



eSun Holdings Limited

豐德麗控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

INTERIM REPORT

For the six months ended 31 January 2023

CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

Lui Siu Tsuen, Richard (*Chief Executive Officer*)
Chew Fook Aun
Lam Hau Yin, Lester
(*also alternate director to U Po Chu*)
Yip Chai Tuck

Non-executive Director

U Po Chu

Independent Non-executive Directors

Low Chee Keong (*Chairman*)
Lo Kwok Kwei, David
Ng Lai Man, Carmen
Alfred Donald Yap

Audit Committee

Ng Lai Man, Carmen (*Chairwoman*)
Low Chee Keong
Alfred Donald Yap

Nomination Committee

Low Chee Keong (*Chairman*)
Chew Fook Aun
Lui Siu Tsuen, Richard
Lo Kwok Kwei, David
Alfred Donald Yap

Remuneration Committee

Low Chee Keong (*Chairman*)
Chew Fook Aun
Lui Siu Tsuen, Richard
Ng Lai Man, Carmen
Alfred Donald Yap

Authorised Representatives

Chew Fook Aun
Lui Siu Tsuen, Richard

Company Secretary

Wong Lai Chun

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

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Fax: (852) 2785 2775

Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

Independent Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

Listing Information

Shares

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code/Board Lot

571/2,000 shares

Website

www.esun.com

Investor Relations

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RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2023

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2023

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(92,707)	(133,812)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
<i>Items that may be subsequently reclassified to the income statement:</i>		
Exchange realignment on translation of foreign operations	1,800	981
Release of exchange reserve upon dissolution of a subsidiary	-	(176)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,800	805
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(90,907)	(133,007)
Attributable to:		
Owners of the Company	(80,796)	(128,010)
Non-controlling interests	(10,111)	(4,997)
	(90,907)	(133,007)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2023

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2023

	Attributable to owners of the Company									
	Issued capital	Share		Share			Accumulated losses	Total	Non-controlling interests	Total equity
		premium account	Contributed surplus	option reserve	Exchange reserve	Other reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 August 2022	745,927	4,257,351	891,289	243	(16,030)	180,845	(5,094,468)	965,157	37,225	1,002,382
Loss for the period	-	-	-	-	-	-	(82,431)	(82,431)	(10,276)	(92,707)
Other comprehensive income for the period, net of tax:										
Exchange realignment on translation of foreign operations	-	-	-	-	1,635	-	-	1,635	165	1,800
Total comprehensive income/(loss) for the period	-	-	-	-	1,635	-	(82,431)	(80,796)	(10,111)	(90,907)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	(1,152)	-	(1,152)	1,152	-
At 31 January 2023 (Unaudited)	745,927	4,257,351*	891,289*	243*	(14,395)*	179,693*	(5,176,899)*	883,209	28,266	911,475

* These reserve accounts comprise the consolidated reserves of HK\$137,282,000 (31 July 2022: HK\$219,230,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 31 January 2023

	Attributable to owners of the Company											
	Issued capital HK\$'000	Share			Share			Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
		premium account HK\$'000	Contributed surplus HK\$'000	option reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000						
At 1 August 2021	745,927	4,257,351	891,289	-	(16,924)	151,473	370	(4,766,106)	1,263,380	59,986	1,323,366	
Loss for the period	-	-	-	-	-	-	-	(128,323)	(128,323)	(5,489)	(133,812)	
Other comprehensive income/(loss) for the period, net of tax:												
Exchange realignment on translation of foreign operations	-	-	-	-	432	-	-	-	432	549	981	
Release of exchange reserve upon dissolution of a subsidiary	-	-	-	-	(119)	-	-	-	(119)	(57)	(176)	
Total comprehensive income/(loss) for the period	-	-	-	-	313	-	-	(128,323)	(128,010)	(4,997)	(133,007)	
Shares issued by a subsidiary to a non-controlling shareholder of a subsidiary [#]	-	-	-	-	-	29,372	-	-	29,372	18,665	48,037	
Equity-settled share option arrangements	-	-	-	243	-	-	-	-	243	-	243	
At 31 January 2022 (Unaudited)	745,927	4,257,351	891,289	243	(16,611)	180,845	370	(4,894,429)	1,164,985	73,654	1,238,639	

[#] On 3 August 2021, Media Asia Group Holdings Limited ("MAGHL") issued a total of 40,612,197 ordinary shares to a subscriber at HK\$1.2 per share. The equity interest of the Group in MAGHL decreased from 68.64% to 67.70%. The proceeds net of direct transaction costs received by the Group were HK\$48,037,000. The change in the Group's equity interest in MAGHL resulted in an increase in other reserve of HK\$29,372,000 and an increase in non-controlling interests of HK\$18,665,000. Details were set out in a joint announcement of the Company and MAGHL dated 3 August 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2023

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	48,163	(190,767)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(11,056)	(5,441)
Capital contribution to a joint venture	(5,000)	–
Advances to joint ventures	(1,743)	(5,913)
Decrease/(increase) in pledged and restricted time deposits and bank balances	(252,971)	9,120
Other investing cash flows	(8,077)	18,227
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(278,847)	15,993
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares of a subsidiary	–	48,735
Transaction costs of issuance of shares of a subsidiary	–	(698)
Repayment of bank loans	(9,000)	(9,000)
Interest and bank financing charges paid	(2,868)	(1,082)
Lease payments	(85,844)	(133,070)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(97,712)	(95,115)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(328,396)	(269,889)
Cash and cash equivalents at beginning of period	1,056,587	1,476,796
Effect of foreign exchange rate changes, net	(3,297)	3,098
CASH AND CASH EQUIVALENTS AT END OF PERIOD	724,894	1,210,005
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	536,523	738,824
Non-pledged and non-restricted time deposits	188,371	471,181
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	724,894	1,210,005

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2023

1. BASIS OF PREPARATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

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

4. TURNOVER

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

5. LOSS FROM OPERATING ACTIVITIES

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

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

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

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

6. FINANCE COSTS

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

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

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2023 and 31 January 2022. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

9. INTERIM DIVIDEND

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

10. DEBTORS

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

11. CREDITORS AND ACCRUALS

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

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

12. SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 December 2015. The table below discloses movement of the Company's share options held by the Group's directors, employees and other eligible participants:

	Number of underlying shares comprised in share options
Outstanding as at 1 August 2022 and 31 January 2023	1,500,000

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting periods:

	31 January 2023 (Unaudited) HK\$'000	31 July 2022 (Audited) HK\$'000
Contracted but not provided for:		
Acquisition of items of property, plant and equipment	10,216	3,150

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 January 2023	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	21,053	83,491	26,279	130,823
Film investments	–	–	47,596	47,596
Financial assets included in deposits, prepayments, other receivables and other assets	–	–	8,589	8,589
	21,053	83,491	82,464	187,008
Financial liabilities				
Derivative financial instruments	–	(1,778)	–	(1,778)

As at 31 July 2022	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	6,822	95,853	16,025	118,700
Film investments	–	–	71,720	71,720
Financial assets included in deposits, prepayments, other receivables and other assets	–	–	4,425	4,425
	6,822	95,853	92,170	194,845

Other than the above financial instruments, the carrying amounts of the Group's financial instruments are carried at amortised cost and they were not materially different from their fair values as at 31 January 2023 and 31 July 2022.

During the six months ended 31 January 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers of fair value measurement into or out of Level 3 for financial assets and financial liabilities (six months ended 31 January 2022: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Financial instruments measured at fair value: *(continued)*

The movements in fair value measurements for financial assets within Level 3 during the period are as follows:

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
At the beginning of the reporting period	92,170	53,992
Increase in investment amount	14,410	29,686
Change in fair value	5,263	2,478
Settlement	(28,314)	(1,789)
Exchange realignment	(1,065)	747
At the end of the reporting period	82,464	85,114

Valuation techniques

The fair values of financial assets at fair value through profit or loss in Level 2 are based on quoted prices/values from the fund manager or using a discounted cash flow valuation model.

The Group has estimated the fair value of the unlisted investments in Level 3 by using the latest available transaction prices or the discounted cash flow method.

For the derivative financial instruments in Level 2, the fair value of the instruments was estimated at the end of the reporting period using observable market data. Key observable inputs in the valuations are foreign exchange spot rates, strike rates, volatility, time to expiration and risk free rate.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Statements, the Group had the following material transactions with related parties during the period under review:

(a) Transactions with related parties

	Notes	Six months ended 31 January	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Lai Sun Garment (International) Limited ("LSG")* and its subsidiaries, excluding the Group:			
Lease payments and building management fee paid or payable	(i)	2,401	2,570
Sharing of corporate salaries on a cost basis allocated from		13,086	13,397
Sharing of administrative expenses on a cost basis allocated from		1,796	1,106
Sharing of corporate salaries on a cost basis allocated to		3,533	4,255
Sharing of administrative expenses on a cost basis allocated to		1,765	838
Licence income from TV program product	(ii)	–	1,219
Joint ventures:			
Production fee	(ii)	930	570
Service fee income	(ii)	828	828
Sale of products and management fee income	(iii)	1,355	–
Licence income from film rights	(iii)	475	–
Advertising and promotion expenses	(iii)	613	–

* LSG is the ultimate holding company of the Company.

Notes:

- (i) The Group leased properties from fellow subsidiaries for office and cinema use. The monthly lease payables were charged with reference to market rates. In addition to the lease payments for short-term lease to the related parties, right-of-use assets of HK\$47,835,000 and lease liabilities of HK\$67,288,000 related to the leases were recognised in unaudited condensed consolidated statement of financial position as at 31 January 2023. During the six months ended 31 January 2023, depreciation of right-of-use assets of HK\$5,711,000 (31 January 2022: HK\$4,768,000), finance costs on lease liabilities of HK\$1,641,000 (31 January 2022: HK\$2,058,000) and gain on termination of leases of HK\$25,042,000 (31 January 2022: Nil) were recognised in unaudited condensed consolidated income statement.
- (ii) The licence income from TV program product and service fee income were recognised and production fee was charged in accordance with contractual terms with respective parties.
- (iii) The sales of products, management fee income, licence income from film rights and advertising and promotion expenses were recognised in accordance with contractual terms with the joint venture.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2023

15. RELATED PARTY TRANSACTIONS *(continued)*

In addition to the transactions and balances detailed elsewhere in the Financial Statements, the Group had the following material transactions with related parties during the period under review: (continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 31 January	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short-term employee benefits	11,769	13,632
Post-employment benefits	27	27
Total compensation paid to key management personnel	11,796	13,659

16. COMPARATIVE FIGURES

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

17. EVENT AFTER THE REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

Due to the gradual relaxation of COVID-19 restrictions and the release of a number of local and international blockbuster movies, the cinema operation of the Group recovered gradually from the worst of the COVID-19 pandemic. During the period under review, the Group's cinemas in Hong Kong were requested to operate at 85% capacity for all screens before further relaxation of social distancing measures in Hong Kong since 22 December 2022. The Group's cinemas in Hong Kong are now operating at full capacity without any COVID-19 restriction. Business performance of cinema operation in Mainland China also suffered from the social distancing requirements such as restrictions on the seating capacity and food and beverage consumption within the cinema houses in 2022. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022. Despite short-term interruption in January 2023 from the nationwide easing of anti-epidemic measures, the cinema operation in Mainland China has largely returned to normal. The Group remains cautiously optimistic about the fundamental demand for entertainment in the long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong. MCL Cinemas Plus+ Plaza Hollywood, the new cinema in Hong Kong at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with Emperor Cinemas Group opened in July 2022. The two forthcoming cinemas of the Group at AIRSIDE in Kai Tak, Kowloon and The ONE in Tsim Sha Tsui, Kowloon are expected to commence business in the third quarter of 2023. The Group is closely monitoring the market conditions and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

Media Asia Group Holdings Limited ("**MAGHL**", an indirect wholly-owned subsidiary of the Company as at the date of this Interim Report, together with its subsidiaries, "**MAGHL Group**"), being the media and entertainment arm of the Group will continue to produce high quality and commercially viable products, and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities.

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

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

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

Congratulations to Joyce Cheng who won the Best Female Singer Gold Award and was voted the favourite female singer for the second consecutive year in Ultimate Song Chart Awards Presentation 2022. MAGHL Group will keep looking for new talent in Greater China and further cooperation with Asian artistes with an aim to build up a strong artiste roster for the Group.

The recent "*Re: Grasshopper Concert 2022*", "*Super Junior World Tour – Super Show 9: Road in Hong Kong*", "*Here & Now Ekin In Concert 2022*" and "*Believe Us Joyce in Concert 2023*" have earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for coming months include concerts of NCT Dream, Jay Fung, Yoga Lin, Tsai Chin and Sammi Cheng.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Outlook *(continued)*

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

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

The net proceeds received by the Company from the clawback offer ("**Clawback Offer**") and the placing ("**Placing**") in relation to the loan capitalisation proposal jointly announced by the Company together with MAGHL, LSD and Lai Sun Garment (International) Limited ("**LSG**") on 6 November 2020 are approximately HK\$126.3 million, after deducting the direct transaction costs incurred in the Clawback Offer and the Placing. The Group placed the net proceeds together with the net proceeds of HK\$1,515.9 million from the disposal of all shares of Lai Fung Holdings Limited ("**Lai Fung**") owned by the Company as disclosed in the circular of the Company dated 24 April 2020. Up to 31 January 2023, approximately HK\$1,108.6 million have been used, including approximately HK\$523.2 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder's loans; approximately HK\$217.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$118.4 million for general corporate uses.

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

Overview of Interim Results

The Group's operations include development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Overview of Interim Results *(continued)*

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

Cinema Operation

For the six months ended 31 January 2023, this segment recorded a turnover of HK\$263.1 million (2022: HK\$223.9 million) and segment results of a loss of HK\$6.8 million (2022: a loss of HK\$58.1 million). The Hong Kong box office was encouraging with a strong line-up of locally produced movies and Hollywood blockbusters released during the period under review. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022 and a non-recurring gain on derecognition of lease liabilities was recognised during the period under review. As at the date of this Interim Report, the Group operates fifteen cinemas in Hong Kong (including one joint venture project) and two cinemas in Mainland China and details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens <i>(Note)</i>	No. of seats <i>(Note)</i>
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Zhongshan May Flower Cinema City	100	5	905
	Subtotal	15	2,345
Hong Kong			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Telford Cinema (including MX4D theatre)	95	6	789
MCL Metro City Cinema	95	6	690
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
MCL Cinemas Plus+ Plaza Hollywood	50	6	1,595
	Subtotal	80	12,606
	Total	95	14,951

Note: On 100% basis

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Overview of Interim Results *(continued)*

Media and Entertainment Segment

For the six months ended 31 January 2023, this segment recorded a turnover of HK\$176.0 million (2022: HK\$147.2 million) and segment results of an increased profit to HK\$17.9 million from that of HK\$10.6 million in the same period of last year.

Event Management

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

Music Production, Distribution and Publishing

During the period under review, the Group released 5 (2022: 6) albums, including titles by Jay Fung, Cloud Wan and Leslie Cheung. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production businesses. The Group currently has 27 artistes under its management.

Film and TV Program Production and Distribution

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

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

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources, Charge on Assets and Gearing *(continued)*

Borrowings

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

As at 31 January 2023, the Group had outstanding bank loans of HK\$135.0 million and utilised letter of credit and letter of guarantee facilities of HK\$1.6 million. The Group's bank loans are repayable within one year. All bank loans are on floating rate basis and are denominated in HKD. The Group has undrawn facilities of HK\$23.4 million as at 31 January 2023.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK\$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK\$116.9 million for the said unsecured other borrowings as at 31 January 2023. At the request of the Group, the joint executrixes of the estate of the late Mr. Lim Por Yen confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2023.

Charge on Assets and Gearing

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

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

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

Contingent Liabilities

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

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

Board

The Board oversees the overall management of the Company's businesses and affairs. The Board's primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Audit Committee, the Executive Committee, the Nomination Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

The Board has delegated the day-to-day management of the Company's businesses to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

Decisions relating to the aforesaid matters and any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and the management of the Company. The Board has also delegated the environmental, social and governance ("**ESG**") management to the Executive Committee in order to focusing on matters affecting the overall business strategy, and to review and monitor the Group's ESG management progress.

The Board currently comprises nine members, of whom four are Executive Directors ("**EDs**"), one is Non-executive Director ("**NED**") and the remaining four are Independent Non-executive Directors ("**INEDs**"). The current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, media and entertainment businesses, corporate advisory, business development and investment banking, laws, accounting and auditing services and corporate finance, etc.

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

Corporate Governance *(continued)*

Chairman and Chief Executive

During the six months ended 31 January 2023 and up to the date of this Interim Report, Mr. Low Chee Keong (“**Mr. Low**”, an INED) is the Chairman of the Board and Mr. Lui Siu Tsuen, Richard (“**Mr. Richard Lui**”, an ED) is the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman’s responsibilities to manage the Board and the Chief Executive Officer’s responsibilities to manage the Company’s businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (“**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2023.

Share Option Schemes

(1) The Company

On 11 December 2015, the Company adopted a share option scheme (“**2015 Scheme**”) which became effective on 23 December 2015 and should remain in force for 10 years from its adoption date. The maximum number of Shares issuable pursuant to the 2015 Scheme is 124,321,216, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme.

Upon the closing of the Company’s offers on 22 August 2018, all outstanding share options granted under the 2015 Scheme had been cancelled. On 21 January 2022, the Company granted share options under the 2015 Scheme to the eligible participants to subscribe for a total of 1,500,000 underlying Shares (equivalent to approximately 0.10% of the total issued Shares as at that date (i.e. 1,491,854,598)) at the exercise price of HK\$0.50 per Share with the exercise period from 21 January 2022 to 20 January 2032.

As at 31 July 2022 and the date of the Company’s annual report for the year ended 31 July 2022 (“**Annual Report**”), share options comprising a total of 1,500,000 underlying Shares granted under the 2015 Scheme were outstanding, together with further options to subscribe for a maximum of 122,821,216 Shares could be granted under the 2015 Scheme, a total number of 124,321,216 Shares was available for issue under the 2015 Scheme, representing approximately 8.33% of the total issued Shares as at the date of Annual Report.

The 2015 Scheme was terminated and a new share option scheme (“**2022 Scheme**”) was adopted by the Company’s shareholders (“**Shareholders**”) at its annual general meeting held on 16 December 2022. The 2022 Scheme has also been approved by shareholders of both LSD and LSG at their respective annual general meetings held on the same date and became effective on 19 December 2022 (“**Effective Date**”).

The number of Shares available for grant under the 2015 Scheme at the beginning of the financial period for the six months ended 31 January 2023 was 122,821,216. Following termination of the 2015 Scheme, no further share options will be granted thereunder but the outstanding share options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2015 Scheme.

Share Option Schemes *(continued)*

(1) *The Company (continued)*

Unless otherwise cancelled or amended, the 2022 Scheme will remain in force for 10 years from the Effective Date. The principal terms of the 2022 Scheme are set out in the circular of the Company dated 17 November 2022. The maximum number of Shares issuable and the service provider sublimit pursuant to the 2022 Scheme were 149,185,459 and 14,918,545 Shares (being 10% and 1% of the total issued Shares) as at the Effective Date and the end of the financial period for the six months ended 31 January 2023 respectively.

The purpose of the 2022 Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in 2022 Scheme) for their contribution to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Group and the related entities. The 2022 Scheme shall strengthen the many long-term relationships that the Eligible Participants may have with the Group. Eligible Participants include but not limited to the directors, chief executives, employees and service providers of the Group as well as the related entity participants.

As at 31 January 2023 and the date of this Interim Report, share options comprising a total of 1,500,000 underlying Shares (representing approximately 0.10% of the total issued Shares as at that dates (i.e. 1,491,854,598)) granted under the 2015 Scheme were outstanding and no further share options can be granted under the 2015 Scheme upon its termination on 16 December 2022.

During the six months ended 31 January 2023, no share options had been granted under the 2015 Scheme and the 2022 Scheme. Accordingly, there were no Shares that might be issued in respect of share options granted under all share option schemes of the Company during the said period.

The movement of share options granted under the 2015 Scheme during the six months ended 31 January 2023 is set out below:

Category of grantees	Date of grant (dd/mm/yyyy)	Number of underlying Shares comprised in share options				As at 31 January 2023	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note)</i>	Vesting period
		As at 1 August 2022	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period				
Eligible Participants									
Employee	21/01/2022	400,000	–	–	–	400,000	21/01/2022 – 20/01/2032	0.50	No
Other eligible participants	21/01/2022	1,100,000	–	–	–	1,100,000	21/01/2022 – 20/01/2032	0.50	No
Total		1,500,000	–	–	–	1,500,000			

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme and 2022 Scheme during the period under review. Further details of the 2015 Scheme are disclosed in note 12 to the Financial Statements.

Share Option Schemes *(continued)*

(2) *MAGHL*

At the annual general meeting of MAGHL (a company listed on GEM of the Stock Exchange (“**GEM**”) and a subsidiary of the Company since 9 June 2011) held on 16 December 2022, the shareholders of MAGHL approved the adoption of a new share option scheme (“**2022 MAGHL Scheme**”) to replace the share option scheme adopted by MAGHL on 18 December 2012 (“**2012 MAGHL Scheme**”) which was due to expire on 17 December 2022. The 2022 MAGHL Scheme has also been approved by shareholders of each of the Company, LSD and LSG at their respective annual general meetings held on the same date.

No share options have been granted under the 2012 MAGHL Scheme since its adoption until its expiry.

The purpose of the 2022 MAGHL Scheme is to recognise the contribution or future contribution of the eligible participants (as defined in 2022 MAGHL Scheme) for their contribution to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group and its related entities; and strengthen the many long-term relationships that its eligible participants may have with the MAGHL Group. Eligible participants of MAGHL include but not limited to the directors, chief executive, employees and service providers of MAGHL Group as well as the related entity participants.

The 2022 MAGHL Scheme which became effective on 19 December 2022 (“**MAGHL Effective Date**”) will remain in force for 10 years from MAGHL Effective Date. The principal terms of the 2022 MAGHL Scheme are set out in the circular of MAGHL dated 31 October 2022. The maximum number of MAGHL Shares issuable and MAGHL’s service provider sublimit pursuant to the 2022 MAGHL Scheme were 298,631,401 and 29,863,140 MAGHL Shares (being 10% and 1% of the total issued MAGHL Shares) as at MAGHL Effective Date and the end of the financial period for the six months ended 31 January 2023 respectively.

No share options had been granted under the 2022 MAGHL Scheme since its adoption. As the listing of MAGHL Shares on GEM was withdrawn at 4:00 p.m. on 20 March 2023, the 2022 MAGHL Scheme was terminated thereafter by MAGHL’s board of directors and sole member.

Directors' and Chief Executive's Interests

The following Directors and chief executive of the Company who held office on 31 January 2023 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("**SFO**") on that date (a) as required to be notified to the Stock Exchange and the Company 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Stock Exchange and the Company pursuant to the Securities Code; or (d) as otherwise known by the Directors:

(I) *Interests in the Company*

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

Note: The total number of issued Shares as at 31 January 2023 (that is, 1,491,854,598 Shares) has been used for the calculation of the approximate percentage.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Directors' and Chief Executive's Interests *(continued)*

(II) Interests in the Associated Corporations

(a) LSG

		Long positions in ordinary shares of LSG ("LSG Shares") and underlying LSG Shares					
Name of Directors	Capacity	Number of LSG Shares		Number of underlying LSG Shares		Total	Approximate percentage of total issued LSG Shares
		Personal interests	Corporate interests	Personal interests	Personal interests		
Chew Fook Aun	Beneficial owner	Nil	Nil	5,135,275		5,135,275	0.58%
Lam Hau Yin, Lester	Beneficial owner	28,033,218 <i>(Note 3)</i>	Nil	6,519,095		34,552,313	3.91%
Lui Siu Tsuen, Richard	Beneficial owner	Nil <i>(Note 4)</i>	Nil	Nil		Nil	0%
U Po Chu	Beneficial owner	1,857,430 <i>(Note 3)</i>	Nil	Nil		1,857,430	0.21%

Notes:

- 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:

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

Directors' and Chief Executive's Interests *(continued)*

(II) Interests in the Associated Corporations *(continued)*

(a) LSG *(continued)*

Notes: *(continued)*

2. The total number of issued LSG Shares as at 31 January 2023 (that is, 883,373,901 LSG Shares) has been used for the calculation of the approximate percentage. The total number of issued LSG Shares increased to 883,373,901 due to the allotment and issue of 294,457,967 rights shares by LSG ("**LSG Rights Shares**") following the completion of its rights issue on the basis of one LSG Rights Share for every two existing LSG Shares on 3 January 2023 ("**LSG Rights Issue**").
3. On 3 January 2023, the personal interests of (i) Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**", an ED) in LSG increased from 18,688,812 LSG Shares to 28,033,218 LSG Shares due to the allotment and issue of 9,344,406 LSG Rights Shares; and (ii) Madam U Po Chu ("**Madam U**", a NED) in LSG increased from 1,238,287 LSG Shares to 1,857,430 LSG Shares due to the allotment and issue of 619,143 LSG Rights Shares.
4. Mr. Richard Lui has no personal interest in LSG since he disposed of 93,400 LSG Shares on 16 August 2022.
5. Upon completion of the LSG Rights Issue, (i) the share option granted on 19 June 2017 comprising 4,869,867 underlying LSG Shares at the exercise price of HK\$11.763 per LSG Share to each of Mr. Chew Fook Aun ("**Mr. FA Chew**", an ED) and Mr. Lester Lam has been adjusted to 5,135,275 underlying LSG Shares at the exercise price of HK\$11.155 per LSG Share respectively; and (ii) the share option granted on 25 January 2022 comprising 1,312,300 underlying LSG Shares at the exercise price of HK\$3.874 per LSG Share to Mr. Lester Lam has been adjusted to 1,383,820 underlying LSG Shares at the exercise price of HK\$3.673 per LSG Share.

(b) LSD

Name of Directors	Capacity	Long positions in ordinary shares of LSD ("LSD Shares") and underlying LSD Shares					Approximate percentage of total issued LSD Shares <i>(Note 1)</i>
		Number of LSD Shares		Number of underlying LSD Shares	Total		
		Personal interests	Corporate interests	Personal interests			
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	1,831,500 <i>(Note 2)</i>	Nil	1,831,500	0.13% <i>(Note 2)</i>	
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil <i>(Note 3)</i>	Nil	0%	
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	Nil <i>(Note 3)</i>	Nil	0%	
U Po Chu	Beneficial owner	60,567 <i>(Note 4)</i>	Nil	Nil	60,567	0.004%	

Directors' and Chief Executive's Interests *(continued)*

(II) Interests in the Associated Corporations *(continued)*

(b) LSD *(continued)*

Notes:

1. The total number of issued LSD Shares as at 31 January 2023 (that is, 1,453,328,830 LSD Shares) has been used for the calculation of the approximate percentage. The total number of issued LSD Shares increased to 1,453,328,830 due to the allotment and issue of 484,442,943 rights shares by LSD ("LSD Rights Shares") following the completion of its rights issue on the basis of one LSD Rights Share for every two existing LSD Shares on 30 January 2023 ("LSD Rights Issue").
2. Mr. FA Chew 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. The said interest decreased from 0.19% to 0.13% due to the increase of total issued LSD Shares upon completion of the LSD Rights Issue.
3. The share options comprising 4,864,519 and 121,232 underlying LSD Shares granted on 18 January 2013 to Mr. Lester Lam and Mr. Richard Lui, respectively at the exercise price of HK\$13.811 per LSD Share lapsed on 18 January 2023.
4. On 30 January 2023, the personal interests of Madam U in LSD increased from 40,378 LSD Shares to 60,567 LSD Shares due to the allotment and issue of 20,189 LSD Rights Shares.

(c) Lai Fung

Long positions in ordinary shares of Lai Fung ("Lai Fung Shares") and underlying Lai Fung Shares						
Name of Director	Capacity	Number of Lai Fung Shares		Number of underlying Lai Fung Shares	Total	Approximate percentage of total issued Lai Fung Shares
		Personal interests	Corporate interests	Personal interests		
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil <i>(Note)</i>	Nil	0%

Note: The share option comprising 3,219,182 underlying Lai Fung Shares granted on 18 January 2013 to Mr. Lester Lam at the exercise price of HK\$11.40 per Lai Fung Share lapsed on 18 January 2023.

Save as disclosed above, as at 31 January 2023, none of the Directors and the chief executive of the Company 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 the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executive, or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2023, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company 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 the Company (“**Voting Entitlements**”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares and underlying Shares			
Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <i>(Note 1)</i>
Substantial Shareholders			
Lai Sun Development Company Limited <i>(Note 2)</i>	Owner of controlled corporation	1,113,260,072	74.62% <i>(Note 4)</i>
Lai Sun Garment (International) Limited <i>(Note 3)</i>	Owner of controlled corporations	1,113,260,072	74.62% <i>(Note 4)</i>
Dr. Lam Kin Ngok, Peter	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:

- The total number of issued Shares as at 31 January 2023 (that is, 1,491,854,598 Shares) has been used for the calculation of the approximate percentage.
- As at 31 January 2023, Mr. FA Chew and Mr. Lester Lam were also executive directors of LSD. Madam U was also a non-executive director of LSD.
- As at 31 January 2023, Mr. FA Chew, Mr. Lester Lam and Madam U were also executive directors of LSG. Mr. Yip Chai Tuck (an ED) was also the chief executive officer of LSG.
- These interests in the Company represented all the Shares beneficially owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at 31 January 2023, LSG and Dr. Lam Kin Ngok, Peter (“**Dr. Peter Lam**”) were deemed to be interested in the same 1,113,260,072 Shares (approximately 74.62% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.93% (excluding share options) of the total issued LSG Shares; 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 31 January 2023, Dr. Peter Lam also held 2,794,443 Shares as beneficial owner.
- Based on the disclosure of interests notices received by the Company, as at 31 January 2023, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 149,864,000 Shares (approximately 10.05% of the total issued 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 the Company) which/who, as at 31 January 2023, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Annual Report are set out as follows:

- (a) Mr. FA Chew has been appointed a non-executive director of the Securities and Futures Commission on 17 October 2022 for a term of two years with effect from 1 January 2023.
- (b) Directors' remuneration for the six months ended 31 January 2023 and 2022 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2023				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	90	1,510	–	1,600*
Chew Fook Aun	–	2,053	9	2,062
Lam Hau Yin, Lester	–	–	–	–
Yip Chai Tuck	90	1,200	18	1,308^
	180	4,763	27	4,970
<i>Non-executive Director:</i>				
U Po Chu	–	–	–	–
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	388	35	–	423
Lo Kwok Kwei, David	145	30	–	175
Ng Lai Man, Carmen	195	30	–	225
Alfred Donald Yap	145	35	–	180
	873	130	–	1,003
Total	1,053	4,893	27	5,973

* The amounts included fees of HK\$90,000 paid by MAGHL.

^ The amounts included fees, salaries and pension scheme contributions of HK\$699,000 paid by MAGHL.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Update on Directors' Information *(continued)*

(b) *(continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2022				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	90	1,794	–	1,884*
Chew Fook Aun	–	2,428	9	2,437
Lam Hau Yin, Lester	–	–	–	–
Yip Chai Tuck	90	1,420	18	1,528^
	180	5,642	27	5,849
<i>Non-executive Director:</i>				
U Po Chu	–	–	–	–
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	363	20	–	383
Lo Kwok Kwei, David	145	20	–	165
Ng Lai Man, Carmen	195	25	–	220
Alfred Donald Yap	145	25	–	170
	848	90	–	938
Total	1,028	5,732	27	6,787

* The amounts included fees of HK\$90,000 paid by MAGHL.

^ The amounts included fees, salaries and pension scheme contributions of HK\$809,000 paid by MAGHL.

Employees and Remuneration Policies

As at 31 January 2023, the Group employed a total of around 530 (2022: 550) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programs are offered to eligible employees.

Investor Relations

To ensure our investors have a better understanding of the Company, our management engages in a proactive investor relations program. Our EDs and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

Despite the pandemic, the Group maintains proactive interactions with the investment community and provides them with updates on the Group's operations, financial performance and outlook. During the period under review, the Company has been communicating with a number of research analysts and investors via online meetings and conference calls as follows:

Month	Event (Virtual)	Organiser	Investor Base
October 2022	Post results non-deal roadshow	DBS	Hong Kong
October 2022	Post results non-deal roadshow	DBS	United States
November 2022	Post results non-deal roadshow	DBS	United States
December 2022	DBS Vickers Hong Kong Property and Logistics Conference Calls	DBS	Hong Kong/Singapore

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

Review of Interim Report

The audit committee of the Company ("**Audit Committee**") currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low and Mr. Alfred Donald Yap. The Audit Committee has reviewed this Interim Report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2023, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

By order of the Board
Low Chee Keong
Chairman

Hong Kong, 21 March 2023

