights	–	–	(12,000)	(18,000)	–	–	–	–	(12,000)	(18,000)
Amortisation of other intangible assets	–	–	–	586	–	–	–	–	–	586
Impairment of advances and other receivables	5,530	3,184	16,065	18,486	–	539	775	–	22,370	22,209
Impairment of debtors	7,416	693	128	–	–	–	–	–	7,544	693
Write-back of impairment of advances and other receivables	(297)	(251)	–	(316)	–	–	–	–	(297)	(567)
Impairment of amounts due from joint ventures	703	1,763	765	–	–	–	–	–	1,468	1,763
Impairment of inventories	59	2,319	2,466	161	20	–	–	–	2,545	2,480
Additions of property, plant and equipment	491	4,798	142	725	59,723	65,368	359	2,399	60,715	73,290
Additions of film rights	–	–	136	1,760	–	–	–	–	136	1,760
Additions of film and TV program products, net	–	–	1,655	2	–	–	–	–	1,655	2
Additions of films and TV programs under production and film investments	–	–	155,297	245,585	–	–	–	–	155,297	245,585
Additions of right-of-use assets	1,656	–	2,563	–	123,180	–	10,297	–	137,696	–

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)				(Restated)
Revenue:								
Sales to external customers from continuing operations	479,224	1,020,704	402,731	352,928	47,201	76,557	929,156	1,450,189
Assets:								
Segment assets:								
– non-current assets	1,210,533	581,132	38,039	101,937	652	9,817	1,249,224	692,886
– current assets	1,884,411	1,107,954	524,559	294,455	10,397	19,308	2,419,367	1,421,717
Unallocated assets							193,074	229,859
Assets classified as held for sale							8,057	–
Assets related to discontinued operations							–	32,268,915
Total assets							3,869,722	34,613,377
Other information:								
Additions of property, plant and equipment	60,084	65,178	539	7,833	92	279	60,715	73,290
Additions of film rights	136	1,760	–	–	–	–	136	1,760
Additions of film and TV program products, net	1,655	2	–	–	–	–	1,655	2
Additions of films and TV programs under production and film investments	13,694	70,766	141,603	174,819	–	–	155,297	245,585

Information about major customers:

Revenue from one (2019: one) customer which accounted for revenue exceeding 10% of the Group's total revenue from continuing operations amounted to approximately HK\$116,690,000 for the year ended 31 July 2020 (2019: HK\$159,945,000).

4. TURNOVER

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

	2020 HK\$'000	2019 HK\$'000 (Restated)
Turnover from contracts with customers		
Entertainment event income	68,922	309,321
Distribution commission income from, licence fee income from and sales of film and TV program products and film rights	368,548	320,965
Album sales, licence income and distribution commission income from music publishing and licensing	89,197	86,609
Box-office takings, concessionary income and related income from cinemas	229,274	521,259
Artiste management fee income	11,965	18,900
Advertising income	1,667	5,031
Sale of game products	156,520	176,965
Sale of merchandising products	3,063	11,139
	929,156	1,450,189
Timing of revenue recognition		
At a point in time	858,556	1,393,455
Over time	70,600	56,734
Total turnover from contracts with customers	929,156	1,450,189

5. FINANCE COSTS

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

	2020 HK\$'000	2019 HK\$'000 (Restated)
Interest on:		
Lease liabilities	50,978	—
Bank loans	4,538	4,573
Other borrowings	5,689	5,766
Loans from a fellow subsidiary	17,305	41,436
Amortisation of transaction fee for bank loans	187	223
Other finance costs	1,287	1,645
Total finance costs	79,984	53,643

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2020 HK\$'000	2019 HK\$'000 (Restated)
Cost of film rights, licence rights and film and TV program products	324,814	347,347
Cost of artiste management services and services for entertainment events provided	77,353	268,671
Cost of theatrical releasing and concessionary sales	83,250	187,365
Cost of inventories sold	141,845	167,951
Total cost of sales	627,262	971,334
Depreciation of property, plant and equipment^	59,317	71,135
Depreciation of right-of-use assets^	175,744	—
Impairment of goodwill*	72,440	—
Impairment of property, plant and equipment*	97,250	40,850
Impairment of right-of-use assets*	309,280	—
Write-off of items of property, plant and equipment*	267	653
Impairment of films and TV programs under production#	12,439	64,310
Fair value change from film investments*	5,014	—
Fair value change from entertainment events organised by co-investors*	(2,962)	(9,109)
Amortisation of film rights#	29,689	6,357
Amortisation of film and TV program products#	128,011	69,019
Amortisation of music catalogs#	7,045	2,870
Amortisation of other intangible assets#	—	586
Impairment of debtors*	7,544	693
Impairment of advances and other receivables*	22,370	22,209
Write-back of impairment of advances and other receivables*	(297)	(567)
Impairment of amounts due from joint ventures*	1,468	1,763
Write-back of impairment of music catalogs*	—	(8,842)
Write-back of impairment of film rights*	(12,000)	(18,000)
Gain on disposal of subsidiaries*	—	(4,720)
Gain on disposal of an associate*	—	(19,705)
Fair value losses on financial assets at fair value through profit or loss*	19,177	12,758
Loss on disposal of items of property, plant and equipment*	10	52
Impairment of inventories#	2,545	2,480
Foreign exchange differences, net*	8,261	9,900

* These items are included in “Other operating expenses, net” on the face of the consolidated income statement.

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

^ Depreciation charge of HK\$214,103,000 (2019: HK\$64,699,000) related to cinema operation is included in “Other operating expenses, net” on the face of the consolidated income statement.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Current		
– Hong Kong		
Charge for the year	2,083	4,533
Overprovision in prior years	(504)	(22)
	<u>1,579</u>	<u>4,511</u>
– Mainland China		
Corporate income tax		
Charge for the year	70,656	3,234
Underprovision/(overprovision) in prior years	(57)	380
	<u>70,599</u>	<u>3,614</u>
	72,178	8,125
Deferred tax	<u>7,084</u>	(5,048)
Total tax charge for the year from continuing operations	79,262	3,077
Total tax charge for the year from discontinued operations	<u>113,976</u>	309,890
	<u><u>193,238</u></u>	<u><u>312,967</u></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 Holdings Limited (“Lai Fung”) (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the Lai Fung shares owned by the Company, and to cancel all the outstanding share options of Lai Fung. The offer price for each Lai Fung share is HK\$8.99 in cash. Details of which are set out in a joint announcement of the Company, Lai Sun Garment (International) Limited, LSD, Lai Fung and the Offeror dated 21 February 2020.

On 14 May 2020, all conditions to the Offer 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 and since then, Lai Fung and its subsidiaries (“Lai Fung Group”) is no longer consolidated into the Group.

8. DISCONTINUED OPERATIONS *(continued)*

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

The results of the Lai Fung Group after fair value adjustments and intragroup eliminations for the period from 1 August 2019 to 14 May 2020 and the year ended 31 July 2019 and the effect of the disposal of Lai Fung Group are presented below:

	Period from 1 August 2019 to 14 May 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
Turnover	820,042	1,453,173
Cost of sales	(399,243)	(557,084)
Gross profit	420,799	896,089
Other revenue	42,042	58,966
Selling and marketing expenses	(46,819)	(60,469)
Administrative expenses	(203,497)	(241,253)
Other operating expenses, net	(239,853)	(60,111)
Fair value gains/(losses) on investment properties	(564,880)	211,500
Finance costs	(184,727)	(106,974)
Share of profits and losses of joint ventures	(145)	(22,002)
Share of profits and losses of associates	(317)	(40)
Profit/(loss) before tax	(777,397)	675,706
Tax	(113,976)	(309,890)
Profit/(loss) for the period/year	(891,373)	365,816
Loss on disposal of subsidiaries	(7,259,028)	—
Profit/(loss) for the period/year from the discontinued operations	<u>(8,150,401)</u>	<u>365,816</u>
Attributable to:		
Owners of the Company	(7,658,961)	216,236
Non-controlling interests	(491,440)	149,580
	<u>(8,150,401)</u>	<u>365,816</u>

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2019: 1,491,854,598) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to the owners of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year as used in the basic loss per share calculation.

The impact of share options of Lai Fung has an anti-dilutive effect on the basic loss per share amount presented during the year ended 31 July 2020.

The impact of the share options of the Company had an anti-dilutive effect on the basic loss per share amounts presented for the year ended 31 July 2019.

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

	2020 HK\$'000	2019 HK\$'000 (Restated)
Profit/(loss) attributable to owners of the Company, used in the basic loss per share calculation:		
From continuing operations	(926,443)	(293,881)
From discontinued operations	(7,658,961)	216,236
Loss for the purpose of basic loss per share	<u>(8,585,404)</u>	<u>(77,645)</u>
Profit/(loss) attributable to owners of the Company, used in the diluted loss per share calculation:		
From continuing operations	(926,443)	(293,881)
Profit/(loss) from discontinued operations used in the basic loss per share calculation	(7,658,961)	216,236
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of discontinued operations based on dilution of its earnings per share*	—	(167)
From discontinued operations	(7,658,961)	216,069
Loss for the purpose of diluted loss per share	<u>(8,585,404)</u>	<u>(77,812)</u>

* Balance for the year ended 31 July 2019 represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK\$167,000 assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.

10. DEBTORS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors	111,288	241,917
Impairment	<u>(16,606)</u>	<u>(9,410)</u>
	<u>94,682</u>	<u>232,507</u>

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

The Lai Fung Group maintained various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties were settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties were receivable from tenants, and were normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartment charges were mainly settled by customers on a cash basis except for those corporate clients who maintained credit accounts with the Lai Fung Group, the settlement of which was in accordance with the respective agreements. Debtors of the Lai Fung Group were interest-free.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors:		
Unbilled or neither past due nor impaired	59,979	133,404
1 to 90 days past due	25,133	84,424
Over 90 days past due	<u>9,570</u>	<u>14,679</u>
Total	<u>94,682</u>	<u>232,507</u>

11. CREDITORS AND ACCRUALS

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

	2020 HK\$'000	2019 HK\$'000
Trade creditors:		
Less than 30 days	12,493	959,287
31 to 60 days	434	4,390
61 to 90 days	248	5,734
Over 90 days	1,488	8,456
	<u>14,663</u>	<u>977,867</u>
Other creditors and accruals	337,256	1,319,791
Put option liabilities	—	279,720
	<u>—</u>	<u>—</u>
Total	<u>351,919</u>	<u>2,577,378</u>

12. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

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

	2020 HK\$'000	2019 HK\$'000
Deposits received	52,746	488,054
Contract liabilities	208,298	535,237
	<u>261,044</u>	<u>1,023,291</u>
Amount classified as current	(261,044)	(875,415)
	<u>—</u>	<u>—</u>
Non-current portion	<u>—</u>	<u>147,876</u>

13. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2020 (2019: Nil) for shareholders' approval at the forthcoming annual general meeting of the Company.

14. COMPARATIVE FIGURES

The comparative income statement, related notes to this results announcement and operating segment information have been restated as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 8).

As further explained in note 2, the Group adopted HKFRS 16 on 1 August 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial information were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Upon completion of the conditional voluntary general cash offers (“**LF Offers**”) made by Holy Unicorn Limited (“**Offeror**”), a wholly-owned subsidiary of Lai Sun Development Company Limited (“**LSD**”, the intermediate holding company of the Company), to acquire all issued shares of Lai Fung Holdings Limited (“**Lai Fung**”, together with its subsidiaries, “**Lai Fung Group**”) (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung in May 2020, Lai Fung has ceased to become a subsidiary of the Company. The disposal of all Lai Fung shares owned by the Company (“**LF Disposal**”) as a result of its acceptance of the LF Offers as approved by the independent shareholders of the Company has not only generated net proceeds of approximately HK\$1,515.9 million, but also enabled the remaining group to become a pure-play cinema, media and entertainment group.

The year ended 31 July 2020 has been one of the toughest years in the history of the Hong Kong entertainment industry marked by the social unrest in the city emerging in mid-2019 and the outbreak of the novel coronavirus (COVID-19) since early 2020.

The Group’s cinema operation was disrupted as certain cinemas had to shut down temporarily amid the prolonged social unrest in Hong Kong. The outbreak of COVID-19 since early 2020 is compounding the challenges as admissions had been affected by the delay in releases of certain high profile movies during the year under review. Hong Kong’s cinemas were requested to close between 28 March 2020 and 8 May 2020 during the second wave of COVID-19 and then closed for a second time from 15 July 2020 to 27 August 2020 when the third wave emerged. Cinemas in Mainland China had been closed for over 5 months before their re-opening in late July 2020. Subject to certain social distancing and disease control measures, all cinemas of the Group have resumed businesses as at the date of this results announcement, with limited seating capacities. While the Group’s box office performance for the year under review has been inevitably impacted, the Group remains cautiously optimistic about the fundamental demand for entertainment. Renovation of STAR Cinema was completed in the second quarter of 2020 and the new features included Butt kicker® vibration system, 4K projection system and Bowers & Wilkins Hi-Fi grade speakers and genuine leather seats. The new cinema at Cyberport opened in June 2020 and the new cinema in Kai Tak is expected to commence business in 2022. 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.

Film production and movie launches were generally delayed and several concerts of the Group have been postponed due to the health concerns. In light of the unstable business environment in the near term, the Group will focus on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedures.

The Group continues to invest in original production of quality films with Chinese themes. The most recent release “*I’m Living It*”, a feature film produced by Cheang Pou Soi with Miriam Yeung and Aaron Kwok, has achieved satisfactory box office and earned good public praises amid this pandemic environment. The film has received 10 nominations in the 39th Hong Kong Film Awards and congratulations to Cheung Tat Ming who just won the Best Supporting Actor in the 39th Hong Kong Film Awards for his performance in this movie.

The current production pipeline of the Group includes “*The Calling of a Bus Driver*”, a romance comedy film with Ivana Wong and director Patrick Kong, and “*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.

A 52 episode romance drama series “*New Horizon*” starring Zheng Kai and Chen Chiao-en, is in the post production stage. Projects under development include “*Modern Dynasty*”, a 30 episode modern day drama series tailor-made for Alibaba’s Youku platforms. The 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 the Group’s music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai are expected to be held next year in the event of a recovery from the pandemic situation.

It is believed that the Group’s integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of the 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 disposal of the Group’s 20% equity interest in Phase I of the Novotown project (“**Novotown Phase I**”) in Hengqin to LSD that was completed in September 2019 enabled the Group to crystallise the value in its investment in Novotown Phase I and recycle the capital to reduce its borrowings so as to improve its working capital position for future opportunities that may arise.

On 16 September 2019, the Company was made aware that Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (“**YUs**”) had purchased additional shares of the Company in the open market such that YUs became substantial shareholders of the Company as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively), which in turn had caused a shortfall in the public float of the Company. The public float was eventually restored on 25 September 2019 upon completion of YUs’ disposal of 1,000,000 shares of the Company to an independent third party, and the trading in the shares of the Company on the Stock Exchange resumed on 26 September 2019.

Net proceeds received by the Group from the LF Disposal, after deducting direct transaction costs, were approximately HK\$1,515.9 million. During the year under review, approximately HK\$276.2 million have been used for repayment of shareholder loans granted by LSD and through its subsidiaries to the Group for general corporate purposes. The unutilised net proceeds have been placed with licensed banks in Hong Kong as at the date of this results announcement. In light of the growing uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Company will continue to adopt a cautious approach in pursuing its business plans for developing itself and its subsidiaries into a pure-play cinema and media and entertainment group subject to the overriding principle that use of such proceeds being in the interests of the Company and the shareholders of the Company (“**Shareholders**”) as a whole at the relevant time of utilisation. The Directors shall evaluate the Company’s business objectives from time to time and may make modifications against the changing market conditions.

As at 31 July 2020, the Group’s consolidated cash position of HK\$1,819.1 million (HK\$1,501.4 million excluding Media Asia Group Holdings Limited (“**MAGHL**”, a non-wholly-owned subsidiary of the Company) together with its subsidiaries (“**MAGHL Group**”)) (2019: HK\$3,771.9 million (HK\$339.7 million excluding Lai Fung Group and MAGHL Group)) and the debt to equity ratio as at 31 July 2020 amounted to approximately 24.7%. The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF ANNUAL RESULTS

Upon completion of the LF Disposal in May 2020, the Group no longer held any interest in Lai Fung Group which is principally engaged in property investment and property development for sale as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. Accordingly, financial results of Lai Fung Group ceased to be consolidated into the consolidated financial statements of the Group. The Group’s continuing operations include development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

For the year ended 31 July 2020, the continuing operations of the Group recorded a turnover of HK\$929.2 million, representing a decrease of approximately 35.9% from the restated figure of HK\$1,450.2 million for last year. The gross profit dropped by approximately 37.0% to HK\$301.9 million (2019 (restated): HK\$478.9 million).

The net loss attributable to owners of the Company from continuing operations of the Group for the year ended 31 July 2020 was approximately HK\$926.4 million (2019 (restated): net loss of HK\$293.9 million). Net loss per share attributable to owners of the Company from continuing operations of the Group was HK\$0.621 (2019: HK\$0.197 per share). The substantial increase in consolidated loss from continuing operations of the Group is primarily due to the increase in other operating expenses as a result of (i) an impairment of right-of-use assets in relation to leases of certain cinemas of the Group and (ii) an impairment of certain property, plant and equipment during the year under review.

The Group recorded an aggregated net loss of HK\$7,259.0 million from the LF Disposal during the year under review. In respect of the discontinued operations, net loss for the year amounted to HK\$8,150.4 million (2019: net profit of HK\$365.8 million). Details of the results of the discontinued operations are presented in note 8 to this results announcement.

Net loss attributable to owners of the Company for the year ended 31 July 2020 was approximately HK\$8,585.4 million (2019: HK\$77.6 million). Net loss per share attributable to owners of the Company was HK\$5.755 per share (2019: HK\$0.052 per share).

Equity attributable to owners of the Company as at 31 July 2020 amounted to HK\$1,597.4 million (2019: HK\$9,098.6 million). Net asset value per share attributable to owners of the Company as at 31 July 2020 was HK\$1.071 per share (2019: HK\$6.099 per share).

Cinema Operation

For the year ended 31 July 2020, this segment recorded a turnover of HK\$229.3 million (2019: HK\$521.3 million) and segment results of a loss of HK\$535.0 million (2019 (restated): a loss of HK\$100.8 million). The substantial increase in segmental losses of the cinema operation of the Group is primarily due to (i) a decrease in box office performance; and (ii) the impairment of right-of-use assets and property, plant and equipment of certain cinemas, of which the performance was not as expected, during the year under review.

The Group owns a 95% equity interest in Intercontinental Group Holdings Limited and is one of the leading multiplex cinema operators in Hong Kong. As at the date of this results announcement, the Group operates eleven cinemas in Hong Kong and three cinemas in Mainland China. Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens (Note)	No. of seats (Note)
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
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		55	8,027
Total		77	10,978

Note: On 100% basis

Media and Entertainment

For the year ended 31 July 2020, this segment recorded a turnover of HK\$326.6 million (2019: HK\$591.8 million) and segment results decreased to a loss of HK\$5.8 million from a profit of HK\$65.1 million last year.

Live Entertainment

During the year under review, the Group organised and invested in 39 (2019: 118) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb.

Music Production and Distribution and Publishing

During the year under review, the Group released 15 (2019: 49) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On 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 year ended 31 July 2020, this segment recorded a turnover of HK\$370.2 million (2019: HK\$326.0 million) and segment results improved slightly to a loss of HK\$80.1 million (2019 (restated): a loss of HK\$119.4 million).

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, namely “*Bodies at Rest*”, “*Fagara*”, “*The Climbers*”, “*A Witness Out of the Blue*” and “*Knockout*”. The Group also distributed 25 (2019: 33) films and 468 (2019: 482) videos with high profile titles including “*1917*”, “*Doraemon: Nobita’s Chronicle of the Moon Exploration*”, “*Enter The Fat Dragon*”, “*DoLittle*”, “*Frozen 2*”, “*Sonic The Hedgehog*” and “*Star Wars: Episode IX – The Rise of Skywalker*”.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2020, cash and bank balances held by the Group amounted to HK\$1,819.1 million (31 July 2019: HK\$3,771.9 million) of which around 82.8% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”), and around 16.7% was denominated in Renminbi (“**RMB**”). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group as at 31 July 2020 was HK\$1,501.4 million (31 July 2019 (excluding MAGHL Group and Lai Fung Group): HK\$339.7 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 July 2020, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$395.2 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2020, the Group had guaranteed general banking facilities granted by a bank. As at 31 July 2020, the Group had outstanding bank loans of HK\$179.6 million and utilised letter of credit and letter of guarantee facilities of HK\$2.9 million. The maturity profile of the Group’s bank loans is spread with HK\$107.9 million repayable within one year, HK\$17.9 million repayable in the second year and HK\$53.8 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD.

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\$102.6 million for the said unsecured other borrowings as at 31 July 2020. At the request of the Group, the executor of Mr. Lim Por Yen’s estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2020.

MAGHL

As at 31 July 2020, MAGHL has unsecured and interest-bearing loans from the Company of HK\$350.0 million. The loans are repayable in the third year. The loans are on floating rate basis and are denominated in HKD.

Charge on Assets and Gearing

Time deposits and bank balances of approximately HK\$0.1 million of the Group have been pledged to secure a banking facility of the Group.

As at 31 July 2020, the consolidated net assets attributable to the owners of the Company amounted to HK\$1,597.4 million (31 July 2019: HK\$9,098.6 million). As at 31 July 2020, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company, was approximately 24.7%.

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

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

During the year ended 31 July 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

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

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2020 save for the deviations from code provisions A.4.1 and A.5.1 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, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the 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 the 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. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2020, the Group employed a total of around 540 (excluding Lai Fung Group) (2019: 2,570 (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 programmes 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 programme. 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 year under review, in addition to site visits conducted prior to the outbreak of COVID-19, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
September 2019	HSBC 3rd Annual Asia Credit Conference	HSBC	Hong Kong
October 2019	J.P. Morgan Asia Credit Conference	J.P. Morgan	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Singapore
November 2019	Post results non-deal roadshow	DBS	New York / Philadelphia / Los Angeles / San Francisco
November 2019	Post results non-deal roadshow	DBS	London
January 2020	Daiwa Hong Kong Expert Series – Hengqin & its position in the Greater Bay Area	Daiwa	Hong Kong
June 2020	HSBC 4th Annual Asia Credit Conference	HSBC	Hong Kong

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

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 July 2020 including accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2020 as set out in the preliminary results announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 18 December 2020. Notice of the 2020 AGM together with the Company's Annual Report for the year ended 31 July 2020 will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in mid-November 2020.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 20 October 2020

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.