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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

**(I) PROPOSED MERGER OF MAGHL BY ESUN AND
THE OFFEROR INVOLVING A SHARE EXCHANGE OFFER WITH
PARTIAL CASH ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF
MAGHL FOR THE CANCELLATION OF ALL THE SCHEME SHARES
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT);**

(II) MAJOR TRANSACTION;

**(III) PROPOSED ISSUE OF NEW ESUN SHARES BY ESUN UNDER
SPECIFIC MANDATE AS CONSIDERATION FOR THE CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES UNDER THE SCHEME; AND**

**(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND**

NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to eSun and the Offeror



Anglo Chinese Corporate Finance, Limited

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the eSun Board to the eSun Shareholders is set out on pages 10 to 43 of this circular.

A notice convening the eSun SGM to be held at the Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Monday, 13 February, 2023 at 10:00 a.m. is set out on pages 88 to 91 of this circular. eSun Shareholders are advised to read the Notice of eSun SGM and if you are not able to attend the eSun SGM or any adjournment thereof (as the case may be) in person but wish to exercise your voting rights as an eSun Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at eSun's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time fixed for holding the eSun SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the eSun SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

In light of the epidemic situation of COVID-19, measures will be implemented at the eSun SGM or any adjournment thereof (as the case may be) with a view to addressing the risk to attendees of infection, including the following:

- (i) all attendees will be required to wear surgical face masks throughout the eSun SGM; and
- (ii) no refreshments or beverages will be provided, and there will be no corporate gifts.

Any person who does not comply with the precautionary measure referred to above or any other additional precautionary measures as may be implemented in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the COVID-19 situation, may be denied entry into, or be required to leave, the venue of the eSun SGM.

eSun Shareholders and/or their representatives who are denied entry to the venue of the eSun SGM will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineers (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 epidemic from time to time).

eSun reminds eSun Shareholders that they should carefully consider the risks of attending the eSun SGM, taking into account their own personal circumstances. eSun would like to remind eSun Shareholders that physical attendance in person at the eSun SGM is not necessary for the purpose of exercising their voting rights and recommends that eSun Shareholders appoint the chairman of the eSun SGM as their proxy and submit their form of proxy as early as possible.

eSun will keep the evolving COVID-19 situation and the associated legal restrictions on public gatherings under constant review and may implement additional measures, which will be announced closer to the date of the eSun SGM.

12 January, 2023

DEFINITIONS

In this circular, the following words and expressions shall have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is the financial adviser to the Offeror and eSun in relation to the Proposal and is therefore presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code
“Announcement”	the joint announcement dated 10 November, 2022 jointly issued by MAGHL, Perfect Sky, eSun, LSD and LSG in relation to, among other things, the Proposal
“Announcement Date”	10 November, 2022, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle) in connection with the Proposal
“Cancellation Consideration”	the consideration for the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme, being (i) under the Share Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, 5 new eSun Shares will be issued; or (ii) under the Partial Cash Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, 1 new eSun Share will be issued, and HK\$0.24 will be paid in cash for every Scheme Share held as at the Scheme Record Date
“Christfund Securities”	Christfund Securities Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO, which is presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code for the reasons set out in Note 5 to the shareholding table in the section headed “Letter from the eSun Board – F. Effect of the Proposal on the Shareholding Structures of MAGHL and eSun – 1. Shareholding Structure of MAGHL”

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“Companies Act”	the Companies Act 1981 (as amended) of Bermuda
“Completion”	completion of the Proposal, being the time of despatch of cheques for cash payment and certificates for new eSun Consideration Shares to be allotted and issued in satisfaction of the Cancellation Consideration to Scheme Shareholders
“core connected person”	has the meaning ascribed to it under the Listing Rules
“Court”	the Supreme Court of Bermuda
“COVID-19”	the coronavirus disease 2019
“Directors”	the directors of eSun
“Disclosure Period”	the period commencing on 10 May, 2022, being the date falling six months prior to the Announcement Date, and ending on 9 January, 2023, being the latest practicable date of the Scheme Document
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror Concert Parties
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, the chairman and an executive director of LSG and LSD, a director of the Offeror and the chairman and an executive director of MAGHL
“Encumbrances”	(a) any mortgage, security, pledge, charge, lien, trust, assignment by way of security, security interest, any third party interests or rights or any other categories of encumbrances or priority right granted to the third party, including but not limited to, granting any rights in a transaction, and even if it is not a security right under the relevant laws, it is similar to security rights in terms of financial or actual economic benefits; (b) any authorisation, representative voting power, voting trust arrangement, share option, right of first offer, right of first negotiation, right of first refusal and other right to restrict assignment; and (c) rights to claim against encumbrance, ownership or right of use without legal title
“Enlarged eSun Group”	eSun Group upon the Scheme becoming effective and after the allotment and issue of the new eSun Shares in connection with the Proposal, whereupon MAGHL will become an indirect wholly-owned subsidiary of eSun

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“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board (Stock Code: 571)
“eSun Board”	the board of Directors
“eSun Consideration Shares”	the new eSun Shares to be allotted and issued as Cancellation Consideration under the Proposal
“eSun Group”	eSun and its subsidiaries
“eSun SGM”	a special general meeting of eSun to be convened at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong at 10:00 a.m. on Monday, 13 February, 2023, for the purposes of considering and, if thought fit, approving, among other things, the terms of the Proposal and the Scheme, including (i) the indirect acquisition by eSun of the new MAGHL Shares which will be allotted and issued to the Offeror upon the cancellation of the Scheme Shares; (ii) the grant of the Specific Mandate; and (iii) the Increase in Authorised Share Capital, or any adjournment thereof
“eSun Shareholder(s)”	the duly registered holder(s) of eSun Shares
“eSun Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of eSun
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Increase in Authorised Share Capital”	the proposed increase in eSun’s authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by the creation of an additional 1,500,000,000 eSun Shares, details of which are set out in the section headed “Letter from the eSun Board - J. Proposed Increase in Authorised Share Capital”
“Last eSun Trading Day”	31 May, 2022, being the last trading day of eSun Shares on the Stock Exchange prior to the publication of the Announcement
“Last Trading Day”	10 November, 2022, being the last trading day prior to the publication of the Announcement
“Latest Practicable Date”	9 January, 2023, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board
“Long Stop Date”	10 April, 2023 (or such later date as the Offeror and MAGHL may agree or, to the extent applicable, as the Court may direct, and in all cases, as permitted by the Executive)
“LSD”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 488)
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 191)
“Macau”	the Macao Special Administrative Region of the PRC
“MAGHL”	Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM (Stock Code: 8075)
“MAGHL Board”	the board of directors of MAGHL

DEFINITIONS

“MAGHL Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at 9:00 a.m. on Monday, 13 February, 2023 at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“MAGHL Group”	MAGHL and its subsidiaries
“MAGHL SGM”	the special general meeting of MAGHL to be convened at 9:15 a.m. on Monday, 13 February, 2023 (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned) at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong for the purposes of considering and, if thought fit, passing (i) a special resolution to approve any reduction of the issued share capital of MAGHL by cancelling the Scheme Shares; and (ii) an ordinary resolution to approve, among other things, the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror, or any adjournment thereof
“MAGHL Shareholder(s)”	the duly registered holder(s) of MAGHL Shares
“MAGHL Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of MAGHL
“Main Board”	the Main Board of the Stock Exchange
“Mr. Cheung”	Mr. Cheung Wah Fung, Christopher, who is presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code for the reasons set out in Note 5 to the shareholding table in the section headed “Letter from the eSun Board – F. Effect of the Proposal on the Shareholding Structures of MAGHL and eSun – 1. Shareholding Structure of MAGHL”
“Mr. Lester Lam” or “Lester Lam”	Mr. Lam Hau Yin, Lester, an executive director of each of LSG, LSD and eSun, and the alternate director to Madam U Po Chu in her capacity as an executive director of LSG and a non-executive director of each of LSD and eSun
“Notice of eSun SGM”	the notice convening the eSun SGM as set out on pages 88 to 91 of this circular

DEFINITIONS

“Offeror” or “Perfect Sky”	Perfect Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of eSun
“Offeror Board”	the board of directors of the Offeror
“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror, including Anglo Chinese and Mr. Cheung
“Option Holder(s)”	the holder(s) of the share option(s) granted under the share option scheme adopted by eSun on 11 December, 2015 entitling them to subscribe for certain eSun Shares
“Partial Cash Alternative”	1 new eSun Share which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date, and HK\$0.24 in cash for every Scheme Share held as at the Scheme Record Date
“PRC” or “Mainland China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan (except where the context requires otherwise)
“Proposal” or “Proposed Merger”	the proposed merger of MAGHL by eSun and the Offeror by way of the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM
“public”	has the meaning ascribed to it under the GEM Listing Rules and the Listing Rules
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Relevant Authorities”	appropriate governments and, or governmental bodies, regulatory bodies, stock exchanges, courts or institutions, including but not limited to the Court and the Registrar of Companies
“Scheme”	the proposed scheme of arrangement pursuant to Section 99 of the Companies Act for the implementation of the Proposal
“Scheme Condition(s)”	the conditions of the Proposal, details of which are set out in the section headed “Letter from the eSun Board – D. Conditions to the Proposal and the Scheme”

DEFINITIONS

“Scheme Document”	the composite scheme document dated 12 January, 2023 jointly issued by eSun, the Offeror and MAGHL, containing, <i>inter alia</i> , details of the Proposal and the Scheme
“Scheme Effective Date”	the date upon which the Scheme becomes effective in accordance with its terms
“Scheme Record Date”	1 March, 2023 (Hong Kong time), or such other date as shall have been announced by MAGHL, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Shareholder(s)”	duly registered holder(s) of the Scheme Shares
“Scheme Share(s)”	MAGHL Share(s) other than those held by the Offeror
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Alternative”	5 new eSun Shares, which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date
“Share Exchange Ratios”	the share exchange ratios of (i) 5 new eSun Shares to be issued for every 6 Scheme Shares cancelled under the Scheme under the Share Alternative; or (ii) 1 new eSun Share to be issued for every 6 Scheme Shares cancelled, and HK\$0.24 to be paid in cash for every Scheme Share cancelled under the Scheme under the Partial Cash Alternative
“Specific Mandate”	a specific mandate to be sought at the eSun SGM regarding the new eSun Shares which would be allotted and issued as consideration for the cancellation of the Scheme Shares pursuant to the Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules and the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

DEFINITIONS

All references in this circular to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than reference to the Scheme Effective Date, which is the relevant date in Bermuda. For reference only, Bermuda time is 12 hours behind Hong Kong time as at the date of this circular.

All percentages stated in this circular are approximations and certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts of the aforementioned documents shall prevail.

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be announced by eSun. All references in this circular to times and dates are references to Hong Kong times and dates, except as otherwise specified.

Events	2023
Date of despatch of this circular	Thursday, 12 January
Latest time for lodging transfers of eSun Shares in order to become an eSun Shareholder entitled to attend and vote at the eSun SGM	4:30 p.m. on Tuesday, 7 February
Register of members of eSun closed for determining the entitlements of eSun Shareholders to attend and vote at the eSun SGM	Wednesday, 8 February to Monday, 13 February (both dates inclusive)
Latest time for lodging the form of proxy in respect of the eSun SGM.....	10:00 a.m. on Saturday, 11 February
Record date for determining the entitlements to attend and vote at the eSun SGM	Monday, 13 February
eSun SGM (Notes 1 and 2).....	10:00 a.m. on Monday, 13 February
Scheme Effective Date (Note 3).....	Thursday, 16 March (Bermuda time)
Expected withdrawal of the listing of MAGHL Shares on GEM becoming effective (Note 3)	4:00 p.m. on Monday, 20 March
First day of dealings of the new eSun Shares issued to holders of the Scheme Shares on the Stock Exchange	9.00 a.m. on Tuesday, 28 March

Notes:

- The eSun SGM will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong at the time and date specified above. Please see the Notice of eSun SGM for details.*
- If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal are, or are expected to be in force at any time after 7:00 a.m. on the date of the eSun SGM, the eSun SGM will be adjourned. eSun Shareholders will be informed of the date, time and venue of the adjourned the eSun SGM by a supplementary notice posted on the respective websites of HKEX at www.hkexnews.hk and eSun at www.esun.com.*
The eSun SGM will be held as scheduled (i) if a tropical cyclone warning signal No. 8 or above is cancelled, or “extreme conditions” caused by super typhoons or a black rainstorm warning signal are no longer in force, at or before 7:00 a.m. on the date of the eSun SGM; or (ii) if a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.
eSun Shareholders should make their own decision as to whether to attend the eSun SGM under bad weather conditions bearing in mind their own situations and, if they should choose to do so, they are advised to exercise care and caution.
- Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on Thursday, 16 March, 2023 (Bermuda time), and the listing of the MAGHL Shares on GEM will be withdrawn at 4:00 p.m. on Monday, 20 March, 2023. A detailed timetable of the Proposed Merger is set out in the Scheme Document.*

LETTER FROM THE ESUN BOARD



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Executive Directors

Mr. Lui Siu Tsuen, Richard (*Chief Executive Officer*)

Mr. Chew Fook Aun

Mr. Lam Hau Yin, Lester

(also alternate director to Madam U Po Chu)

Mr. Yip Chai Tuck

Non-executive Director

Madam U Po Chu

Independent non-executive Directors

Mr. Low Chee Keong (*Chairman*)

Mr. Lo Kwok Kwei, David

Mr. Alfred Donald Yap

Dr. Ng Lai Man, Carmen

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place of
Business*

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon

Hong Kong

12 January, 2023

To the eSun Shareholders

and for information only, the Option Holders

Dear Sir and Madam,

**(I) PROPOSED MERGER OF MAGHL BY ESUN AND
THE OFFEROR INVOLVING A SHARE EXCHANGE OFFER WITH
PARTIAL CASH ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF
MAGHL FOR THE CANCELLATION OF ALL THE SCHEME SHARES
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT);
(II) MAJOR TRANSACTION;
(III) PROPOSED ISSUE OF NEW ESUN SHARES BY ESUN UNDER
SPECIFIC MANDATE AS CONSIDERATION FOR THE CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES UNDER THE SCHEME; AND
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

LETTER FROM THE ESUN BOARD

A. INTRODUCTION

Reference is made to the Announcement. On 10 November, 2022, the eSun Board and the Offeror Board requested the MAGHL Board to put forward the Proposed Merger to the Scheme Shareholders. If the Proposed Merger is approved and implemented, it involves the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM. Subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, MAGHL will become a direct wholly-owned subsidiary of the Offeror upon the Scheme becoming effective and the listing of MAGHL Shares will be withdrawn from GEM.

The purpose of this circular is to provide you with, among other things, (a) further information on the Proposal and the Scheme, including (i) the indirect acquisition by eSun of the new MAGHL Shares which will be allotted and issued to the Offeror upon the cancellation of the Scheme Shares; (ii) the grant of the Specific Mandate; and (iii) the Increase in Authorised Share Capital; (b) financial information of the eSun Group and the MAGHL Group, and unaudited pro forma financial information of the Enlarged eSun Group; and (c) the Notice of eSun SGM, in order to enable you to make an informed decision on how to vote at the eSun SGM.

If you are also a MAGHL Shareholder, this circular is not, and should not be construed to be, a solicitation or request for votes or proxies in respect of the securities of MAGHL. You should refer to the Scheme Document for such purposes.

B. OBJECTIVES OF THE PROPOSED MERGER

The Proposed Merger is intended to deliver value to both eSun Shareholders and MAGHL Shareholders. For eSun, the listed company which will hold the merged businesses upon Completion, the Proposed Merger will facilitate integration between the eSun Group (excluding the MAGHL Group) and the MAGHL Group (as MAGHL will become an indirect wholly-owned subsidiary of eSun upon the Scheme becoming effective), generating synergies within the media and entertainment businesses of both companies and achieving cost-savings through reduction of administrative and financial burden of MAGHL as a separately listed company. For MAGHL, the Proposal would enable the Scheme Shareholders to exchange their MAGHL Shares for new eSun Shares, providing an opportunity for Scheme Shareholders to continue their participation in the future growth of the merged businesses.

Upon Completion, LSD and LSG will remain as the controlling shareholders (within the meaning of the Listing Rules) of eSun, indirectly holding approximately 48.50% of the eSun Shares, and approximately 51.26% of eSun Shares will be held by the public, assuming that all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative). The resulting larger public float of eSun Shares, both in terms of percentage and the number of shares, should enhance the trading liquidity of eSun Shares.

LETTER FROM THE ESUN BOARD

The Proposed Merger will enable MAGHL Shareholders to participate in the future growth of all of the Enlarged eSun Group's businesses within one entity. Upon the Scheme becoming effective, the privatised MAGHL will become an indirect wholly-owned subsidiary of eSun and continue to operate within the Enlarged eSun Group. Thus, Scheme Shareholders will still be able to participate in the performance of MAGHL indirectly. The Partial Cash Alternative will also provide additional flexibility for Scheme Shareholders to realise a portion of their investment in MAGHL. By providing the Share Alternative and Partial Cash Alternative, the Proposal aims to provide liquidity and flexibility to the Scheme Shareholders.

The Enlarged eSun Group will be in a stronger competitive position and both eSun Shareholders and MAGHL Shareholders are expected to benefit as a result of the following:

1. Enhanced size and scale

Both eSun and MAGHL operate in different segments of the entertainment and media industry value chain. Other than its interest in MAGHL, eSun's businesses consist principally of its cinema operations in Hong Kong and Mainland China, i.e. theatrical distribution; and MAGHL derives a substantial portion of its revenue from (i) investment in, and the production of, sale, distribution and licensing of films and television programs; and (ii) investment in, and the production of, entertainment events, the provision of artiste management services, album sales and the distribution, and license of music, i.e. focusing on content production.

By consolidating ownership and control of both businesses into a single group under one management team, the Proposal aims to create synergies and strengthen the competitiveness of the merged businesses within the entertainment and media sectors through more fully integrating the upstream and downstream businesses engaged in by eSun and MAGHL within the media and entertainment industry.

The Proposed Merger aims at creating synergies from a cost and long-term perspectives. From a cost perspective, under the current structure, collaborations or exchanges of resources between the eSun Group (excluding the MAGHL Group) and the MAGHL Group constitute connected or continuing connected transactions for MAGHL, which are carried out on an arm's length basis and on terms no less favourable for MAGHL when compared to arrangements with independent third parties. The Proposed Merger would allow the cinema operation unit of eSun and media and entertainment related operation units of MAGHL to collaborate and exchange resources more efficiently with lower compliance costs and higher tax efficiency. Please refer to the sub-section headed "2. Enhanced operational and corporate efficiency with low post merger integration risk" below for further details. From a long-term perspective, the Proposed Merger may increase the market capitalisation of the Enlarged eSun Group by the potential removal of the holding company discount and increase in trading volume, which may enhance the ability of the Enlarged eSun Group to obtain finance and optimise its capital structure. Please refer to sub-section headed "3. Possible elimination of holding company discount" below for further details.

LETTER FROM THE ESUN BOARD

2. **Enhanced operational and corporate efficiency with low post merger integration risk**

The Proposal is expected to lead to cost savings through the simplification of the combined group's management structure and improvements in corporate efficiency as well as vertically integrating eSun and MAGHL's businesses. As discussed above, eSun and MAGHL had historically co-operated in film and music projects in the form of continuing connected transactions. In particular, the MAGHL Group has entered into the following agreements in relation to film distribution, theatrical film distribution and its music catalogue with the eSun Group (excluding the MAGHL Group):

— ***2022 theatrical film distribution agreement***

Under the 2022 theatrical film distribution agreement dated 28 July, 2022, Media Asia Film Distribution (HK) Limited ("**MAFD**", an indirect and wholly-owned subsidiary of MAGHL and is principally engaged in film distribution and licensing of films) granted an exclusive licence to exploit in Hong Kong and Macao, the theatrical rights in the relevant motion pictures of the MAGHL Group (the "**Pictures**") to Intercontinental Film Distributors (H.K.) Limited ("**IFDL**", an indirect and non-wholly-owned subsidiary of eSun and is principally engaged in film distribution). IFDL is responsible for arrangement for exhibition contracts and bookings for screening of the Pictures with the best available cinemas and other places of exhibition, as well as publicity, promotion and advertising using Perfect Advertising & Production Company Limited (an indirect and non-wholly-owned subsidiary of eSun).

— ***2022 film distribution agreements***

Under the 2022 film distribution agreement entered into between Media Asia Distribution (HK) Limited ("**MAD(HK)**", an indirect and wholly-owned subsidiary of eSun) and MAGHL on 28 July, 2022, MAGHL was appointed to act as its sole agent for distribution services in respect of the relevant films owned or licensed to MAD(HK) (the "**MAD(HK) Films**"). Pursuant to the agreement, MAGHL is responsible for (i) arrangements in connection with the sub-licensing of any prospective MAD(HK) Films licensees; (ii) managing any agreements entered into between the existing licensees, MAD(HK) and its subsidiaries, fellow subsidiaries and/or associates; and (iii) collecting all monies from licensees and sublicensees.

Under the 2022 film distribution agreement entered into between Media Asia Distribution Ltd. ("**MAD**", an indirect and wholly-owned subsidiary of eSun) and MAGHL on 28 July, 2022, MAGHL was appointed to act as its sole agent for distribution services in respect of the relevant films owned or licensed to MAD (the "**MAD Films**"). Pursuant to the agreement, MAGHL is responsible for (i) arrangements in connection with the sub-licensing of any prospective MAD Films licensees; (ii) managing any agreements entered into between the existing licensees, MAD and its subsidiaries, fellow subsidiaries and/or associates; and (iii) collecting all monies from licensees and sublicensees.

LETTER FROM THE ESUN BOARD

— *2021 music catalogue distribution agreement*

Under the 2021 music catalogue distribution agreement dated 30 April, 2021, Capital Artists Limited, East Asia Music (Holdings) Limited and Fortunate Sound Limited, each of which is an indirect and wholly-owned subsidiary of eSun, has appointed MAGHL as the distributor of, and licensed with the rights to distribute the relevant sound recordings and music audio-visual recordings in the PRC.

Upon Completion, such agreements would no longer be required to be treated as continuing connected transactions of MAGHL for the purposes of the GEM Listing Rules, reducing administrative burdens and related compliance costs.

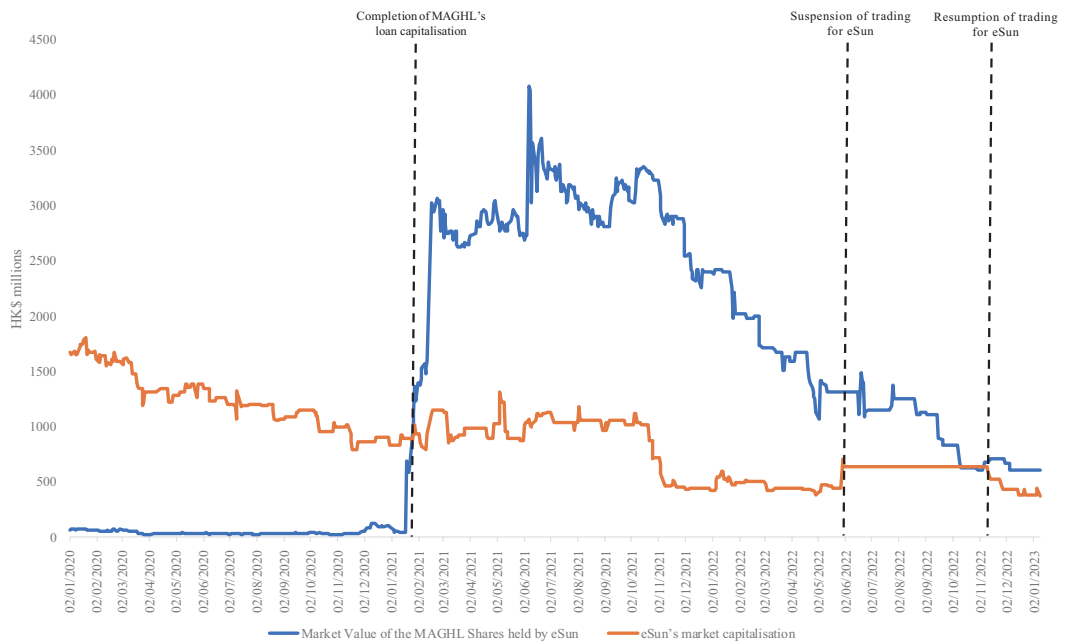
eSun and MAGHL are currently two separate listed entities. Although MAGHL is an indirect non-wholly-owned subsidiary of eSun, MAGHL has its own accounting, company secretarial, marketing and information technology units, as well as independent non-executive directors to fulfil the requirement of the GEM Listing Rules. In addition to those costs, MAGHL is also required to engage its own professional parties and vendors for the services of auditing, internal auditing, share registration, financial typesetting and printing, risk management and environmental and social performance related disclosures. Upon the successful implementation of the Proposed Merger, MAGHL will become an indirect wholly-owned subsidiary of eSun and be delisted from GEM. The aforementioned (i) overlapping corporate functions will be merged into the Enlarged eSun Group; and (ii) services in relation to the compliance and maintenance of MAGHL's listing status will not be required as a private company, thus the associated costs and operating expenses are expected to be reduced.

As at the Latest Practicable Date, eSun held approximately 67.70% of the issued share capital of MAGHL through the Offeror, and the improvements in corporate efficiency that may be achieved as a result of the Proposal were expected to entail a lower post-merger integration risk than would be the case where eSun acquires assets in which it had no prior interest.

LETTER FROM THE ESUN BOARD

3. Possible elimination of holding company discount

The Proposal also aims to eliminate the holding company discount of eSun under the current tiered shareholding structure and, in this way, unlock value shared by both eSun Shareholders and MAGHL Shareholders. The holding company discount became more pronounced after the completion of MAGHL's loan capitalisation in early 2021 as illustrated in the diagram below. In addition to indirectly holding approximately 67.70% of the issued share capital of MAGHL, eSun also engages in cinema operations and holds other assets and liabilities including the right-of-use assets attributed to the leasing of cinemas.



The management of eSun believes that the Proposal will improve the attractiveness of eSun in the capital markets, both through the elimination of the discount of eSun's interests in MAGHL in connection with the existing tiered shareholding structure by aligning the interest of eSun's and MAGHL's public shareholders as a whole, and through enhancing the structure as an integrated cinema and media and entertainment group to create operational efficiency and cost and commercial synergies, as discussed above.

LETTER FROM THE ESUN BOARD

C. TERMS OF THE PROPOSED MERGER

Set out below is a summary of the terms of the Proposed Merger as detailed in the Scheme Document:

1. The Proposal

Under the Proposal, subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, it is proposed that:

- (a) all Scheme Shares will be cancelled and extinguished on the Scheme Effective Date in exchange for the Cancellation Consideration for each Scheme Share;
- (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of MAGHL will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit arising in the books of account of MAGHL as a result of the capital reduction in paying up in full at par such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued, credited as fully paid, to the Offeror. MAGHL will accordingly become a direct wholly-owned subsidiary of the Offeror on the Scheme Effective Date; and
- (c) the listing of the MAGHL Shares on GEM will be withdrawn as soon as practicable following the Scheme Effective Date.

MAGHL will become an indirect wholly-owned subsidiary of eSun upon the Scheme becoming effective, and the listing of MAGHL Shares on GEM will be withdrawn. Depending on MAGHL Shareholders' election of the form of Cancellation Consideration, eSun may (i) remain as a subsidiary of LSD and LSG; or (ii) cease to be a subsidiary of LSD and LSG, and the assets and liabilities of eSun would cease to be consolidated into the accounts of LSD and LSG. Specifically:

- (a) should all Scheme Shareholders or Scheme Shareholders representing more than 28.83% of the total issued MAGHL Shares elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), the percentage of equity interests of LSD in the enlarged issued share capital of eSun will be diluted to 50.0% or lower upon the allotment and issue of new eSun Shares in satisfaction of the Cancellation Consideration. In such case, eSun will cease to be a subsidiary of LSD and LSG; and
- (b) should all the Scheme Shareholders validly elect the Partial Cash Alternative, it is expected that the number of new eSun Shares to be allotted and issued under the Proposal will represent approximately 9.73% of the enlarged issued share capital of eSun, and the equity interests of LSD in eSun will be diluted to approximately 67.36%. In such case, eSun will remain as a subsidiary of LSD and LSG.

LETTER FROM THE ESUN BOARD

2. Cancellation Consideration

As at the Latest Practicable Date, 2,986,314,015 MAGHL Shares were in issue, of which:

- (i) 2,021,848,647 MAGHL Shares (representing approximately 67.70% of the total issued MAGHL Shares) were held by the Offeror;
- (ii) 1,875,000 MAGHL Shares (representing approximately 0.06% of the total issued MAGHL Shares) were held by Anglo Chinese, which is an Offeror Concert Party;
- (iii) 100,000,000 MAGHL Shares (representing approximately 3.35% of the total issued MAGHL Shares) were held by Mr. Cheung, who is an Offeror Concert Party; and
- (iv) the remaining 862,590,368 MAGHL Shares (representing approximately 28.88% of the total issued MAGHL Shares) were held by the Disinterested Scheme Shareholders.

All MAGHL Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares.

The Proposal will be implemented by way of the Scheme. Pursuant to the Proposal, if the Scheme becomes effective, the Scheme Shares will be cancelled in exchange for either:

(a) *the Share Alternative*

Scheme Shareholders (other than those validly electing to receive the Partial Cash Alternative for all of their Scheme Shares) will be entitled to receive, for every 6 Scheme Shares, 5 new eSun Shares (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; or

(b) *the Partial Cash Alternative*

Scheme Shareholders validly electing to receive the Partial Cash Alternative for all of their Scheme Shares will be entitled to receive, (i) for every 6 Scheme Shares, 1 new eSun Share (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; and (ii) a cash payment of HK\$0.24 for each Scheme Share. By way of illustration, if a Scheme Shareholder held 12,000 Scheme Shares as at the Scheme Record Date, under the Partial Cash Alternative, it will be entitled to a cash payment of HK\$2,880 and 2,000 new eSun Shares.

LETTER FROM THE ESUN BOARD

The Scheme Shareholders may elect EITHER the Share Alternative OR the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant beneficial owners) as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Scheme Record Date. Scheme Shareholders (other than HKSCC Nominees) who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares. Scheme Shareholders who do not make a valid election for the Partial Cash Alternative will receive the Share Alternative.

The Cancellation Consideration will not be increased, and the Offeror does not reserve the right to do so. Scheme Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Consideration.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of MAGHL Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the net amount or value of such dividend, distribution and/or as the case may be, return of capital after consultation with the Executive, in which case any reference in this circular, the Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced.

As at the Latest Practicable Date, (i) MAGHL had not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) MAGHL did not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Scheme Effective Date, or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

No fraction of a cent will be payable and the amount of cash consideration payable to the Scheme Shareholders who have elected the Partial Cash Alternative will be rounded down to the nearest cent. No fraction of new eSun Shares will be allotted and issued to the Scheme Shareholders as Cancellation Consideration and fractional entitlements to new eSun Shares will be rounded down to the nearest whole number. There will not be any rounding up of fractions of a new eSun Share to a whole eSun Share because Scheme Shareholders could deliberately create odd holdings of Scheme Shares resulting in the issue of more eSun Shares than contemplated and thereby increasing the cost of the Scheme to eSun. It is not the intention of eSun that entitlements to the Cancellation Consideration be the subject of such potential abuse.

LETTER FROM THE ESUN BOARD

3. Total Consideration

If all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), a total of 803,721,140 new eSun Shares will be issued, representing approximately (i) 53.87% of the total issued share capital of eSun of 1,491,854,598 eSun Shares as at Latest Practicable Date; or (ii) approximately 35.01% of the enlarged issued share capital of eSun of 2,295,575,738 eSun Shares.

If all Scheme Shareholders validly elect the Partial Cash Alternative, a total cash consideration of approximately HK\$231.5 million will be paid and a total of 160,744,228 new eSun Shares will be issued, representing approximately (i) 10.77% of the total issued share capital of eSun of 1,491,854,598 eSun Shares as at Latest Practicable Date; or (ii) approximately 9.73% of the enlarged issued share capital of eSun of 1,652,598,826 eSun Shares.

Accordingly, upon the allotment and issue of new eSun Shares under the Proposal (assuming that there is no other change in the shareholding of eSun immediately prior thereto), the Proposal will result in a shareholding split in eSun Shares between (i) the existing eSun Shareholders, with aggregate shareholding ranging from 65.0% to 90.3%; and (ii) the Scheme Shareholders, with aggregate shareholding ranging from 9.7% to 35.0%. For details of eSun's shareholding structure before and after implementation of the Proposal, please refer to the section headed "F. Effect of the Proposal on the shareholding structures of MAGHL and eSun – 2. Shareholding Structure of eSun" below.

The actual number of new eSun Shares to be issued under the Share Alternative and the Partial Cash Alternative will be determined after the latest time by which Scheme Shareholders shall elect the Share Alternative or the Partial Cash Alternative, and eSun will publish an announcement to disclose the number of new eSun Shares to be allotted and issued under the Proposal.

4. Comparison of value

(1) Comparison of the value of the Cancellation Consideration with (i) the trading prices of MAGHL Shares; and (ii) the audited net asset value per MAGHL Share attributable to the owners of MAGHL

The Share Alternative

The value of the Share Alternative is equivalent to the value of five sixths of a new eSun Share, being the Share Exchange Ratio under the Share Alternative.

LETTER FROM THE ESUN BOARD

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Share Alternative was approximately HK\$0.36 per Scheme Share, which represents:

- (a) a premium of approximately 7.0% over the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 13.8% over the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 7.5% over the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 25.9% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 41.0% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 290.8% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which is calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Share Alternative was approximately HK\$0.21 per Scheme Share, which represents:

- (a) a discount of approximately 31.4% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 38.6% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE ESUN BOARD

- (c) a discount of approximately 34.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 38.3% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 57.4% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 66.1% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (g) a premium of approximately 124.5% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

The value of the Partial Cash Alternative is equivalent to the aggregate value of (i) the cash payment of HK\$0.24; and (ii) one sixth of a new eSun Share.

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Partial Cash Alternative was approximately HK\$0.31 per Scheme Share, which represents:

- (a) a discount of approximately 7.0% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.1% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 6.5% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

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- (d) a discount of approximately 35.5% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 48.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 239.9% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Partial Cash Alternative was approximately HK\$0.28 per Scheme Share, which represents:

- (a) a discount of approximately 6.3% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.1% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 10.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 15.7% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 41.8% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 53.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and

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- (g) a premium of approximately 206.6% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

(2) *Comparison of the implied value of eSun Shares under the Cancellation Consideration with (i) the trading prices of eSun Shares; and (ii) the audited net asset value per eSun Share attributable to owners of eSun*

The Share Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Share Alternative is equivalent to approximately HK\$0.40 (which is calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day divided by five sixths, being the Share Exchange Ratio under the Share Alternative), which represents:

- (a) a discount of approximately 6.5% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 21.5% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 30.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 28.0% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 3.2% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 37.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

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Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Share Alternative is equivalent to approximately HK\$0.36 (which is calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date divided by five sixths, being the Share Exchange Ratio under the Share Alternative), which represents:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

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The Partial Cash Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Partial Cash Alternative is equivalent to approximately HK\$0.57 (which is calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), which represents:

- (a) a premium of approximately 32.6% over the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 72.2% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 85.2% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 81.4% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 46.3% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 11.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

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Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Partial Cash Alternative is equivalent to approximately HK\$0.36 (which is calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), which represents:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

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(3) *Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios*

Since early 2020, the outbreak of COVID-19 has had an impact on every facet of the global economy, including the media and entertainment industry. With entertainment spending affected severely by the accompanying economic recession and social distancing measures, cinema operation, being the core business of the eSun Group, has been disrupted. To support its normal operations, the consolidated cash and bank balances of the eSun Group (excluding the MAGHL Group) decreased from HK\$1,345.4 million as at 31 July, 2021 to HK\$1,028.3 million as at 31 July, 2022. The eSun Board believed that it is desirable and prudent to reserve sufficient cash for normal operations and future development of the eSun Group during this period, which was taken into account when considering the Share Alternative and the Partial Cash Alternative under the Proposal. In addition, the eSun Board believed that allowing Scheme Shareholders to elect between the Share Alternative and the Partial Cash Alternative as Cancellation Consideration would be beneficial to them, as it provides them with the flexibility to choose between full re-investment in the entertainment business of the Enlarged eSun Group or partial monetisation of their existing investment in the MAGHL Group.

The Share Exchange Ratios of five sixths of a new eSun Share under the Share Alternative, or one sixth of a new eSun Share together with a cash payment of HK\$0.24 under the Partial Cash Alternative, for every Scheme Share cancelled under the Scheme were determined on arm's length terms and on a commercial basis after taking into account, among other things:

- (i) the prevailing and historical market prices of both the eSun Shares and the MAGHL Shares traded on the Main Board and GEM respectively;
- (ii) net asset value attributable to the eSun Shareholders and to the Scheme Shareholders as at 31 July, 2022; and
- (iii) the respective board lot sizes of eSun Shares and MAGHL Shares, being 2,000 eSun Shares and 12,000 MAGHL Shares, to minimise odd lots created for Scheme Shareholders in the Proposal.

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Scheme Shareholders will receive less eSun Shares per Scheme Share based on the Partial Cash Alternative as compared with the Share Alternative, with the difference between the share exchange ratios under the Share Alternative and the Partial Cash Alternative, being two thirds of a eSun Share (as derived from five sixths of a eSun Share under the Share Alternative minus one sixth of a eSun Share under the Partial Cash Alternative). The implied value of two thirds of a eSun Share is approximately HK\$0.287, based on the share price of eSun Shares as at the Last eSun Trading Date of HK\$0.43. Accordingly, having considered that (i) the implied difference in value regarding the Partial Cash Alternative and the Share Alternative as discussed above; (ii) it is desirable and prudent to reserve sufficient cash for normal operations and the future development of the eSun Group; and (iii) a cash payment would provide Scheme Shareholders with more liquidity and certainty in value, the eSun Board resolved to include a HK\$0.24 cash payment in addition to one sixth of a new eSun Share per Scheme Share under the Partial Cash Alternative.

As shown above in this sub-section, (i) the values of the Share Alternative and the Partial Cash Alternative depend on, among others, the value attributable to each new eSun Share, which may change after the Latest Practicable Date; and (ii) the values of the Share Alternative and the Partial Cash Alternative may not be the same.

Based on the audited consolidated net asset value per eSun Share attributable to owners of eSun, of approximately HK\$0.65 as at 31 July, 2022, the implied value of five sixths of a new eSun Share (to be issued under the Share Alternative for each Scheme Share to be cancelled under the Scheme) is approximately HK\$0.54, and the implied value of one sixth of a new eSun Share plus a cash payment of HK\$0.24 (to be issued, or paid under the Partial Cash Alternative for each Scheme Share to be cancelled under the Scheme) is approximately HK\$0.35, which respectively represents premiums of approximately 487.9% and 279.3% over the audited consolidated net asset value per MAGHL Share of approximately HK\$0.092 as at 31 July, 2022. Accordingly, despite that the value of the Share Alternative and the Partial Cash Alternative each represents a discount to the average closing prices per MAGHL Share for certain periods as shown above in this sub-section, the value of the Share Alternative and the Partial Cash Alternative each represents a premium over the net asset value of MAGHL per MAGHL Share.

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5. Rights attaching to the new eSun Shares

The eSun Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, free from all Encumbrances, and will rank *pari passu* with all other eSun Shares then in issue, including the rights as to dividends, voting and on return of capital.

Under both the Share Alternative and the Partial Cash Alternative, new eSun Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the eSun Shareholders at the eSun SGM. For details, please see the section headed “I. Specific Mandate to issue eSun Shares” below.

6. Financial resources

The total maximum amount of cash payable under the Partial Cash Alternative for the Proposal on the basis described in the Scheme Document is approximately HK\$231.5 million and the Offeror intends to finance the cash required for the Proposal with the internal cash resources of eSun.

As disclosed in the Scheme Document, Anglo Chinese, as financial adviser to eSun and the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

As at the Latest Practicable Date, eSun and the Offeror did not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the MAGHL Group.

D. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on MAGHL and all Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the MAGHL Court Meeting;

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- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the MAGHL Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) the passing by MAGHL Shareholders of a special resolution at the MAGHL SGM to approve any reduction of the issued share capital of MAGHL by the cancellation of the Scheme Shares, and an ordinary resolution to approve the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to any reduction of the issued share capital of MAGHL referred to in (c) above;
- (f) the granting by the Stock Exchange of the listing of, and permission to deal in, the eSun Shares which fall to be issued pursuant to the Proposal, on Main Board;
- (g) the eSun Shareholders passing the resolutions (i) as may be required by the Listing Rules to implement the Proposal; (ii) to approve the grant of the Specific Mandate; and (iii) to approve the proposed Increase in Authorised Share Capital;
- (h) all Authorisations (other than those set out in (d) to (f) above) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, and, or any other relevant jurisdictions;
- (i) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes binding and effective in accordance with its terms;

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- (j) if required, the obtaining by the Offeror or eSun of such other necessary consent, approval, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms);
- (l) all necessary consents which may be required for the implementation of the Proposal under any existing material contractual obligations of MAGHL being obtained;
- (m) since the Announcement Date, there having been no material adverse change in the business, financial or trading position or prospects of any member of the MAGHL Group to an extent which is material in the context of the MAGHL Group taken as a whole or in the context of the Proposal; and
- (n) since the Announcement Date, there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the MAGHL Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the MAGHL Group taken as a whole or in the context of the Proposal.

The Scheme Conditions (a) to (h) above are not waivable. The Offeror and eSun reserve the right to waive any of the Scheme Conditions (i) to (n), either in whole or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or validly waived (as applicable), on or before the Long Stop Date, otherwise the Scheme will not become effective. Subject to the Scheme Conditions being satisfied or validly waived (as applicable), the Scheme will become effective and binding on MAGHL and all Scheme Shareholders.

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As at the Latest Practicable Date, the Offeror and eSun were not aware of, and did not foresee, (i) any Authorisations or consents required in respect of the Scheme Conditions (h) to (l) or (ii) any matter that would prevent the Scheme Conditions (m) and (n) from being satisfied. The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may not invoke any condition so as to cause the Scheme not to become binding and effective unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Scheme.

If the Scheme Conditions are not satisfied or waived (as appropriate) on or before the Long Stop Date, the Proposal will lapse. Pursuant to the Takeovers Code, neither the Offeror nor any of the parties acting in concert with it (nor any person who is subsequently acting in concert with any of them) may announce an offer or possible offer for MAGHL within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, except with the consent of the Executive.

E. THE SCHEME

Under the Proposal, subject to the Scheme becoming effective in accordance with its terms, the Scheme Shares will be cancelled in exchange for the Cancellation Consideration. Upon such cancellation, the issued share capital of MAGHL will be restored to its former number by the issuance to the Offeror, credited as fully paid, of the same number of MAGHL Shares as the number of Scheme Shares cancelled. The credit created in MAGHL's books of account as a result of any capital reduction will be applied in paying up in full at par in the new MAGHL Shares so issued, credited as fully paid, to the Offeror.

LETTER FROM THE ESUN BOARD

F. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURES OF MAGHL AND ESUN

1. Shareholding Structure of MAGHL

On the assumption that there is no other change in the shareholding of MAGHL immediately before the Scheme becoming effective, the table below sets out the shareholding structure of MAGHL as at the Latest Practicable Date and immediately upon the Scheme becoming effective:

MAGHL Shareholders	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)			
	<i>No. of MAGHL Shares</i>	<i>Approximate percentage of share capital of MAGHL (%)^(Note 1)</i>	<i>No. of MAGHL Shares^(Note 2)</i>	<i>Approximate percentage of share capital of MAGHL (%)^(Note 1)</i>	<i>No. of MAGHL Shares^(Note 2)</i>	<i>Approximate percentage of share capital of MAGHL (%)^(Note 1)</i>
Offeror (Note 3)	2,021,848,647	67.70	2,986,314,015	100.00	2,986,314,015	100.00
Offeror Concert Parties						
— Anglo Chinese (Note 4)	1,875,000 ^(Note 6)	0.06	—	—	—	—
— Mr. Cheung (Note 5)	100,000,000 ^(Note 7)	3.35	—	—	—	—
Aggregate number of MAGHL Shares held by the Offeror and the Offeror Concert Parties	2,123,723,647	71.12	2,986,314,015	100.00	2,986,314,015	100.00
Scheme Shareholders						
Disinterested Scheme Shareholders	862,590,368	28.88	—	—	—	—
Anglo Chinese	1,875,000 ^(Note 6)	0.06	—	—	—	—
Mr. Cheung	100,000,000 ^(Note 7)	3.35	—	—	—	—
Aggregate number of Scheme Shares (i.e. MAGHL Shares held by Scheme Shareholders)	964,465,368	32.30	—	—	—	—
Total	2,986,314,015	100.00	2,986,314,015	100.00	2,986,314,015	100.00

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Notes:

1. *All percentages in the above table are approximations.*
2. *Under the Scheme, the issued share capital of MAGHL will, on the Scheme Effective Date, be reduced by cancelling the Scheme Shares. Upon the Scheme becoming effective and the aforementioned capital reduction, the issued share capital of MAGHL will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of MAGHL Shares as is equal to the number of Scheme Shares cancelled. The credit created in MAGHL's books of account as a result of any capital reduction will be applied in paying up in full at par in the new MAGHL Shares so issued, credited as fully paid, to the Offeror. The Offeror will accordingly hold 100% of the issued share capital of MAGHL upon the Scheme becoming effective.*
3. *As at the Latest Practicable Date, the Offeror was directly wholly-owned by eSun, which was indirectly owned as to approximately 74.62% by LSD, which was in turn directly and indirectly owned as to approximately 53.19% by LSG, which was in turn directly and indirectly owned as to approximately 41.93% by Dr. Peter Lam, a director of the Offeror and the chairman and an executive director of MAGHL.*
4. *Anglo Chinese is the financial adviser to eSun and the Offeror in respect of the Proposed Merger. Accordingly, Anglo Chinese is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code. The 1,875,000 MAGHL Shares held by Anglo Chinese will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Anglo Chinese, as an Offeror Concert Party, has undertaken not to vote its MAGHL Shares at the MAGHL Court Meeting.*
5. *Mr. Cheung is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code by virtue of (i) his control (within the meaning of the Takeovers Code) over the voting rights of Christfund Securities; and (ii) the engagement of Christfund Securities by a wholly-owned subsidiary of each of LSD and LSG to provide brokerage services. The 100,000,000 MAGHL Shares held by Mr. Cheung will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. Cheung, as an Offeror Concert Party, has undertaken not to vote his MAGHL Shares at the MAGHL Court Meeting.*
6. *For the avoidance of doubt, these refer to the same 1,875,000 MAGHL Shares held by Anglo Chinese as at the Latest Practicable Date, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Anglo Chinese is both an Offeror Concert Party and a Scheme Shareholder.*
7. *For the avoidance of doubt, these refer to the same 100,000,000 MAGHL Shares held by Mr. Cheung as at the Latest Practicable Date, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Mr. Cheung is both an Offeror Concert Party and a Scheme Shareholder.*

Upon the Scheme becoming effective, MAGHL will become a direct wholly-owned subsidiary of the Offeror, and the eSun Group's shareholding in MAGHL will increase from approximately 67.70% as at the Latest Practicable Date to 100%. The profit and loss and the assets and liabilities of the MAGHL Group will continue to be consolidated into the consolidated financial statements of the eSun Group. The "Unaudited Pro Forma Financial Information of the Enlarged eSun Group" set out in Appendix III to this circular illustrates the unaudited pro forma financial performance and position of the Enlarged eSun Group, as if the Proposed Merger had been completed as at 31 July, 2022.

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Under Rule 25 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any of the Offeror Concert Parties may, among others, enter into arrangements to sell securities of MAGHL, for 6 months after the Scheme Effective Date if such arrangements have favourable conditions which are not to be extended to all MAGHL Shareholders.

As at the Latest Practicable Date:

- (a) MAGHL had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital comprising 2,986,314,015 MAGHL Shares;
- (b) save as disclosed in the shareholding table above and in “Appendix IV – General Information on the eSun Group – 4. Interests in the securities of MAGHL and eSun” in the Scheme Document, none of the Offeror and the Offeror Concert Parties owned or had control or direction over any MAGHL Shares, or any options, warrants, derivatives or convertible securities in respect of MAGHL Shares;
- (c) neither the Offeror nor any Offeror Concert Parties had entered into any outstanding derivatives in respect of the securities in MAGHL; and
- (d) save as disclosed in “Appendix IV – General Information on the eSun Group – 5. Dealings in the securities of MAGHL and eSun” in the Scheme Document, none of the Offeror and the Offeror Concert Parties had dealt for value in any MAGHL Shares, or any options, warrants, derivatives or other convertible securities in respect of MAGHL Shares during the Disclosure Period.

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Scheme Shareholders (including, in the case of corporate Scheme Shareholders, their ultimate beneficial owners) are third parties independent of eSun and eSun’s connected persons (within the meaning of the Listing Rules).

LETTER FROM THE ESUN BOARD

2. Shareholding Structure of eSun

On the assumption that there is no other change in the shareholding of eSun immediately before the Scheme becoming effective, the table below sets out the shareholding structure of eSun as at the Latest Practicable Date and immediately upon the allotment and issue of new eSun Shares under the Proposal:

eSun Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of new eSun Shares under the Proposal, if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)			
	No. of eSun Shares	Approximate percentage of the issued share capital of eSun (%) ^(Note 1)	No. of eSun Shares	Approximate percentage of the issued share capital of eSun (%) ^(Note 1)	No. of eSun Shares	Approximate percentage of the issued share capital of eSun (%) ^(Note 1)
Existing eSun Shareholders						
LSD	1,113,260,072	74.62	1,113,260,072	48.50	1,113,260,072	67.36
Dr. Peter Lam <i>(Note 2)</i>	2,794,443	0.19	2,794,443	0.12	2,794,443	0.17
Mr. Lester Lam <i>(Note 3)</i>	2,794,443	0.19	2,794,443	0.12	2,794,443	0.17
Mr. Yu Cheuk Yi & Ms. Yu Siu Yuk <i>(Note 4)</i>	149,864,000	10.05	149,864,000	6.53	149,864,000	9.07
Other existing eSun Shareholders	223,141,640	14.95	223,141,640	9.72	223,141,640	13.50
Sub-total	1,491,854,598	100.00	1,491,854,598	64.99	1,491,854,598	90.27
Scheme Shareholders						
Anglo Chinese <i>(Note 5)</i>	—	—	1,562,500	0.07	312,500	0.02
Mr. Cheung <i>(Note 6)</i>	—	—	83,333,333	3.63	16,666,667	1.01
Disinterested Scheme Shareholders <i>(Note 7)</i>	—	—	718,825,307	31.31	143,765,061	8.70
Sub-total	—	—	803,721,140	35.01	160,744,228	9.73
Total	1,491,854,598	100.00	2,295,575,738	100.00	1,652,598,826	100.00
Public eSun Shareholders <i>(Note 8)</i>	223,141,640	14.95	1,176,726,780	51.26	533,749,868	32.30

Notes:

- All percentages in the above table are approximations.
- As at the Latest Practicable Date, (i) the Offeror was directly wholly-owned by eSun, which was indirectly owned as to approximately 74.62% by LSD, which was in turn directly and indirectly owned as to approximately 53.19% by LSG, which was in turn directly and indirectly owned as to approximately 41.93% by Dr. Peter Lam, a director of the Offeror and the chairman and an executive director of MAGHL; and (ii) Dr. Peter Lam held 2,794,443 eSun Shares as beneficial owner. Dr. Peter Lam is also the chairman and an executive director of LSD and LSG.

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3. *As at the Latest Practicable Date, Mr. Lester Lam held 2,794,443 eSun Shares as beneficial owner. Mr. Lester Lam is an executive Director and executive director of LSD and LSG.*
4. *Based on the disclosure of interests' notices received by eSun, as at 30 May, 2022, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 149,864,000 eSun Shares (approximately 10.0455% of the total issued eSun Shares), which were held jointly by them. Please refer to the announcement of eSun dated 31 May, 2022, in relation to the public float and suspension of trading for details.*
5. *Anglo Chinese is presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code but is not a core connected person of eSun.*
6. *Mr. Cheung is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code but is not a core connected person of eSun.*
7. *None of the Disinterested Scheme Shareholders is a core connected person of eSun, therefore the eSun Shares to be held by them upon the Scheme becoming effective will form part of the public float of eSun for the purpose of the Listing Rules.*
8. *The public eSun Shareholders, upon the allotment and issue of the new eSun Shares under the Proposal will comprise (i) the existing eSun Shareholders other than LSD, Dr. Peter Lam and Mr. Lester Lam; and (ii) the Scheme Shareholders.*

As at the Latest Practicable Date:

- (a) save for (i) outstanding share options comprising a total of 1,500,000 underlying eSun Shares granted under the share option scheme of eSun adopted on 11 December, 2015; and (ii) the issued share capital of eSun comprising 1,491,854,598 eSun Shares, eSun had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (b) save as disclosed in the shareholding table above and in "Appendix IV – General Information on the eSun Group – 4. Interests in the securities of MAGHL and eSun" in the Scheme Document, none of the Offeror and the Offeror Concert Parties owned or had control or direction over any eSun Shares, or any options, warrants, derivatives or convertible securities in respect of eSun Shares;
- (c) neither the Offeror nor any Offeror Concert Parties had entered into any outstanding derivatives in respect of the securities in eSun; and
- (d) save as disclosed in "Appendix IV – General Information on the eSun Group – 5. Dealings in the securities of MAGHL and eSun" in the Scheme Document, none of the Offeror and the Offeror Concert Parties had dealt for value in any eSun Shares, or any options, warrants, derivatives or other convertible securities in respect of eSun Shares in the Disclosure Period.

LETTER FROM THE ESUN BOARD

G. OFFEROR'S INTENTION REGARDING THE MAGHL GROUP

The Offeror intends to continue with the existing business of the MAGHL Group and to align them more closely with the upstream cinema operations of eSun, as detailed in the section headed “B. Objectives of the Proposed Merger” above. The Offeror does not intend to introduce any major changes to the existing operations or business of the MAGHL Group (including any redeployment of fixed assets of the MAGHL Group). It is also the intention of the Offeror that there will not be significant changes in the management and continued employment of the employees of the MAGHL Group as a result of the Proposal. Nevertheless, the Offeror will continue to monitor all business opportunities in relation to the eSun Group as they arise from time to time, with a particular focus on building the business in the PRC.

H. WITHDRAWAL OF LISTING OF MAGHL SHARES ON GEM

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will cease to have effect as evidence of title as from the Scheme Effective Date. MAGHL will apply to the Stock Exchange for the withdrawal of the listing of MAGHL Shares on GEM pursuant to Rule 9.23(2) of the GEM Listing Rules, with such withdrawal taking place as soon as practicable following the Scheme Effective Date.

If the Scheme Conditions are not satisfied or waived (as appropriate) on or before the Long Stop Date, the Proposal will not be implemented and the Scheme will lapse, and the listing of the MAGHL Shares on GEM will not be withdrawn and there will be no change to the current trading arrangement in the MAGHL Shares.

Pursuant to the Takeovers Code, neither the Offeror nor any of the parties acting in concert with it (nor any person who is subsequently acting in concert with any of them) may announce an offer or possible offer for MAGHL within 12 months from the date on which the Proposal is withdrawn or lapses, except with the consent of the Executive.

I. SPECIFIC MANDATE TO ISSUE ESUN SHARES

Under the Proposal, the maximum number of new eSun Shares required to be issued is 803,721,140 (assuming all Scheme Shareholders will elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)). Please see the section headed “C. Terms of the Proposed Merger – 3. Total Consideration” above for further details.

The new eSun Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the eSun Shareholders at the eSun SGM. Application will be made by eSun to the Listing Committee for the approval for the listing of, and permission to deal in, the new eSun Shares, to be allotted and issued under the Specific Mandate, on the Main Board.

LETTER FROM THE ESUN BOARD

J. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

To accommodate the implementation of the Proposal and provide eSun with additional flexibility for future development, the eSun Board proposed to increase eSun's authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by the creation of an additional 1,500,000,000 new eSun Shares.

The proposed Increase in Authorised Share Capital is subject to the approval of the eSun Shareholders by way of an ordinary resolution at the eSun SGM. With regard to the proposed Increase in Authorised Share Capital, except for the Proposal, the eSun Board has no present intention to issue any part of the increased authorised share capital of eSun.

K. LISTING RULES IMPLICATIONS

Under the Proposal, new MAGHL Shares in the same number as the cancelled Scheme Shares will be issued to the Offeror on the Scheme Effective Date. As the Offeror is directly wholly-owned by eSun, the allotment and issue of the aforementioned new MAGHL Shares to the Offeror will be an indirect acquisition of such MAGHL Shares by eSun for the purpose of Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) for eSun in respect of the Proposal is more than 25% but less than 100%, the Proposal constitutes a major acquisition of eSun under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

L. GENERAL INFORMATION

1. Information on the Offeror, the eSun Group and the MAGHL Group

(a) *The Offeror*

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of eSun. The Offeror is principally engaged in investment holding.

(b) *The eSun Group*

eSun is an exempted company incorporated in Bermuda with limited liability. The issued eSun Shares are listed and traded on the Main Board. eSun acts as an investment holding company and the principal activities of its subsidiaries include the 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. As at the Latest Practicable Date, eSun, through the Offeror, held approximately 67.70% of the total issued MAGHL Shares.

Please see "Appendix I – Financial Information of the eSun Group" in this circular for further details.

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(c) *The MAGHL Group*

MAGHL is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The issued MAGHL Shares are listed and traded on GEM. The principal activity of MAGHL is investment holding. Its subsidiaries are principally engaged in film production and distribution, organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

Set out below are the (i) abridged audited annual financial statements of MAGHL for the three financial years ended 31 July, 2022; and (ii) audited net assets value as at 31 July, 2021 and 2022, of which were extracted from the audited consolidated annual financial statements of MAGHL:

	For the year ended 31 July,		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Loss before tax	187,332	170,977	107,962
Loss after tax for the year	187,271	171,481	109,484
Loss for the year attributable to the MAGHL Shareholders	178,169	171,425	107,368
		As at 31 July,	
		2021	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Audited)	(Audited)
Net assets attributable to the MAGHL Shareholders		335,003	273,843

Please see “Appendix II – Financial Information of the MAGHL Group” in this circular for further details.

LETTER FROM THE ESUN BOARD

M. ESUN SGM AND VOTING

The eSun SGM will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on 13 February, 2023 at 10:00 a.m. to consider and, if thought fit, approve, among other things, the terms of the Proposal and the Scheme, including (i) the indirect acquisition by eSun of the new MAGHL Shares which will be allotted and issued to the Offeror upon the cancellation of the Scheme Shares; (ii) the grant of the Specific Mandate; and (iii) the Increase in Authorised Share Capital. The Notice of eSun SGM is set out on pages 88 to 91 of this circular. If you do not intend to be present at the eSun SGM or its adjournment in person but wish to exercise your right as an eSun Shareholder, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to eSun's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time fixed for the holding of the eSun SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the eSun SGM or any adjournment thereof should you so wish and in such event, the instruction appointing a proxy shall be deemed to be revoked.

Any eSun Shareholder with a material interest (which is not available to other eSun Shareholders) in the Proposal, and his/her/its close associates, shall abstain from voting on the resolution to be proposed at the eSun SGM.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries:

- (a) (i) the Offeror directly held 2,021,848,647 MAGHL Shares, representing approximately 67.70% of the total issued MAGHL Shares; (ii) the Offeror was a direct wholly-owned subsidiary of eSun; (iii) Transtrend Holdings Limited ("**Transtrend**"), an indirect wholly-owned subsidiary of LSD, indirectly held 1,113,260,072 eSun Shares, representing approximately 74.62% of the total issued eSun Shares; (iv) LSD was approximately 53.19% directly and indirectly owned by LSG; and (v) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam. Therefore, Transtrend was deemed to be interested in the 2,021,848,647 MAGHL Shares indirectly owned by eSun pursuant to Part XV of the SFO. Dr. Peter Lam also directly held 2,794,443 eSun Shares, representing 0.19% of the total issued eSun Shares;
- (b) Mr. Lester Lam, an executive Director (also the alternate director to Madam U Po Chu in her capacity as a non-executive Director), directly held 2,794,443 eSun Shares, representing 0.19% of the total issued eSun Shares;

LETTER FROM THE ESUN BOARD

- (c) the Proposal will not confer upon Transtrend, Mr. Lester Lam or any of their respective close associates any benefit (whether economic or otherwise) which is not available to the eSun Shareholders, on the bases that:
- (i) save for Transtrend's deemed interest in the 2,021,848,647 MAGHL Shares indirectly owned by eSun pursuant to Part XV of the SFO, none of Transtrend, Mr. Lester Lam or any of their respective close associates was a MAGHL Shareholder or was otherwise interested in any MAGHL Shares;
 - (ii) Mr. Lester Lam is not a director of the Offeror, MAGHL or any of their respective subsidiaries; and
 - (iii) as Transtrend and Mr. Lester Lam are only interested in the Proposal in their capacity as eSun Shareholders, the position of Transtrend and Mr. Lester Lam under the Proposal are the same as that of other eSun Shareholders.

Accordingly, Transtrend, Mr. Lester Lam and their respective close associates will not be required to abstain from voting on the resolutions to be proposed at the eSun SGM; and

- (d) no eSun Shareholders will be required to abstain from voting on the resolution to be proposed at the eSun SGM.

N. RECOMMENDATIONS

The eSun Board (excluding Mr. Lui Siu Tsuen, Richard (who is also an executive director and the compliance officer of MAGHL) and Mr. Yip Chai Tuck (who is also an executive director of MAGHL) who abstained from voting on the eSun Board resolutions in connection with the Proposal to avoid any conflict of interests) is of the view that the terms of the Proposal and the Scheme, including the (i) the indirect acquisition by eSun of the new MAGHL Shares which will be allotted and issued to the Offeror upon the cancellation of the Scheme Shares; (ii) the grant of the Specific Mandate; and (iii) the Increase in Authorised Share Capital, are fair and reasonable so far as eSun Shareholders are concerned and are in the interests of eSun and eSun Shareholders as a whole, and accordingly recommends that the eSun Shareholders vote in favour of the resolution to be proposed at the eSun SGM.

O. CLOSURE OF BRANCH REGISTER OF MEMBERS

In order to determine entitlement of the eSun Shareholders to attend and vote at the eSun SGM (or at any adjournment thereof), eSun's Hong Kong branch register of Members will be closed from Wednesday, 8 February, 2023 to Monday, 13 February, 2023 (both days inclusive) during which period no transfer of eSun Shares will be effected. In order to be eligible to attend and vote at the eSun SGM, all transfers accompanied by the relevant share certificates must be lodged with the eSun's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 7 February, 2023.

LETTER FROM THE ESUN BOARD

P. SCHEME DOCUMENT

The Scheme Document dated 12 January, 2023 including, among other things, further details of the Proposal, an explanatory statement and the expected timetable relating to the Proposal, has been jointly issued by the Offeror, eSun and MAGHL in compliance with the requirements of the Takeovers Code and applicable laws and regulations.

Q. FURTHER INFORMATION

Your attention is drawn to other information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
eSun Holdings Limited
Lui Siu Tsuen, Richard
Executive Director and Chief Executive Officer

1. FINANCIAL SUMMARY OF THE ESUN GROUP

The audited consolidated financial statements and the independent auditor's report of the eSun Group for the years ended 31 July, 2020, 2021 and 2022 have been published in the annual reports per below:

- Annual report of eSun Group for the year ended 2020 (page 69 to 200)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1118/2020111800626.pdf>
- Annual report of eSun Group for the year ended 2021 (page 73 to 184)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1117/2021111700445.pdf>
- Annual report of eSun Group for the year ended 2022 (page 81 to 184)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1116/2022111600401.pdf>

all of which have been published on the respective websites of eSun (www.esun.com) and HKEX (www.hkexnews.hk).

2. STATEMENT OF INDEBTEDNESS

As at 30 November, 2022, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the eSun Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK\$364 million, comprising unsecured and unguaranteed other borrowings, including the accrued interest on borrowings from a former shareholder of eSun, of approximately HK\$229 million and secured bank loans of HK\$135 million.

As at 30 November, 2022, the eSun Group, as lessees, had lease liabilities of approximately HK\$989 million.

As at 30 November, 2022, a time deposit was pledged to a bank to secure banking facilities (other than bank loans) of the eSun Group which were utilised to the extent of approximately HK\$2 million.

Save as aforesaid and apart from intra-group liabilities, the eSun Group did not, as at 30 November, 2022, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the eSun Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the internal resources of the eSun Group; (ii) the eSun Group's presently available banking facilities and other borrowings; and (iii) the Completion including the cash payment of HK\$231.5 million assuming all Scheme Shareholders elect the Partial Cash Alternative, the eSun Group has sufficient working capital for its requirements for at least 12 months from the date of this circular. eSun has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE ESUN GROUP AND THE ENLARGED ESUN GROUP

The eSun Group

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

Due to the relaxation of social distancing measures and the release of a number of local and international blockbuster movies, the cinema operation of the eSun Group recovered gradually from the worst of the COVID-19 epidemic. During the year ended 31 July, 2022, the eSun Group's cinemas in Hong Kong were allowed to operate at 85% capacity for all screens before the hit of the fifth-wave of COVID-19 in January, 2022 resulting in the cinemas being requested to close from 7 January, 2022 to 20 April, 2022 as part of the government's ramped up measures to contain the spread of COVID-19. When the cinemas reopened on 21 April, 2022 under the first phase of recent relaxation of social distancing measures in Hong Kong, the maximum number of customers allowed in cinemas was limited to 50% of their normal capacity, which has been relaxed to 85% since 19 May, 2022. Cinemas in Mainland China have capped their attendance at 75% of capacity in low-risk areas and operations got suspended when their neighborhoods or districts were categorised as medium or high-risk areas. The box office in Mainland China has also shown a recovery since 2021 driven by the success of patriotic blockbusters. The performance of cinema operations in Hong Kong and Mainland China are still suffering from the social distancing measures as well as the challenging operating environment amid the economic uncertainty, the eSun Group remains cautiously optimistic about the fundamental demand for entertainment in the long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong.

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

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

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

“Dead Ringer”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. Projects under development include “Heir to the Throne”, a 30-episode modern-drama series tailor-made for Alibaba Youku Platforms. The eSun Group is in discussion with various Chinese portals and video websites for new project development in TV drama production.

The distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income to the eSun Group. The eSun 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 eSun Group.

The recent “Re: Grasshopper In Concert 2022”, “Super Junior World Tour - Super Show 9: Road in Hong Kong” and “Here & Now Ekin In Concert 2022” have earned good reputation and public praises. The eSun Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for next year include concerts of Joyce Cheng, Jay Fung, Yoga Lin and Tsai Chin.

It is believed that the eSun Group’s integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put it in a strong position to capture the opportunities of the entertainment market by a balanced and synergistic approach. The eSun Group is monitoring market conditions closely and will take a prudent approach to explore cooperation and investment opportunities to enrich its portfolio and broaden its income stream.

The clawback offer (“**Clawback Offer**”) and the placing (“**Placing**”) in relation to the loan capitalisation proposal jointly announced by eSun 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 eSun 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 eSun Group placed the net proceeds together with the net proceeds of HK\$1,515.9 million from the disposal of all shares of Lai Fung Holdings Limited owned by eSun as disclosed in the circular of eSun dated 24 April, 2020. Up to 31 July, 2022, approximately HK\$1,075.8 million have been used, including approximately HK\$499.4 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$217.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$109.4 million for general corporate uses.

Management Discussion and Analysis of the eSun Group

Set out below is the management discussion and analysis of the eSun Group for each of the financial years ended 31 July, 2020, 2021 and 2022 (the “**Relevant Periods**”).

Turnover

The following table shows the breakdown of the eSun Group’s turnover for continuing operations during the Relevant Periods:

	Financial year ended 31 July,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Entertainment event income	68,922	72,429	36,963
Distribution commission income, licence income from and sales of film and TV program products and film rights	368,548	297,562	181,394
Album sales, licence income and distribution commission income from music publishing and licensing	89,197	79,171	80,713
Box-office takings, concessionary income and related income from cinemas	229,274	213,003	385,023
Artiste management fee income	11,965	11,929	11,052
Advertising income	1,667	1,330	4,400
Sale of game products	156,520	157,597	128,043
Sale of merchandising products	3,063	2,282	2,649
	929,156	835,303	830,237
	929,156	835,303	830,237

The eSun Group’s turnover decreased by approximately HK\$5.1 million from approximately HK\$835.3 million for the year ended 31 July, 2021 to approximately HK\$830.2 million for the year ended 31 July, 2022, representing a slight decrease of approximately 0.6%. The slight decrease was mainly attributable to decrease in turnover generated from (i) entertainment event income; (ii) distribution commission income, licence income from and sales of film and TV program products and film rights; and (iii) sale of game products, which was partially offset by the increase in turnover generated from box-office takings, concessionary income and related income from cinemas.

The eSun Group’s turnover decreased by approximately HK\$93.9 million from approximately HK\$929.2 million for the year ended 31 July, 2020 to approximately HK\$835.3 million for the year ended 31 July, 2021, representing a decrease of approximately 10.1%. The decrease was mainly attributable to decrease in turnover generated from (i) distribution commission income, licence income from and sales of film and TV program products and film rights; (ii) album sales, licence income and distribution commission income from music publishing and licensing; and (iii) box-office takings, concessionary income and related income from cinemas.

Net Loss Attributable to Owners of eSun

The eSun Group's net loss attributable to owners of eSun decreased slightly by approximately HK\$22.4 million from a net loss of approximately HK\$351.1 million for the year ended 31 July, 2021 to a net loss of approximately HK\$328.7 million for the year ended 31 July, 2022, representing a slight decrease of approximately 6.4%. The slight decrease was mainly attributable to a mix of (i) improved gross profit of film and TV program and cinema businesses of the eSun Group; (ii) a reduction in government grants and rent concessions related to COVID-19; (iii) the non-recurrence of a gain on disposal of asset classified as held for sale; (iv) increase in fair value losses on financial assets at fair value through profit or loss; and (v) reversal in tax provision made in prior years during the year ended 31 July, 2022.

The eSun Group's net loss attributable to owners of eSun decreased significantly by approximately HK\$575.3 million from a net loss of approximately HK\$926.4 million (excluding losses attributable to the disposal of Lai Fung Holdings Limited and its subsidiaries) for the year ended 31 July, 2020 to a net loss of approximately HK\$351.1 million for the year ended 31 July, 2021, representing a significant decrease of approximately 62.1%. The significant decrease was mainly attributable to (i) the reduction in the impairment of right-of-use assets and property, plant and equipment; and (ii) the absence of impairment of goodwill during the year ended 31 July, 2021 as compared to the year ended 31 July, 2020.

Segment Overview

Cinema Operation

The eSun Group's turnover generated from cinema operation increased by approximately HK\$172.0 million from approximately HK\$213.0 million for the year ended 31 July, 2021 to approximately HK\$385.0 million for the year ended 31 July, 2022, representing a significant increase of approximately 80.8%. The segment results of a loss reduced by approximately HK\$22.4 million from a loss of approximately HK\$151.0 million for the year ended 31 July, 2021 to a loss of approximately HK\$128.6 million for the year ended 31 July, 2022. The improvement in cinema operation is mainly attributable to the significant growth in the box office of the eSun Group's cinemas in Hong Kong, especially during the holiday season prior to the surge of fifth-wave COVID-19 cases in January, 2022 and after their reopening from 21 April, 2022 under the recent relaxation of social distancing measures in Hong Kong.

The eSun Group's turnover generated from cinema operation decreased by approximately HK\$16.3 million from approximately HK\$229.3 million for the year ended 31 July, 2020 to approximately HK\$213.0 million for the year ended 31 July, 2021, representing a decrease of approximately 7.1%. Despite the decrease in turnover, the segment results of a loss reduced significantly by approximately HK\$384.0 million from a loss of approximately HK\$535.0 million for the year ended 31 July, 2020 to a loss of approximately HK\$151.0 million for the year ended 31 July, 2021. The significant reduction in loss was mainly attributable to the decrease in the impairment of the right-of-use assets and property, plant and equipment during the year ended 31 July, 2021.

Media and Entertainment Segment

The eSun Group's turnover generated from media and entertainment segment decreased by approximately HK\$64.3 million from approximately HK\$321.1 million for the year ended 31 July, 2021 to approximately HK\$256.8 million for the year ended 31 July, 2022, representing a decrease of approximately 20.0%. The segment results of a loss reduced by approximately HK\$9.7 million from a loss of approximately HK\$17.4 million for the year ended 31 July, 2021 to a loss of approximately HK\$7.7 million for the year ended 31 July, 2022.

The eSun Group's turnover generated from media and entertainment segment decreased by approximately HK\$5.5 million from approximately HK\$326.6 million for the year ended 31 July, 2020 to approximately HK\$321.1 million for the year ended 31 July, 2021, representing a slight decrease of approximately 1.7%. The segment results of a loss increased by approximately HK\$11.6 million from a loss of approximately HK\$5.8 million for the year ended 31 July, 2020 to a loss of approximately HK\$17.4 million for the year ended 31 July, 2021.

Events Management

During the year ended 31 July, 2022, the eSun Group organised and invested in 18 shows by popular local, Asian and internationally renowned artists, representing an increase of 4 shows as compared to the shows organised and invested by the eSun Group for the year ended 31 July, 2021. Despite the slight improvement, the number of shows organised and invested by the eSun Group were still relatively low as compared to the 39 shows organised and invested by the eSun Group during the year ended 31 July, 2020.

Music Production, Distribution and Publishing

During the year ended 31 July, 2022, the eSun Group released 18 albums, whereas 19 albums were released during the year ended 31 July, 2021, and representing an increase as compared to the 15 albums released during the year ended 31 July, 2020. The eSun 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 eSun Group has a strong artiste management team and with a sizeable number of talents and will continue to expand the profile and in tandem with the eSun Group's growing television drama production and film production business.

Film and TV Program Production and Distribution

The eSun Group's turnover generated from film and TV program production and distribution segment decreased by approximately HK\$113.1 million from approximately HK\$298.9 million for the year ended 31 July, 2021 to approximately HK\$185.8 million for the year ended 31 July, 2022, representing a decrease of approximately 37.8%. The segment results of a loss reduced by approximately HK\$42.1 million from a loss of approximately HK\$94.9 million for the year ended 31 July, 2021 to a loss of approximately HK\$52.8 million for the year ended 31 July, 2022.

The eSun Group's turnover generated from film and TV program production and distribution segment decreased by approximately HK\$71.3 million from approximately HK\$370.2 million for the year ended 31 July, 2020 to approximately HK\$298.9 million for the year ended 31 July, 2021, representing a decrease of approximately 19.3%. The segment results of a loss increased by approximately HK\$14.8 million from a loss of approximately HK\$80.1 million for the year ended 31 July, 2020 to a loss of approximately HK\$94.9 million for the year ended 31 July, 2021.

Liquidity and Financial Resources***Net Current Assets***

As at 31 July, 2020, 2021 and 2022, the eSun Group had net current assets of approximately HK\$1,554.3 million, HK\$1,251.3 million and HK\$846.1 million respectively. The net current assets primarily include films and TV programs under production and film investments, financial assets at fair value through profit or loss, debtors, deposits, prepayments, other receivables and other assets, pledged and restricted time deposits and cash and cash equivalents. The decrease in net current assets as at 31 July, 2022 against 31 July, 2021 was mainly attributable to the decrease in cash and cash equivalents.

Cash and Bank Balances

Cash and bank balances of the eSun Group were primarily denominated in Hong Kong dollars. As at 31 July, 2020, 2021 and 2022, the eSun Group had cash and bank balances of approximately HK\$1,819.1 million, HK\$1,640.9 million and HK\$1,202.9 million respectively. By excluding the cash and bank balances held by the MAGHL Group, the eSun Group had approximately HK\$1,501.4 million, HK\$1,345.4 million and HK\$1,028.3 million as at 31 July, 2020, 2021 and 2022 respectively.

Borrowings

As at 31 July, 2020, 2021 and 2022, the eSun Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK\$395.2 million, HK\$383.0 million and HK\$370.8 million respectively.

Charge on Assets and Gearing

As at 31 July, 2020, 2021 and 2022, the eSun Group had pledged time deposits of approximately HK\$0.1 million, HK\$164.1 million and HK\$146.3 million, respectively, to secure banking facilities of the eSun Group.

As at 31 July, 2020, 2021 and 2022, the gearing ratio of the eSun Group, being the total borrowings to net assets attributable to the owners of eSun, were approximately 24.7%, 30.3% and 38.4% respectively.

Dividend

No dividend was declared for the years ended 31 July, 2020, 2021 and 2022.

Purchase, Sale or Redemption of eSun Listed Securities

During the years ended 31 July, 2020, 2021 and 2022, neither eSun nor any of its subsidiaries had purchased, sold or redeemed the eSun's listed securities.

Employee Information

As at 31 July, 2020, 2021 and 2022, the eSun Group had around 540, 580 and 560 employees respectively.

The Enlarged eSun Group

Upon Completion made by the Offeror, to acquire all issued shares of MAGHL (other than those already owned by eSun), MAGHL will become an indirect wholly-owned subsidiary of eSun and the listing of MAGHL shares on GEM will be withdrawn. The privatised MAGHL will continue to operate within the Enlarged eSun Group, generating synergies within the media and entertainment businesses of both eSun and MAGHL, and achieving cost-savings through elimination of certain overlapping corporate functions, reduction of administrative and financial burden of MAGHL as a separately listed company.

Other than its interest in MAGHL, eSun's business consists principally of its cinema operations in Hong Kong and Mainland China, i.e. theatrical distribution; and MAGHL derives a substantial portion of its revenue from (i) investment in, production of, sale, distribution and licensing of films and television programs; and (ii) investment in, and the production of, entertainment events, the provision of artiste management services, album sales and the distribution, and license of music, i.e. focusing on content production. By consolidating ownership and control of both businesses into a single group under one management team, the Proposal aims to create synergies and strengthen the competitiveness of the merged businesses within the entertainment and media sectors through more fully integrating the upstream and downstream businesses engaged in by eSun and MAGHL within the media and entertainment industry.

In addition, eSun and MAGHL had historically cooperated in film and music projects in the form of continuing connected transactions. The Proposal is expected to lead to cost savings through the simplification of the combined group's management structure and improvements in corporate efficiency as well as vertically integrating eSun and MAGHL's businesses. The improvements in corporate efficiency that may be achieved as a result of the Proposal are expected to entail a lower post-merger integration risk than would be the case where eSun acquires assets in which it had no prior interest in.

The Proposal also aims to eliminate the holding company discount of eSun under the current tiered shareholding structure and, in this way, unlock value shared by both eSun Shareholders and MAGHL Shareholders. The holding company discount became more obvious after the completion of MAGHL's loan capitalisation in early 2021. In addition to holding approximately 67.70% of the issued share capital of MAGHL, eSun also engages in cinema operation and holds other assets and liabilities including the right-of-use assets attributed to the leasing of cinemas.

The management of eSun believes that the Proposal will improve the attractiveness of eSun in the capital markets, both through the elimination of the deep discount of eSun's interests in MAGHL, and through enhancing the structure as an integrated cinema and media and entertainment group.

5. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the eSun Group since 31 July, 2022, being the date to which the latest published audited consolidated financial statements of eSun Group were made up.

1. FINANCIAL SUMMARY OF THE MAGHL GROUP

The audited consolidated financial statements and the independent auditor’s report of the MAGHL Group for the years ended 31 July, 2020, 2021 and 2022 and the unaudited condensed consolidated results for the three months ended 31 October, 2022 have been published in the annual reports and quarterly report per below:

- Annual report of MAGHL Group for the year ended 31 July, 2020 (page 53 to 140)
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1029/2020102900450.pdf>
- Annual report of MAGHL Group for the year ended 31 July, 2021 (page 61 to 152)
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1028/2021102800782.pdf>
- Annual report of MAGHL Group for the year ended 31 July, 2022 (page 69 to 156)
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/1028/2022102800573.pdf>
- First quarterly report of the MAGHL Group for the three months ended 31 October, 2022 (pages 2 to 7)
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/1215/2022121500491.pdf>

all of which have been published on the respective websites of MAGHL (www.mediaasia.com) and HKEX (www.hkexnews.hk).

2. PROSPECT OF THE MAGHL GROUP

With the recent announcement by the Government to end the mandatory hotel quarantine, MAGHL Group expect the domestic economy as well as the entertainment consumption in Hong Kong will recover at a fast pace. Over the past years, the novel coronavirus epidemic has changed the consumption behaviour of the general public. To rise this challenge, the MAGHL Group will continue to produce high quality and commercially viable products, and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities.

The MAGHL Group continues to invest in original production of quality films with Chinese themes. The MAGHL Group’s current production pipeline include “Twilight of the Warriors: Walled In”, an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam and “Tales From The Occult: Body and Soul” and “Tales From The Occult: Ultimate Malevolence”, psychological thriller each made up of three short stories produced by John Chong and Mathew Tang, and directed by Frank Hui, Daniel Chan and Doris Wong (Tales From The Occult: Body and Soul), and Li Chi Ngai, Peter Lee and Pater Wong (Tales From The Occult: Ultimate Malevolence).

“Dead Ringer”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. Projects under development include “Heir to the Throne”, a 30-episode modern-drama series tailor-made for Alibaba Youku Platforms. The MAGHL Group is in discussion with various Chinese portals and video websites for new project development in TV drama production.

The distribution licence of MAGHL Group’s music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income to the MAGHL Group. MAGHL 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 MAGHL Group.

The recent “Re: Grasshopper In Concert 2022”, “Super Junior World Tour - Super Show 9: Road in Hong Kong” and “Here & Now Ekin In Concert 2022” have earned good reputation and public praises. The MAGHL Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for next year include concerts of Joyce Cheng, Jay Fung, Yoga Lin and Tsai Chin.

Looking forward, the MAGHL Group believe that the integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put the MAGHL Group in a strong position to capture the opportunities of entertainment market by a balanced and synergistic approach and the MAGHL Group will continue to explore cooperation and investment opportunities to enrich the MAGHL Group’s portfolio, broaden the MAGHL Group’s income stream and maximise value for the MAGHL Shareholders.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE MAGHL GROUP

Set out below is the management discussion and analysis of the MAGHL Group for each of the financial years ended 31 July, 2020, 2021 and 2022 and three months ended 31 October, 2021 and 2022 (the “MAGHL Relevant Periods”).

Turnover

The following table shows the breakdown of turnover during the MAGHL Relevant Periods:

	Financial year ended 31 July,			For the three months ended 31 October,	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Media and Entertainment Segment					
<i>Events management</i>	68,372	72,429	36,963	4,707	25,851
<i>Music</i>	31,079	31,108	33,157	8,939	5,033
<i>Artiste management</i>	5,345	5,328	8,522	2,488	3,366
	<u>104,796</u>	<u>108,865</u>	<u>78,642</u>	<u>16,134</u>	<u>34,250</u>
Film and TV Program Segment					
<i>Film production and distribution</i>	140,976	47,966	25,402	1,545	35,787
<i>TV program production and distribution</i>	119,001	198,155	118,422	2,534	1,397
	<u>259,977</u>	<u>246,121</u>	<u>143,824</u>	<u>4,079</u>	<u>37,184</u>
Total	<u><u>364,773</u></u>	<u><u>354,986</u></u>	<u><u>222,466</u></u>	<u><u>20,213</u></u>	<u><u>71,434</u></u>

MAGHL Group’s turnover increased significantly by approximately HK\$51.2 million from approximately HK\$20.2 million for the three months ended 31 October, 2021 to approximately HK\$71.4 million for the three months ended 31 October, 2022, representing a significant increase of approximately 253%. The significant increase was mainly attributable to significant increase in turnover generated from MAGHL Group’s events management and film production and distribution.

MAGHL Group’s turnover decreased by approximately HK\$132.5 million from approximately HK\$355.0 million for the year ended 31 July, 2021 to approximately HK\$222.5 million for the year ended 31 July, 2022, representing a decrease of approximately 37%. The decrease was mainly attributable to decrease in revenue generated from MAGHL Group’s film, TV program and event management business.

MAGHL Group's turnover decreased by approximately HK\$9.8 million from approximately HK\$364.8 million for the year ended 31 July, 2020 to approximately HK\$355.0 million for the year ended 31 July, 2021, representing a slightly decrease of approximately 3%. The decrease was mainly attributable to decrease in revenue generated from MAGHL Group's film business.

Segment Overview

Media and Entertainment Segment

Events Management

During the three months ended 31 October, 2022, MAGHL Group organised and invested in 8 shows by popular local, Asian and internationally renowned artists, representing an increase of 5 shows as compared to the shows organised and invested by the MAGHL Group for the three months ended 31 October, 2021. Turnover generated from events management increased significantly by approximately HK\$21.1 million from approximately HK\$4.7 million for the three months ended 31 October, 2021 to approximately HK\$25.9 million for the three months ended 31 October, 2022.

During the year ended 31 July, 2022, MAGHL Group organised and invested in 18 shows by popular local, Asian and internationally renowned artists, representing an increase of 4 shows as compared to the shows organised and invested by the MAGHL Group for the year ended 31 July, 2021. Despite the slight improvement, turnover generated from events management decreased significantly by approximately HK\$35.5 million from approximately HK\$72.4 million for the year ended 31 July, 2021 to approximately HK\$37.0 million for the year ended 31 July, 2022.

During the year ended 31 July, 2021, the 14 shows organised and invested by MAGHL Group were relatively low as compared to the 39 shows organised and invested by MAGHL Group during the year ended 31 July, 2020. Despite the decrease in number of shows organised and invested by MAGHL Group, turnover generated from events management increased slightly by approximately HK\$4.1 million from approximately HK\$68.4 million for the year ended 31 July, 2020 to approximately HK\$72.4 million for the year ended 31 July, 2021.

Music

During the years ended 31 July, 2020, 2021 and 2022 and the three months ended 31 October, 2021 and 2022, MAGHL Group released 9, 11, 9, 2 and nil albums respectively. Turnover generated from music during the years ended 31 July, 2020, 2021 and 2022 and the three months ended 31 October, 2021 and 2022, were approximately HK\$31.1 million, HK\$ 31.1 million, HK\$33.2 million, HK\$8.9 million and HK\$5.0 million respectively.

The MAGHL Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

During the years ended 31 July, 2020, 2021 and 2022 and the three months ended 31 October, 2021 and 2022, MAGHL Group had 23, 24, 29, 24 and 29 artistes under management.

Turnover generated from artiste management increased by approximately HK\$0.9 million from approximately HK\$2.5 million during the three months ended 31 October, 2021 to approximately HK\$3.4 million during the three months ended 31 October, 2022.

Turnover generated from artiste management increased significantly by approximately HK\$3.2 million from approximately HK\$5.3 million during the year ended 31 July, 2021 to approximately HK\$8.5 million during the year ended 31 July, 2022.

Turnover generated from artiste management during the years ended 31 July, 2020 and 2021 were approximately HK\$5.3 million and HK\$5.3 million.

*Film and TV Program Segment**Film production and distribution*

During the years ended 31 July, 2020, 2021 and 2022 and the three months ended 31 October, 2021 and 2022, 5, 6, 8, nil and 2 films produced/invested by MAGHL Group were theatrically released respectively.

Turnover generated from film production and distribution increased significantly by approximately HK\$34.2 million from approximately HK\$1.5 million during the three months ended 31 October, 2021 to approximately HK\$35.8 million during the three months ended 31 October, 2022.

Turnover generated from film production and distribution decreased significantly by approximately HK\$22.6 million from approximately HK\$48.0 million during the year ended 31 July, 2021 to approximately HK\$25.4 million during the year ended 31 July, 2022.

Turnover generated from film production and distribution decreased significantly by approximately HK\$93.0 million from approximately HK\$141.0 million during the year ended 31 July, 2020 to approximately HK\$48.0 million during the year ended 31 July, 2021.

TV program production and distribution

Turnover generated from TV program production and distribution decreased by approximately HK\$1.1 million from approximately HK\$2.5 million during the three months ended 31 October, 2021 to approximately HK\$1.4 million during the three months ended 31 October, 2022.

Turnover generated from TV program production and distribution decreased significantly by approximately HK\$79.7 million from approximately HK\$198.2 million during the year ended 31 July, 2021 to approximately HK\$118.4 million during the year ended 31 July, 2022.

Turnover generated from TV program production and distribution increased significantly by approximately HK\$79.2 million from approximately HK\$119.0 million during the year ended 31 July, 2020 to approximately HK\$198.2 million during the year ended 31 July, 2021.

Cost of Sales

MAGHL Group's cost of sales increased significantly by approximately HK\$36.7 million from approximately HK\$8.0 million during the three months ended 31 October, 2021 to approximately HK\$44.7 million during the three months ended 31 October, 2022, representing a significant increase of approximately 460%. The increase was mainly attributable to the significant increase in turnover during the three months ended 31 October, 2022 as compared to the three months ended 31 October, 2021.

MAGHL Group's cost of sales decreased by approximately HK\$205.9 million from approximately HK\$385.4 million for the year ended 31 July, 2021 to HK\$179.5 million for the year ended 31 July, 2022, representing a significant decrease of approximately 53%. The decrease was mainly attributable to the decrease in (i) cost of film and TV program products, film and TV program rights and licence rights of approximately 58%; and (ii) cost of artiste management services and services for entertainment event provided of approximately 34%.

MAGHL Group's cost of sales increased by approximately HK\$64.5 million from approximately HK\$320.9 million for the year ended 31 July, 2020 to HK\$385.4 million for the year ended 31 July, 2021, representing an increase of approximately 20%. The increase was mainly attributable to the increase in (i) cost of film and TV program products, film and TV program rights and licence rights of approximately 21%; and (ii) cost of artiste management services and services for entertainment event provided of approximately 14%.

Other Operating Gains

MAGHL Group's other operating gains decreased significantly by approximately HK\$2.3 million from approximately HK\$2.4 million during the three months ended 31 October, 2021 to approximately HK\$0.1 million during the three months ended 31 October, 2022, representing a significant decrease of approximately 96%. The significant decrease was mainly attributable to the decrease in exchange gain due to the depreciation of Renminbi.

MAGHL Group's other operating gains decreased by approximately HK\$27.1 million from approximately HK\$39.2 million for the year ended 31 July, 2021 to HK\$12.1 million for the year ended 31 July, 2022, representing a significant decrease of approximately 69%. The decrease was mainly attributable to the decrease in exchange gain due to the depreciation of Renminbi.

MAGHL Group's other operating gains increased by approximately HK\$37.4 million from approximately HK\$1.8 million for the year ended 31 July, 2020 to HK\$39.2 million for the year ended 31 July, 2021, representing a significant increase of approximately 2,078%. The increase was mainly attributable to the significant increase in exchange gain arising from the appreciation of Renminbi.

Other Operating Expenses

MAGHL Group's other operating expenses increased significantly by approximately HK\$11.1 million from approximately HK\$1.3 million during the three months ended 31 October, 2021 to approximately HK\$12.4 million during the three months ended 31 October, 2022, representing a significant increase of approximately 877%. The significant increase was mainly attributable to the exchange loss arising from the depreciation in Renminbi during the three months ended 31 October, 2022.

MAGHL Group's other operating expenses decreased by approximately HK\$19.2 million from approximately HK\$50.0 million for the year ended 31 July, 2021 to HK\$30.8 million for the year ended 31 July, 2022, representing a decrease of approximately 38%. The decrease was mainly attributable to the decrease in impairment of trade and other receivables and fair value loss of film investments.

MAGHL Group's other operating expenses decreased by approximately HK\$12.4 million from approximately HK\$62.4 million for the year ended 31 July, 2020 to HK\$50.0 million for the year ended 31 July, 2021, representing a decrease of approximately 20%. The decrease was mainly attributable to the decrease in impairment of right-of-use assets, net.

Expenses

MAGHL Group's marketing expenses increased significantly by approximately HK\$13.6 million from approximately HK\$0.7 million for the three months ended 31 October, 2021 to approximately HK\$14.3 million for the three months ended 31 October, 2022, representing a significant increase of approximately 1,826%; MAGHL Group's administrative expenses increased slightly by approximately HK\$1.6 million from approximately HK\$27.2 million for the three months ended 31 October, 2021 to approximately HK\$28.8 million for the three months ended 31 October, 2022, representing a slight increase of approximately 6%. The significant increase in marketing expenses was mainly attributable to the significant increase in the number of films released and events held during the three months ended 31 October, 2022.

MAGHL Group's marketing expenses decreased slightly by approximately HK\$0.7 million from approximately HK\$19.2 million for the year ended 31 July, 2021 to HK\$18.5 million for the year ended 31 July, 2022, representing a decrease of approximately 4%; MAGHL Group's administrative expenses increased slightly by approximately HK\$1.5 million from approximately HK\$114.6 million for the year ended 31 July, 2021 to HK\$116.1 million for the year ended 31 July, 2022, representing an increase of approximately 1%. The marketing and administrative expenses have been stable due to strict control by MAGHL's management.

MAGHL Group's marketing expenses decreased by approximately HK\$4.8 million from approximately HK\$24.0 million for the year ended 31 July, 2020 to HK\$19.2 million for the year ended 31 July, 2021, representing a decrease of approximately 20%; MAGHL Group's administrative expenses decreased by approximately HK\$23.8 million from approximately HK\$138.4 million for the year ended 31 July, 2020 to HK\$114.6 million for the year ended 31 July, 2021, representing a decrease of approximately 17%. The decrease in marketing and administrative expenses was mainly attributable to the decrease in the number of large-scale films released and the decrease in depreciation on right-of-use assets for the year ended 31 July, 2021, respectively.

Finance Costs

MAGHL Group's finance costs increased significantly by approximately HK\$1.8 million from approximately HK\$0.1 million for the three months ended 31 October, 2021 to approximately HK\$1.9 million for the three months ended 31 October, 2022, representing a significant increase of approximately 2,121%. The significant increase was mainly attributable to the loan from eSun.

MAGHL Group's finance costs decreased by approximately HK\$4.4 million from approximately HK\$6.7 million for the year ended 31 July, 2021 to HK\$2.3 million for the year ended 31 July, 2022, representing a significant decrease of approximately 66%. The decrease was mainly attributable to the capitalisation of loans from eSun completed in January, 2021.

MAGHL Group's finance costs decreased by approximately HK\$11.1 million from approximately HK\$17.8 million for the year ended 31 July, 2020 to HK\$6.7 million for the year ended 31 July, 2021, representing a significant decrease of approximately 62%. The decrease was mainly attributable to the capitalisation of loans from eSun company completed in January, 2021.

Loss after Tax

MAGHL Group's loss after tax increased by approximately HK\$16.7 million from a loss of approximately HK\$12.3 million for the three months ended 31 October, 2021 to a loss of approximately HK\$29.0 million for the three months ended 31 October, 2022, as a result of the cumulative effects of the factors described above.

MAGHL Group's loss after tax decreased by approximately HK\$62.0 million from a loss of approximately HK\$171.5 million for the year ended 31 July, 2021 to a loss of HK\$109.5 million for the year ended 31 July, 2022, as a result of the cumulative effects of the factors described above.

MAGHL Group's loss after tax decreased by approximately HK\$15.8 million from approximately HK\$187.3 million for the year ended 31 July, 2020 to a loss of HK\$171.5 million for the year ended 31 July, 2021, as a result of the cumulative effects of the factors described above.

Equity Fund Raising

On 28 June, 2021 and 3 August, 2021, MAGHL allotted and issued 42,721,136 and 40,612,197 shares to THL G Limited, the aggregate net proceeds received by MAGHL therefrom were approximately HK\$98,568,000 (after deducting the related issue costs); and the unutilised proceeds up to 31 July, 2021 were approximately HK\$77,510,000 (details of which have been disclosed in annual report of MAGHL for the year ended 31 July, 2021 and the supplemental announcement of MAGHL dated 4 August, 2022).

During the year ended 31 July, 2022, the actual use of the proceeds by MAGHL were (i) approximately HK\$26,052,000 for the MAGHL Group's new content digitisation initiatives, including but not limited to the further development of new platforms for the MAGHL Group's media and entertainment businesses and e-commerce; and (ii) approximately HK\$44,082,000 for general working capital, including funding the existing TV and film projects of the MAGHL Group and related overhead expenses, and for funding the ongoing business development of the MAGHL Group. The unutilised proceeds up to 31 July, 2022 were approximately HK\$7,376,000, which is expected to be used for the MAGHL Group's new content digitisation initiatives in coming year. There is no intention to change the planned use of net proceeds as stated in the circular of MAGHL dated 30 June, 2021 and the expected timeline for using the unutilised proceeds would be based on the best estimation of the business market situation and might be subject to changes based on the market conditions.

Capital Structure

MAGHL Group's equity attributable to owners of MAGHL decreased by approximately HK\$61.2 million from approximately HK\$335.0 million as at 31 July, 2021 to approximately HK\$273.8 million as at 31 July, 2022, representing a decrease of approximately 18%. The decrease was mainly attributable to the consolidated deficit in the reserve accounts as at 31 July 2022.

MAGHL Group's equity attributable to owners of MAGHL increased by approximately HK\$294.8 million from approximately HK\$40.2 million as at 31 July, 2020 to HK\$335.0 million as at 31 July, 2021, representing a significant increase of approximately 733%. The significant increase was mainly attributable to the capitalisation of loans from eSun completed in January, 2021.

Liquidity and Financial Resources

MAGHL Group financed its operations with internal resources and loans from eSun. As at 31 July, 2020, 2021 and 2022, MAGHL Group had unsecured and interest-bearing loans with an outstanding principal amount of approximately HK\$350.0 million, nil and HK\$137.0 million respectively. As at 31 July, 2022, the unsecured interest-bearing loans from eSun of approximately HK\$137.0 million are on floating rate basis and are denominated in HKD.

As at 31 July, 2020, 2021 and 2022, the MAGHL Group had net current assets of approximately HK\$318.8 million, HK\$265.3 million and HK\$326.0 million respectively. The net current assets primarily include films and TV programs under production and film investments, prepayments, deposits and other receivables and cash and cash equivalents. The decrease in net current assets as at 31 July, 2021 against 31 July, 2020 was mainly attributable to the decrease in films and TV programs under production and film investments.

Cash and cash equivalents of MAGHL Group were primarily denominated in Hong Kong dollars and Renminbi. As at 31 July, 2020, 2021 and 2022, MAGHL had cash and cash equivalents of approximately HK\$317.7 million, HK\$295.6 million and HK\$174.6 million respectively.

Gearing ratio is calculated as the total borrowings (excluding lease liabilities) to shareholders' equity attributable to the owners of MAGHL. As at 31 July, 2020, 2021 and 2022, the gearing ratio of MAGHL were approximately 870%, nil and 50% respectively. As at 31 July, 2021, there were no borrowings as all borrowings were fully capitalised upon completion of the loan capitalisation in January, 2021.

Maturity Profile of MAGHL Group's Financial Liabilities

The maturity profile of the MAGHL Group's financial liabilities as at 31 July, 2020, 2021 and 2022 are set out below:

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 July 2022				
Trade payables	2,718	—	—	2,718
Financial liabilities included in accruals, other payables and deposits received	183,312	—	—	183,312
Loans from eSun	6,850	6,869	140,378	154,097
Lease liabilities	6,595	4,098	851	11,544
	<u>199,475</u>	<u>10,967</u>	<u>141,229</u>	<u>351,671</u>
Total	<u>199,475</u>	<u>10,967</u>	<u>141,229</u>	<u>351,671</u>

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 July 2021				
Trade payables	4,095	—	—	4,095
Financial liabilities included in accruals, other payables and deposits received	303,938	—	—	303,938
Loans from eSun	—	—	—	—
Lease liabilities	7,733	1,749	457	9,939
Total	<u>315,766</u>	<u>1,749</u>	<u>457</u>	<u>317,972</u>
31 July 2020				
Trade payables	75	—	—	75
Financial liabilities included in accruals, other payables and deposits received	271,373	—	—	271,373
Loans from eSun	11,379	11,379	358,800	381,558
Lease liabilities	9,671	5,186	299	15,156
Total	<u>292,498</u>	<u>16,565</u>	<u>359,099</u>	<u>668,162</u>

There is no seasonality of borrowing requirements for the MAGHL Group. MAGHL Group's objectives for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce to cost of capital.

Dividend

No dividend was declared for the years ended 31 July, 2020, 2021 and 2022 and the three months ended 31 October, 2021 and 2022.

Exposure to Fluctuations in Exchange Rates and Related Hedges

MAGHL Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and the investment in foreign subsidiaries. MAGHL Group closely monitor the foreign currency exposures and use suitable hedging instruments against significant foreign currency exposures when necessary. During the years ended 31 July, 2020, 2021 and 2022, no foreign currency hedge contract was entered.

Material Acquisition/Disposal and Significant Investments

MAGHL Group had no material acquisitions/disposal of subsidiaries during the years ended 31 July, 2020, 2021 and 2022.

Charges on the MAGHL Group's assets

As at 31 July, 2020, 2021 and 2022, none of the assets of the MAGHL Group were pledged.

Contingent Liabilities

MAGHL Group had no contingent liabilities as at 31 July, 2020, 2021 and 2022.

Employee Information

As at 31 July, 2020, 2021 and 2022, MAGHL Group had 136, 143 and 151 employees respectively. The total staff costs, including directors' emoluments for MAGHL Group for the years ended 31 July, 2020, 2021 and 2022 were approximately HK\$91.8 million, HK\$80.1 million and HK\$86.6 million respectively.

The MAGHL Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

1. INTRODUCTION OF THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED ESUN GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities as at 31 July, 2022 of the Enlarged eSun Group (the “**Unaudited Pro Forma Financial Information**”), which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, for the purpose of illustrating the effects of the Proposed Merger on the assets and liabilities of the Enlarged eSun Group under two scenarios where (a) all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative) (“**Scenario 1**”); and (b) all Scheme Shareholders elect the Partial Cash Alternative (“**Scenario 2**”) as if the Proposed Merger under Scenario 1 or 2 had been completed on 31 July, 2022.

Scenario 1: all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)

Assuming all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), eSun would issue and allot a total of 803,721,140 new eSun Shares to the Scheme Shareholders. Upon the Completion, the eSun Group’s shareholding in MAGHL would increase from approximately 67.70% to 100% and MAGHL would become an indirect wholly-owned subsidiary of the Enlarged eSun Group. The Proposed Merger would be accounted for as an equity transaction of the Enlarged eSun Group.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group as set out on pages 67 to 69 of this circular has been prepared based on:

- (a) the audited consolidated statement of financial position of the eSun Group as at 31 July, 2022 which has been extracted from the published annual report of the eSun Group for the year ended 31 July, 2022; and
- (b) after taking into account of the unaudited pro forma adjustment, which is directly attributable to the Proposed Merger and factually supportable, as described in the notes thereto to demonstrate how the Proposed Merger might have affected the historical financial information in respect of the Enlarged eSun Group as if the Proposed Merger had been completed on 31 July, 2022, as appropriate.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group should be read in conjunction with the financial information contained in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged eSun Group would have been if the Proposed Merger had been completed on 31 July, 2022 or at any future date.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED ESUN GROUP

	The eSun Group as at 31 July, 2022 <i>(Audited)</i> HK\$'000 <i>Note 1</i>	Pro forma adjustment for Share Alternative <i>(Unaudited)</i> HK\$'000 <i>Note 2</i>	The Enlarged eSun Group after pro forma adjustment as at 31 July, 2022 <i>(Unaudited)</i> HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	208,957	—	208,957
Right-of-use assets	758,895	—	758,895
Film rights	19,162	—	19,162
Film and TV program products	61,174	—	61,174
Music catalogs	663	—	663
Goodwill	10,000	—	10,000
Investments in joint ventures	30,729	—	30,729
Financial assets at fair value through profit or loss	111,878	—	111,878
Deposits, prepayments, other receivables and other assets	131,398	—	131,398
Deferred tax assets	517	—	517
Total non-current assets	<u>1,333,373</u>	<u>—</u>	<u>1,333,373</u>
CURRENT ASSETS			
Films and TV programs under production and film investments	317,109	—	317,109
Inventories	16,611	—	16,611
Debtors	135,930	—	135,930
Financial assets at fair value through profit or loss	6,822	—	6,822
Deposits, prepayments, other receivables and other assets	157,753	—	157,753
Prepaid tax	199	—	199
Pledged time deposits	146,300	—	146,300
Cash and cash equivalents	1,056,587	—	1,056,587
Total current assets	<u>1,837,311</u>	<u>—</u>	<u>1,837,311</u>

	The eSun Group as at 31 July, 2022 <i>(Audited)</i> HK\$'000 <i>Note 1</i>	Pro forma adjustment for Share Alternative <i>(Unaudited)</i> HK\$'000 <i>Note 2</i>	The Enlarged eSun Group after pro forma adjustment as at 31 July, 2022 <i>(Unaudited)</i> HK\$'000
CURRENT LIABILITIES			
Creditors and accruals	425,772	—	425,772
Deposits received and contract liabilities	139,871	—	139,871
Interest-bearing bank loans	143,956	—	143,956
Lease liabilities	202,724	—	202,724
Tax payable	78,871	—	78,871
Total current liabilities	<u>991,194</u>	<u>—</u>	<u>991,194</u>
NET CURRENT ASSETS	<u>846,117</u>	<u>—</u>	<u>846,117</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,179,490</u>	<u>—</u>	<u>2,179,490</u>
NON-CURRENT LIABILITIES			
Creditors and accruals	8,163	—	8,163
Lease liabilities	941,994	—	941,994
Other borrowings	226,864	—	226,864
Deferred tax liabilities	87	—	87
Total non-current liabilities	<u>1,177,108</u>	<u>—</u>	<u>1,177,108</u>
NET ASSETS	<u><u>1,002,382</u></u>	<u><u>—</u></u>	<u><u>1,002,382</u></u>

Scenario 1*Notes:*

- (1) The financial information of the eSun Group is extracted from the audited consolidated statement of financial position as at 31 July, 2022, as set out in the published annual report of the eSun Group for the year ended 31 July, 2022.
- (2) eSun would issue and allot a total of 803,721,140 new eSun Shares to the Scheme Shareholders upon the Completion and the eSun Group's shareholding in MAGHL would increase from approximately 67.70% to 100%. The Proposed Merger is accounted for as an equity transaction of the Enlarged eSun Group. The consideration is to be satisfied with new eSun Shares, it has no impact on assets and liabilities of the Enlarged eSun Group.
- (3) No adjustment has been made to reflect the transaction costs of the Proposed Merger since the Directors considered that the amount involved will not be significant to the Proposed Merger. The total estimated transaction costs are approximately HK\$8 million.
- (4) Apart from the Proposed Merger, no other adjustments have been made to the unaudited pro forma financial information of the Enlarged eSun Group to reflect any trading results or other transactions of the Enlarged eSun Group.
- (5) The pro forma adjustment in the unaudited pro forma financial information of the Enlarged eSun Group is not expected to have a continuing effect on the Enlarged eSun Group.

Scenario 2: all Scheme Shareholders elect the Partial Cash Alternative

Assuming all Scheme Shareholders elect the Partial Cash Alternative, eSun would issue and allot a maximum total of 160,744,228 new eSun Shares and a total cash consideration of approximately HK\$231,472,000 would be paid to the Scheme Shareholders. Upon the Completion, the eSun Group's shareholding in MAGHL would increase from approximately 67.70% to 100% and MAGHL would become an indirect wholly-owned subsidiary of the Enlarged eSun Group. The Proposed Merger would be accounted for as an equity transaction of the Enlarged eSun Group.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group as set out on pages 70 to 72 of this circular has been prepared based on:

- (a) the audited consolidated statement of financial position of the eSun Group as at 31 July, 2022 which has been extracted from the published annual report of the eSun Group for the year ended 31 July, 2022; and
- (b) after taking into account of the unaudited pro forma adjustment, which is directly attributable to the Proposed Merger and factually supportable, as described in the notes thereto to demonstrate how the Proposed Merger might have affected the historical financial information in respect of the Enlarged eSun Group as if the Proposed Merger had been completed on 31 July, 2022, as appropriate.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group should be read in conjunction with the financial information contained in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged eSun Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged eSun Group would have been if the Proposed Merger had been completed on 31 July, 2022 or at any future date.

	The eSun Group as at 31 July, 2022 (Audited) HK\$'000 Note 1	Pro forma adjustment for Partial Cash Alternative (Unaudited) HK\$'000 Note 2	The Enlarged eSun Group after pro forma adjustment as at 31 July, 2022 (Unaudited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	208,957	–	208,957
Right-of-use assets	758,895	–	758,895
Film rights	19,162	–	19,162
Film and TV program products	61,174	–	61,174
Music catalogs	663	–	663
Goodwill	10,000	–	10,000
Investments in joint ventures	30,729	–	30,729
Financial assets at fair value through profit or loss	111,878	–	111,878
Deposits, prepayments, other receivables and other assets	131,398	–	131,398
Deferred tax assets	517	–	517
Total non-current assets	1,333,373	–	1,333,373

	The eSun Group as at 31 July, 2022 <i>(Audited)</i> HK\$'000 Note 1	Pro forma adjustment for Partial Cash Alternative <i>(Unaudited)</i> HK\$'000 Note 2	The Enlarged eSun Group after pro forma adjustment as at 31 July, 2022 <i>(Unaudited)</i> HK\$'000
CURRENT ASSETS			
Films and TV programs under production and film investments	317,109	–	317,109
Inventories	16,611	–	16,611
Debtors	135,930	–	135,930
Financial assets at fair value through profit or loss	6,822	–	6,822
Deposits, prepayments, other receivables and other assets	157,753	–	157,753
Prepaid tax	199	–	199
Pledged time deposits	146,300	–	146,300
Cash and cash equivalents	1,056,587	(231,472)	825,115
Total current assets	<u>1,837,311</u>	<u>(231,472)</u>	<u>1,605,839</u>
CURRENT LIABILITIES			
Creditors and accruals	425,772	–	425,772
Deposits received and contract liabilities	139,871	–	139,871
Interest-bearing bank loans	143,956	–	143,956
Lease liabilities	202,724	–	202,724
Tax payable	78,871	–	78,871
Total current liabilities	<u>991,194</u>	<u>–</u>	<u>991,194</u>
NET CURRENT ASSETS	<u>846,117</u>	<u>(231,472)</u>	<u>614,645</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,179,490</u>	<u>(231,472)</u>	<u>1,948,018</u>
NON-CURRENT LIABILITIES			
Creditors and accruals	8,163	–	8,163
Lease liabilities	941,994	–	941,994
Other borrowings	226,864	–	226,864
Deferred tax liabilities	87	–	87
Total non-current liabilities	<u>1,177,108</u>	<u>–</u>	<u>1,177,108</u>
NET ASSETS	<u><u>1,002,382</u></u>	<u><u>(231,472)</u></u>	<u><u>770,910</u></u>

Scenario 2*Notes:*

- (1) The financial information of the eSun Group is extracted from the audited consolidated statement of financial position as at 31 July, 2022, as set out in the published annual report of the eSun Group for the year ended 31 July, 2022.
- (2) The adjustment reflects the decrease in cash and cash equivalents of the Enlarged eSun Group assuming all Scheme Shareholders elect the Partial Cash Alternative. The consideration includes (i) a cash consideration of approximately HK\$231,472,000 based on the aggregate number of Scheme Shares of 964,465,368 at HK\$0.24 per each Scheme Share; and (ii) issuance and allotment of a total of 160,744,228 new eSun Shares to all Scheme Shareholders upon the Completion. The eSun Group's shareholding in MAGHL would then increase from approximately 67.70% to 100% and the Proposed Merger is accounted for as an equity transaction of the Enlarged eSun Group.
- (3) No adjustment has been made to reflect the transaction costs of the Proposed Merger since the Directors considered that the amount involved will not be significant to the Proposed Merger. The total estimated transaction costs are approximately HK\$8 million.
- (4) Apart from the Proposed Merger, no other adjustments have been made to the unaudited pro forma financial information of the Enlarged eSun Group to reflect any trading results or other transactions of the Enlarged eSun Group.
- (5) The pro forma adjustment in the unaudited pro forma financial information of the Enlarged eSun Group is not expected to have a continuing effect on the Enlarged eSun Group.

**2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the Directors of eSun Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of eSun Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information (the “**Pro Forma Financial Information**”) consists of the pro forma consolidated statement of assets and liabilities as at 31 July 2022, and related notes as set out in Appendix III to the circular dated 12 January 2023 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the effects of the proposed merger of Media Asia Group Holdings Limited (“**MAGHL**”) by the Company and the offeror involving (a) a share exchange offer and (b) a share exchange offer with partial cash alternative to the scheme shareholders of MAGHL for the cancellation of all the scheme shares by way of a scheme of arrangement (the “**Proposed Merger**”) on the Group’s assets and liabilities as at 31 July 2022 as if the Proposed Merger had been completed on 31 July 2022. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s financial statements for the year ended 31 July 2022, on which an annual report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Merger on unadjusted financial information of the Group as if the Proposed Merger had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Merger would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Merger, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Merger in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
12 January 2023

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to eSun. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL

- (a) As at the Latest Practicable Date, the share capital of eSun was as follows:

Authorised Share Capital

Number of authorised shares	2,500,000,000
Amount of authorised share capital	HK\$1,250,000,000
Nominal value per share	HK\$0.5

Issued and Fully Paid-up Share Capital

Number of shares in issue	1,491,854,598
Amount of issued and paid-up share capital	HK\$745,927,299

- (b) All eSun Shares in issue and to be issued in connection with the Scheme are or will be fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting.
- (c) Please refer to “Letter from the eSun Board – J. Proposed Increase in Authorised Share Capital” for further details on the proposed Increase in Authorised Share Capital.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and chief executive in eSun and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of eSun in the shares or underlying shares or debentures of eSun or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be (a) notified to eSun and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by eSun under Section 352 of the SFO; or (c) notified to eSun and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees (the “**Securities Code**”) adopted by eSun on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (d) as known by the Directors were disclosed as follows:

Long positions in shares and underlying shares

(I) *Interests in eSun*

Name of Director	Capacity	Long positions in the eSun Shares and underlying eSun Shares					Approximate percentage of total issued eSun Shares (Note)
		Number of eSun Shares		Number of underlying eSun Shares	Total		
		Personal interests	Corporate interests				
Lester Lam	Beneficial owner	2,794,443	Nil	Nil	2,794,443	0.19%	

Note: The total number of issued eSun Shares as at the Latest Practicable Date (that is, 1,491,854,598 eSun Shares) has been used for the calculation of the approximate percentage.

*(II) Interests in the Associated Corporations***(a) LSG**

Name of Directors	Capacity	Long positions in ordinary shares of LSG ("LSG Shares") and underlying LSG Shares					Approximate percentage of total issued LSG Shares <i>(Note 2)</i>
		Number of LSG Shares		Number of underlying LSG Shares		Total	
		Personal interests	Corporate interests	Personal interests <i>(Note 1)</i>			
Chew Fook Aun	Beneficial owner	Nil	Nil	5,135,275	5,135,275	0.58%	
Lester Lam	Beneficial owner	28,033,218	Nil	6,519,095	34,552,313	3.91%	
U Po Chu	Beneficial owner	1,857,430	Nil	Nil	1,857,430	0.21%	

Notes:

1. *These interests in underlying LSG Shares represent the interests in share options granted to the Directors under a share option scheme of LSG, particulars of which are as follows:*

<i>Name of Directors</i>	<i>Date of grant (dd/mm/yyyy)</i>	<i>Number of underlying LSG Shares comprised in share options</i>	<i>Exercise period (dd/mm/yyyy)</i>	<i>Exercise price per LSG Share (HK\$)</i>
<i>Chew Fook Aun</i>	<i>19/06/2017</i>	<i>5,135,275</i>	<i>19/06/2017 - 18/06/2027</i>	<i>11.155</i>
<i>Lester Lam</i>	<i>19/06/2017</i>	<i>5,135,275</i>	<i>19/06/2017 - 18/06/2027</i>	<i>11.155</i>
	<i>25/01/2022</i>	<i>1,383,820</i>	<i>25/01/2022 - 24/01/2032</i>	<i>3.673</i>

2. *The total number of issued LSG Shares as at the Latest Practicable Date (that is, 883,373,901 LSG Shares) has been used for the calculation of the approximate percentage.*

(b) LSD

		Long positions in ordinary shares of LSD ("LSD Shares") and underlying LSD Shares					
Name of Directors	Capacity	Number of LSD Shares		Number of underlying LSD Shares	Total	Approximate percentage of total issued LSD Shares <i>(Note 2)</i>	
		Personal interests	Corporate interests	Personal interests <i>(Note 1)</i>			
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	1,831,500 <i>(Note 3)</i>	Nil	1,831,500	0.19%	
Lester Lam	Beneficial owner	Nil	Nil	4,864,519	4,864,519	0.50%	
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	121,232	121,232	0.01%	
U Po Chu	Beneficial owner	40,378	Nil	Nil	40,378	0.004%	

Notes:

1. *These interests in underlying LSD Shares represent the interests in share options granted to the Directors under a share option scheme of LSD, particulars of which are as follows:*

Name of Directors	Date of grant (dd/mm/yyyy)	Number of underlying LSD Shares comprised in share options	Exercise period (dd/mm/yyyy)	Exercise price per LSD Share (HK\$)
Lester Lam	18/01/2013	4,864,519	18/01/2013 - 17/01/2023	13.811
Lui Siu Tsuen, Richard	18/01/2013	121,232	18/01/2013 - 17/01/2023	13.811

2. *The total number of issued LSD Shares as at the Latest Practicable Date (that is, 968,885,887 LSD Shares) has been used for the calculation of the approximate percentage.*
3. *Mr. Chew Fook Aun was deemed to be interested in the same 1,831,500 LSD Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

(c) Lai Fung Holdings Limited (“Lai Fung”)

Name of Director	Capacity	Long positions in ordinary shares of Lai Fung (“Lai Fung Shares”) and underlying Lai Fung Shares					Approximate percentage of total issued Lai Fung Shares (Note 2)
		Number of Lai Fung Shares		Number of underlying Lai Fung Shares Personal interests (Note 1)	Total	Lai Fung Shares	
		Personal interests	Corporate interests				
Lester Lam	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.97%	

Notes:

1. *These interests in underlying Lai Fung Shares represent the interests in a share option granted to the Director under a share option scheme of Lai Fung, particulars of which are as follows:*

Name of Director	Date of grant (dd/mm/yyyy)	Number of underlying Lai Fung Shares comprised in share option	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK\$)
Lester Lam	18/01/2013	3,219,182	18/01/2013 - 17/01/2023	11.40

2. *The total number of issued Lai Fung Shares as at the Latest Practicable Date (that is, 331,033,443 Lai Fung Shares) has been used for the calculation of the approximate percentage.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of eSun and their respective close associates had, or was deemed to have, any interest in the long or short positions in the shares, underlying shares and, or debentures of eSun or any of its associated corporations, which was required to be notified to the Stock Exchange and eSun pursuant to the SFO, or recorded in eSun’s Register of Directors and Chief Executive, or notified to the Stock Exchange and eSun under the Securities Code or otherwise known by the Directors.

Save as disclosed below (and their respective interests disclosed above), as at the Latest Practicable Date, there was no Director who is a director or employee of a company which has an interest or short position in eSun Shares and underlying eSun Shares which would fall to be disclosed to eSun under the provisions of Divisions 2 and 3 of Part XV of the SFO:

1. Mr. Chew Fook Aun (an executive Director) is also an executive director of each of LSG, LSD and Lai Fung;
2. Mr. Lester Lam (an executive Director and alternate director to Madam U Po Chu) is also an executive director of each of LSG, LSD and Lai Fung;
3. Mr. Yip Chai Tuck (an executive Director) is also the chief executive officer of LSG and an executive director of MAGHL; and
4. Madam U Po Chu (a non-executive Director) is also an executive director of each of LSG and Lai Fung and a non-executive director of LSD.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, so far as it is known by or otherwise notified by any Director or the chief executive of eSun, the particulars of the corporations or individuals, who had 5% or more interests in the following long positions in the eSun Shares and underlying eSun Shares as recorded in the register required to be kept by eSun pursuant to Section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of eSun (“**Voting Entitlements**”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Name	Capacity	Long positions in the eSun Shares and underlying eSun Shares	
		Number of eSun Shares and underlying eSun Shares held	Approximate percentage of total issued eSun Shares <i>(Note 1)</i>
Substantial Shareholders			
LSD <i>(Note 2)</i>	Owner of controlled corporation	1,113,260,072	74.62% <i>(Note 4)</i>
LSG <i>(Note 3)</i>	Owner of controlled corporations	1,113,260,072	74.62% <i>(Note 4)</i>
Dr. Peter Lam	Beneficial owner and owner of controlled corporations	1,116,054,515	74.81% <i>(Note 4)</i>
Other Persons			
Mr. Yu Cheuk Yi	Beneficial Owner	149,864,000	10.05% <i>(Note 5)</i>
Ms. Yu Siu Yuk	Beneficial Owner	149,864,000	10.05% <i>(Note 5)</i>

Notes:

1. *The total number of issued eSun Shares as at the Latest Practicable Date (that is, 1,491,854,598 eSun Shares) has been used for the calculation of the approximate percentage.*
2. *As at the Latest Practicable Date, Mr. Chew Fook Aun and Mr. Lester Lam were also executive directors of LSD. Madam U Po Chu was also a non-executive director of LSD.*
3. *As at the Latest Practicable Date, Mr. Chew Fook Aun, Mr. Lester Lam and Madam U Po Chu were also executive directors of LSG. Mr. Yip Chai Tuck was also the chief executive officer of LSG.*
4. *These interests in eSun represented all the eSun Shares beneficially owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at the Latest Practicable Date, LSG and Dr. Peter Lam were deemed to be interested in the same 1,113,260,072 eSun Shares (approximately 74.62% of the total issued eSun Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.93% (excluding share option) of the total issued LSG Shares; and LSD was approximately 53.19% directly and indirectly owned by LSG; and LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited, which in turn 100% beneficially owned by Dr. Peter Lam.*

As at the Latest Practicable Date, Dr. Peter Lam also holds 2,794,443 eSun Shares as beneficial owner.

5. *Based on the disclosure of interests notices received by eSun, as at the Latest Practicable Date, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 149,864,000 eSun Shares (approximately 10.05% of the total issued eSun Shares), which were held jointly by them.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of eSun) which/who, as at the Latest Practicable Date, had the Voting Entitlements or 5% or more interests or short positions in the eSun Shares or underlying eSun Shares as recorded in the Register of Shareholders.

(c) **Interest in assets, contracts or arrangements of the eSun Group**

As at the Latest Practicable Date,

- (a) none of the Directors had any interest, direct or indirect, in any assets which had, since 31 July, 2022 (being the date to which the latest published audited consolidated financial statements of eSun were made up), been acquired or disposed of by, or leased to, eSun or any member of eSun Group, or were proposed to be acquired or disposed of by, or leased to, eSun or any member of the eSun Group;
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of eSun Group subsisting at such date and which was significant in relation to the businesses of eSun Group; and
- (c) it was not intended that the aggregate of the remuneration payable to and benefits in kind receivable by the directors of eSun or MAGHL will be varied in consequence of the Proposal.

(d) **Interest in Competing Business**

As at the Latest Practicable Date, four executive Directors, namely Mr. Lui Siu Tsuen, Richard, Mr. Chew Fook Aun, Mr. Lester Lam and Mr. Yip Chai Tuck as well as a non-executive Director, Madam U Po Chu (collectively, “**Interested Directors**”) are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of eSun Group pursuant to the Listing Rules.

The Interested Directors held shareholding interests and, or other interests and, or directorships in companies/entities engaged in the businesses of cinema operation, media and entertainment, music production and distribution as well as film and TV program production and distribution.

However, the eSun Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the eSun Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his/her fiduciary duty to eSun and has acted and will continue to act in the best interest of eSun and the eSun Shareholders as a whole. Therefore, the eSun Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of such companies/entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business, which competes or may compete with the businesses of eSun Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder (within the meaning of the Listing Rules) of eSun).

(e) Common Director

As at the Latest Practicable Date, Mr. Lui Siu Tsuen, Richard (an executive Director and the Chief Executive Officer of eSun) and Mr. Yip Chai Tuck (an executive Director) were also executive directors of MAGHL. Mr. Lui Siu Tsuen, Richard and Mr. Chew Fook Aun (both executive Directors) were also directors of the Offeror.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the eSun Group which was not determinable by the relevant member of the eSun Group within one year without payment of compensation other than statutory compensation.

4. MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of the business carried on or intended to be carried on by any member of the eSun Group) has been entered into by members of the eSun Group in the two years immediately preceding the date of this circular and which is, or may be, material:

- a share subscription agreement dated 4 June, 2021 entered into between MAGHL as the issuer and THL G Limited (“**THL**”) as the subscriber in relation to THL’s subscription of an aggregate of 83,333,333 subscription shares (representing approximately 2.87% of the then total number of issued MAGHL Shares) at the subscription price of HK\$1.20 per MAGHL Share, in respect of which MAGHL received gross proceeds in the amount of HK\$100 million

5. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the eSun Group (including the Offeror) or the MAGHL Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the eSun Group.

6. EXPERTS

The names and qualifications of the professional advisers who have been named in this circular or given their opinion or advice which are contained in this circular are set forth below:

Qualification of experts

Name	Qualification
Anglo Chinese	a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditors

As at the Latest Practicable Date, save that Anglo Chinese was interested in 1,875,000 MAGHL Shares, neither Anglo Chinese nor Ernst & Young was interested in any securities in any member of the eSun Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the eSun Group. Neither Anglo Chinese nor Ernst & Young had any direct or indirect interest in any assets which had, since 31 July, 2022 (being the date to which the latest published audited financial statements of eSun were made up), been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the eSun Group.

7. CONSENTS

Each of Anglo Chinese and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion, report and, or letter and, or references to its name in the form and context in which they respectively appear in this circular.

8. GENERAL

- (a) The registered office of eSun is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal office of eSun is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (c) The company secretary of eSun is Ms. Wong Lai Chun, who is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

- (d) eSun's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of HKEX at www.hkexnews.com and the website of eSun at www.esun.com for a period of not less than fourteen (14) days from the date of this circular:

- (a) the annual reports of MAGHL for the three years ended 31 July, 2020, 31 July, 2021 and 31 July, 2022, and the first quarterly report of MAGHL for the three months ended 31 October, 2022;
- (b) the annual reports of eSun for the three years ended 31 July, 2020, 31 July, 2021 and 31 July, 2022;
- (c) the independent reporting accountants' assurance report on the compilation of pro forma financial information from Ernst & Young, the text of which is set out in Part 2 of Appendix III to this circular;
- (d) the written consents referred to under the paragraph headed "7. CONSENTS" in this Appendix IV;
- (e) the material contract referred to under the paragraph headed "4. MATERIAL CONTRACT" in this Appendix IV;
- (f) the Scheme Document; and
- (g) this circular.

NOTICE OF ESUN SGM



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (“**eSun SGM**”) of the members (“**Members**”) of eSun Holdings Limited (“**eSun**”) will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on 13 February, 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of eSun:

ORDINARY RESOLUTION

“**THAT:**

- (a) the proposed acquisition of new shares in Media Asia Group Holdings Limited (“**MAGHL**”) by eSun through Perfect Sky Holdings Limited, a direct wholly-owned subsidiary of eSun, by way of the privatisation of MAGHL pursuant to a scheme of arrangement (“**Scheme**”) under Section 99 of the Companies Act 1981 (as amended) of Bermuda, involving the cancellation of all the Scheme Shares (as defined in the circular of eSun dated 12 January, 2023 (“**eSun Circular**”)) in exchange for either (i) five sixths of an ordinary share of HK\$0.50 each in the share capital of eSun (“**eSun Share**”) for every Scheme Share (“**Share Alternative**”); or (ii) one sixth of an eSun Share and HK\$0.24 in cash for every Scheme Share (“**Partial Cash Alternative**”), subject to and conditional upon the conditions set out in the eSun Circular (“**Proposal**”), and all transactions contemplated under the Proposal and the Scheme, be and are hereby approved and ratified; and the directors of eSun (“**eSun Directors**”) be and are hereby authorised to do all acts and to enter into such transactions and arrangements, including but not limited to, the payment by eSun of the cash consideration under the Partial Cash Alternative and the allotment and issuance of new eSun Shares under the Share Alternative and the Partial Cash Alternative to any holder of the Scheme Shares (“**Scheme Shareholder**”) in consideration for the cancellation of his/her/its interest in the Scheme Shares, as may be necessary or expedient in order to give effect to the Proposal or the Scheme;
- (b) the eSun Directors be and are hereby granted a specific mandate to exercise all the powers of eSun to allot and issue new eSun Shares, credited as fully paid, to the Scheme Shareholders in accordance with the terms and conditions of the Proposal and the Scheme;

NOTICE OF ESUN SGM

- (c) the authorised share capital of eSun be increased from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by the creation of an additional 1,500,000,000 eSun Shares, and that each such new eSun Share shall, upon allotment and issue, rank *pari passu* in all respects; and
- (d) the eSun Directors, acting collectively or individually, be and are hereby authorised, for and on behalf of eSun, to do all acts and things, to sign, execute and deliver all such documents and to take all such steps considered by such eSun Director(s) to be necessary, appropriate, expedient or desirable to give effect to the transactions set out in (a) to (c) above and all other matters incidental thereto and/or in connection with the implementation of the Proposal and the Scheme, including (without limitation), agreeing to and making such variation, amendment or waiver in connection therewith which, in the opinion of the eSun Directors, is in the interests of eSun and its shareholders as a whole.”

By order of the board of directors
eSun Holdings Limited
Wong Lai Chun
Company Secretary

Hong Kong, 12 January, 2023

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

- (1) *A Member entitled to attend and vote at the eSun SGM convened by the above notice (“Notice”) or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more eSun Shares, more than one) proxy to attend the eSun SGM and, on a poll, vote on his/her/its behalf in accordance with the bye-laws of eSun (“Bye-laws”). A proxy need not be a Member. A form of proxy for use at the eSun SGM or its adjournment (as the case may be) is enclosed with the eSun Circular and is also available on the respective websites of Hong Kong Exchanges and Clearing Limited (“HKEX”) and eSun.*
- (2) *To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with Tricor Tengis Limited, the branch share registrar of eSun in Hong Kong (“Registrar”), at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the eSun SGM or any adjournment thereof (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy will not preclude Members from attending and voting in person at the eSun SGM or any adjournment thereof (as the case may be) should they so wish. In that event, the said form(s) of proxy will be deemed to have been revoked.*

The contact phone number of the Registrar is (852) 2980 1333.

NOTICE OF ESUN SGM

- (3) *To ascertain the entitlements to attend and vote at the eSun SGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Tuesday, 7 February, 2023 for registration.*
- (4) *Where there are joint holders of any eSun Shares, any one of such joint holders may vote at the eSun SGM or any adjournment thereof (as the case may be), either in person or by proxy, in respect of such eSun Shares as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the eSun SGM or any adjournment thereof (as the case may be), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Hong Kong branch register of Members in respect of the joint holding.*
- (5) *Details regarding the Resolution in the Notice are set out in the eSun Circular.*
- (6) *In compliance with Rule 13.39(4) of the Listing Rules and the Bye-laws, voting on the resolution proposed in the Notice and any other resolution properly put to the vote of the eSun SGM will be decided by way of a poll at the eSun SGM.*
- (7) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of the eSun SGM, the eSun SGM will be proposed to be adjourned. Members will be informed of the date, time and venue of the adjourned the eSun SGM by a supplementary notice posted on the respective websites of HKEX at www.hkexnews.hk and eSun at www.esun.com.*

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the eSun SGM and where conditions permit, the eSun SGM will be held as scheduled. The eSun SGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members should decide on their own whether they would attend the eSun SGM under a bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.

- (8) *In light of the epidemic situation of the novel coronavirus (COVID-19), measures will be implemented at the eSun SGM or any adjournment thereof (as the case may be) with a view to addressing the risk to attendees of infection, including the following:*
- (i) all attendees will be required to wear surgical face masks throughout the eSun SGM; and*
 - (ii) no refreshments or beverages will be provided, and there will be no corporate gifts.*

Any person who does not comply with the precautionary measure referred to above or any other additional precautionary measures as may be implemented in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the COVID-19 situation, may be denied entry into, or be required to leave, the venue of the eSun SGM.

eSun Shareholders and/or their representatives who are denied entry to the venue of the eSun SGM will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineers (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 epidemic from time to time).

NOTICE OF ESUN SGM

- (9) *eSun reminds Members that they should carefully consider the risks of attending the eSun SGM, taking into account their own personal circumstances. eSun would like to remind Members that physical attendance in person at the eSun SGM is not necessary for the purpose of exercising their voting rights and recommends that Members appoint the chairman of the eSun SGM as their proxy and submit their form of proxy as early as possible.*
- (10) *eSun will keep the evolving COVID-19 situation and the associated legal restrictions on public gatherings under constant review and may implement additional measures, which will be announced closer to the date of the eSun SGM.*

As at the date of this Notice, the board of directors of eSun comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester (also alternate director 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.