



eSun Holdings Limited

豐德麗控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 571

ANNUAL REPORT

Year ended 31 July 2023



CONTENTS

Corporate Information	2
Corporate Profile	3
Chairman's Statement	4
Financial Summary and Highlights	10
Management Discussion and Analysis	14
Environmental, Social and Governance Report	17
Corporate Governance Report	41
Biographical Details of Directors	63
Report of the Directors	67
Shareholders' Information	84
Independent Auditor's Report	85
Consolidated Income Statement	90
Consolidated Statement of Comprehensive Income	91
Consolidated Statement of Financial Position	92
Consolidated Statement of Changes in Equity	94
Consolidated Statement of Cash Flows	96
Notes to Financial Statements	99



CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

Yang Yiu Chong, Ronald Jeffrey (*Chief Executive Officer*)

Cheung Sum, Sam (*Group Chief Financial Officer*)

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

Poon Kwok Hing, Albert

Alfred Donald Yap

AUDIT COMMITTEE

Ng Lai Man, Carmen (*Chairwoman*)

Low Chee Keong

Alfred Donald Yap

NOMINATION COMMITTEE

Low Chee Keong (*Chairman*)

Cheung Sum, Sam

Yang Yiu Chong, Ronald Jeffrey

Lo Kwok Kwei, David

Alfred Donald Yap

REMUNERATION COMMITTEE

Low Chee Keong (*Chairman*)

Cheung Sum, Sam

Yang Yiu Chong, Ronald Jeffrey

Ng Lai Man, Carmen

Alfred Donald Yap

AUTHORISED REPRESENTATIVES

Cheung Sum, Sam

Yang Yiu Chong, Ronald Jeffrey

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

Tel: (852) 2741 0391

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

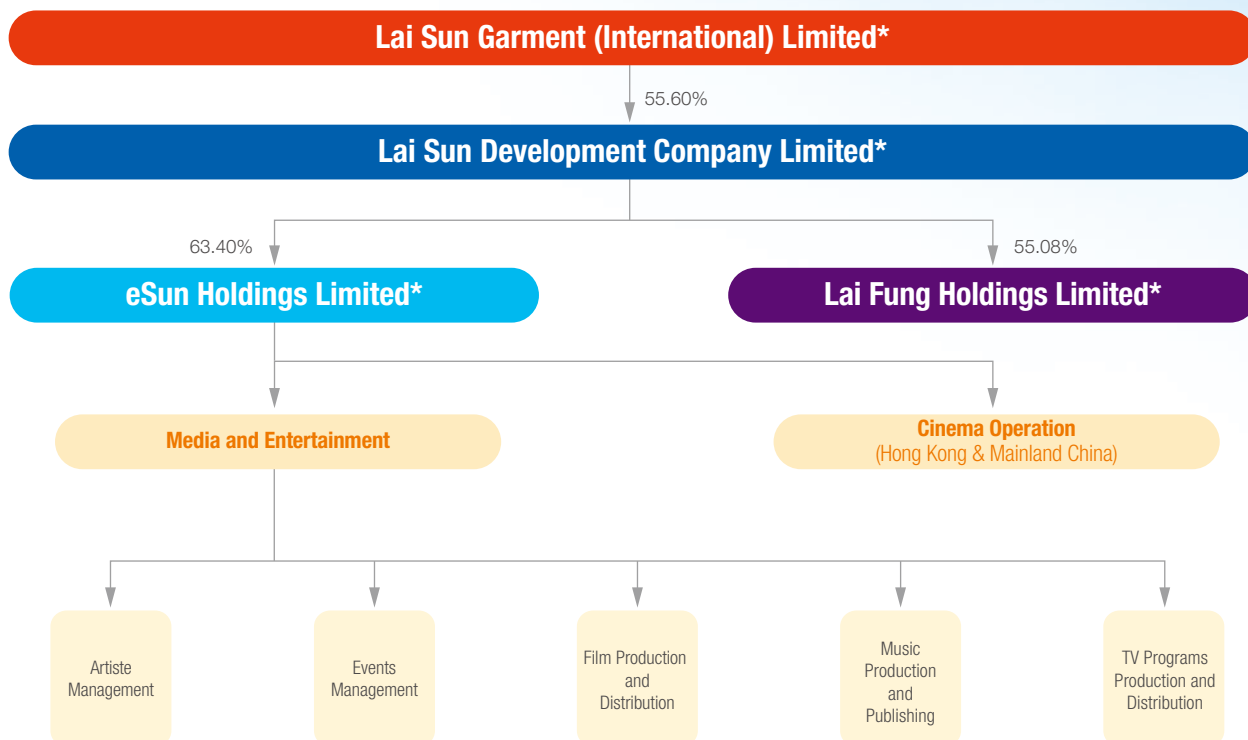
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INVESTOR RELATIONS

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* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

Corporate Structure as at 17 October 2023

eSun Holdings Limited (“**Company**”) is a member of the Lai Sun Group which was established in Hong Kong in 1947. The Company acted as an investment holding company and the principal activities of its subsidiaries include the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation.

Since 16 March 2023, Media Asia Group Holdings Limited (“**MAGHL**”, formerly known as Rojam Entertainment Holdings Limited) has become a wholly-owned subsidiary of the Company. MAGHL is one of the leading Chinese language entertainment groups in the Greater China. The principal activities of MAGHL and its subsidiaries include the production and distribution of films and TV programs, music production and publishing, management and production of concerts as well as artiste management.

Since November 2018, Intercontinental Group Holdings Limited (“**IGHL**”, formerly known as Kadokawa Intercontinental Group Holdings Limited) has become a 95%-owned subsidiary of the Company. IGHL is one of the leading film distribution companies and one of the leading multiplex cinema operators in Hong Kong.

CHAIRMAN'S STATEMENT



Low Chee Keong
Chairman

I am pleased to present the audited consolidated results of eSun Holdings Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) for the year ended 31 July 2023.

OVERVIEW OF ANNUAL RESULTS

The Group’s operations include the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation in Hong Kong and Mainland China.

For the year ended 31 July 2023, the Group recorded a turnover of HK\$1,013.9 million (2022: HK\$830.2 million). As a result of the loosening of COVID-19 restrictions and relaxation of border controls in Hong Kong and Mainland China during the year under review, revenue from media and entertainment businesses and cinema operation recorded growth of 45.1% and 36.4%, respectively as compared to last year. Revenue from film and TV program business dropped due to the lower income from TV program licence fee, distribution commission and sale of TV program products during the year under review. The gross profit increased by approximately 36.6% to HK\$476.5 million (2022: HK\$348.9 million).

The net loss attributable to owners of the Company for the year ended 31 July 2023 was approximately HK\$198.8 million (2022: net loss of HK\$328.7 million). The decrease in consolidated loss for the year is primarily due to (i) improved performance of media and entertainment businesses and cinema operation of the Group; (ii) a drop in fair value losses on certain financial assets; and (iii) a non-recurring gain on derecognition of lease liabilities, during the year under review. Net loss per share attributable to owners of the Company was HK\$0.126 (2022: net loss of HK\$0.220 per share).

Equity attributable to owners of the Company as at 31 July 2023 amounted to HK\$635.1 million (31 July 2022: HK\$965.2 million). Net asset value per share attributable to owners of the Company as at 31 July 2023 was HK\$0.362 per share (31 July 2022: HK\$0.647 per share).



FINAL DIVIDEND

The board of directors of the Company (“**Board**”) does not recommend the payment of a dividend for the year ended 31 July 2023 (2022: Nil).

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 year 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. The Group successfully expanded its cinema network, resulting in the opening of four new cinemas in Hong Kong. One notable addition is the MCL Cinemas Plus+ Plaza Hollywood, a new cinema at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with Emperor Cinemas Group opened in July 2022. Furthermore, the Group extended its cinema

CHAIRMAN'S STATEMENT



network through another joint venture with Emperor Cinemas Group, namely the Emperor Cinemas Plus+ (Tai Wai), which is managed by Emperor Cinemas Group and opened in July 2023. In September 2023, the Group further expanded its presence with the opening of two new cinemas at The ONE in Tsim Sha Tsui, Kowloon and AIRSIDE in Kai Tak, Kowloon. These new cinemas further enhance the Group's cinema network and strengthen the Group's growing presence. 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 Annual 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.

MAGHL Group continues to invest in original productions of quality films with Chinese themes. The current production pipelines 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 “*Love at First Lie*”, a romance comedy film directed and produced by Patrick Kong starring Edward Chen, Mandy Tam and Leung Chung Hang.

Projects under production 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.



The recent “Jay Fung Concert 2023 Jay Pop Live@Coliseum”, “Yoga Lin Concert in HK 2023” and “NCT Dream Tour ‘The Dream Show 2: In A Dream’ in Hong Kong” have earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion and the upcoming events include concerts of Leon Lai, Tsai Chin and Sammi Cheng.

Looking forward, the Group believes that its integrated MAGHL platform comprising movies, TV programs, music, artiste management and live entertainment put it in a strong position to capture the opportunities of entertainment market by a balanced and synergetic approach and the Group will continue to explore cooperation and investment opportunities to enrich its portfolio, broaden its income stream and maximise value for its shareholders.

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 shares on GEM of the Stock Exchange was withdrawn at 4:00 p.m. on 20 March 2023. An aggregate of 264,022,268 new Shares were allotted and issued and cash consideration of approximately HK\$194.3 million were 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 was indirectly owned as to approximately 63.40% by LSD, approximately 36.28% of the total issued Shares were held by the public and the public float of the Company has been restored to exceed the 25% minimum level under the Rules Governing the Listing of Securities on the Stock Exchange.

CHAIRMAN'S STATEMENT



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 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 owned by the Company as disclosed in the circular of the Company dated 24 April 2020. Up to 31 July 2023, approximately HK\$1,384.4 million have been used for development and enhancement of cinema operation, repayment of bank loans and shareholder’s loans, film and TV programs production, distribution and media and entertainment businesses and privatisation of MAGHL, while approximately HK\$148.5 million has been used for general corporate uses.

As at 31 July 2023, the Group’s consolidated cash and bank deposits amounted to HK\$660.3 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 36.7% (31 July 2022: 38.4%). The Group will continue its prudent and flexible approach in managing its financial position.

CHAIRMAN'S STATEMENT



APPRECIATION

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork.

I am delighted to welcome Mr. Cheung Sum, Sam and Mr. Poon Kwok Hing, Albert who joined the Board as an executive director and an independent non-executive director of the Company, respectively, with effect from 1 August 2023 as well as Mr. Yang Yiu Chong, Ronald Jeffrey who joined the Board as an executive director and the chief executive officer of the Company with effect from 3 October 2023.

I would like to thank Mr. Chew Fook Aun and Mr. Lui Siu Tsuen, Richard who left the Board on 2 June 2023 and 3 October 2023, respectively, for their valuable contributions to the Company during their tenure for which I am most grateful.

I firmly believe that through the concerted efforts of our staff and with the support of all our stakeholders, we will continue to grow the Group going forward in a prudent and sustainable manner.

Low Chee Keong

Chairman

Hong Kong

17 October 2023

FINANCIAL SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group, is set out below:

Results

	Year ended 31 July				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
CONTINUING OPERATIONS:					
TURNOVER	1,013,860	830,237	835,303	929,156	1,450,189
LOSS BEFORE TAX	(221,687)	(406,869)	(399,845)	(922,949)	(344,634)
Tax	(1,258)	37,023	(8,398)	(79,262)	(3,077)
LOSS FOR THE YEAR	(222,945)	(369,846)	(408,243)	(1,002,211)	(347,711)
DISCONTINUING OPERATIONS:					
Profit/(loss) for the year from discontinued operations	—	—	—	(8,150,401)	365,816
	(222,945)	(369,846)	(408,243)	(9,152,612)	18,105
Attributable to:					
Owners of the Company	(198,763)	(328,732)	(351,126)	(8,585,404)	(77,645)
Non-controlling interests	(24,182)	(41,114)	(57,117)	(567,208)	95,750
	(222,945)	(369,846)	(408,243)	(9,152,612)	18,105

FINANCIAL SUMMARY AND HIGHLIGHTS

Assets, Liabilities and Non-controlling Interests

	As at 31 July				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment	168,262	208,957	266,715	257,425	4,931,149
Right-of-use assets	614,189	758,895	883,505	786,397	—
Properties under development (classified as non-current assets)	—	—	—	—	713,590
Investment properties	—	—	—	—	20,424,800
Film rights	24,366	19,162	15,109	7,055	24,608
Film and TV program products	61,059	61,174	54,838	65,121	75,022
Music catalogs	—	663	3,124	8,584	15,629
Goodwill	—	10,000	10,000	10,000	82,440
Investments in joint ventures	39,943	30,729	20,461	15,979	22,993
Investments in associates	—	—	—	—	5,804
Financial assets at fair value through profit or loss (classified as non-current assets)	64,897	111,878	35,308	37,793	75,815
Long-term deposits, prepayment, other receivables and other assets	158,800	131,398	119,037	98,663	96,237
Deferred tax assets	79	517	516	2,121	9,108
Derivative financial instruments	—	—	—	—	20,581
Current assets	1,379,394	1,837,311	2,308,488	2,580,584	8,115,601
TOTAL ASSETS	2,510,989	3,170,684	3,717,101	3,869,722	34,613,377
Current liabilities	(880,332)	(991,194)	(1,057,216)	(1,026,294)	(5,100,557)
Non-current liabilities — Long-term creditors, accruals and deposits received, lease liabilities, bank and other borrowings, loans from a fellow subsidiary and guaranteed notes	(1,052,645)	(1,177,021)	(1,333,890)	(1,273,094)	(8,735,777)
Deferred tax liabilities	(45)	(87)	(2,629)	(101)	(3,351,747)
TOTAL LIABILITIES	(1,933,022)	(2,168,302)	(2,393,735)	(2,299,489)	(17,188,081)
NON-CONTROLLING INTERESTS	57,145	(37,225)	(59,986)	27,200	(8,326,675)
Equity attributable to owners of the Company	635,112	965,157	1,263,380	1,597,433	9,098,621

FINANCIAL SUMMARY AND HIGHLIGHTS

Financial Highlights on Continuing Operations

		Year ended 31 July 2023	Year ended 31 July 2022
Turnover	(HK\$M)	1,013.9	830.2
Gross profit	(HK\$M)	476.5	348.9
Gross profit margin	(%)	47.0%	42.0%
Operating loss	(HK\$M)	(160.4)	(334.6)
Loss attributable to owners of the Company	(HK\$M)	(198.8)	(328.7)
Basic loss per share ^(Note 1)	(HK\$)	(0.126)	(0.220)
Net assets attributable to owners of the Company	(HK\$M)	635.1	965.2
Total borrowings	(HK\$M)	233.1	370.8
Net asset value per share ^(Note 2)	(HK\$)	0.362	0.647
Share price as at 31 July 2023/31 May 2022 ^(Note 3)	(HK\$)	0.25	0.43
Gearing — debt to equity ratio	(%)	36.7%	38.4%
Current ratio	(times)	1.6	1.9
Discount to net asset value	(%)	30.9%	33.5%

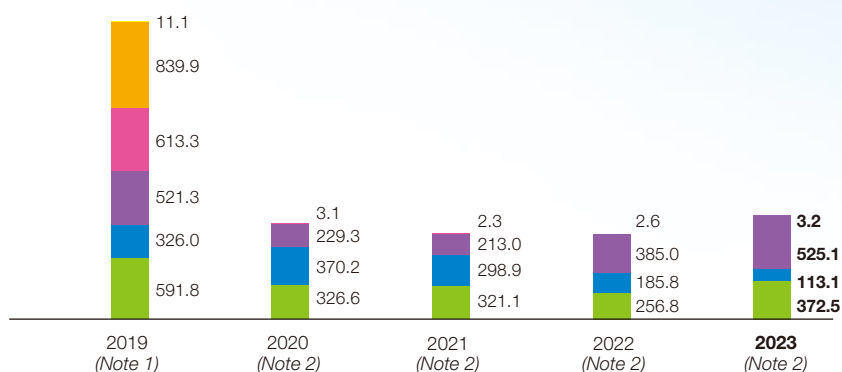
Notes:

1. *Calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year*
2. *Calculated based on the number of ordinary shares in issue as at the end of respective financial years*
3. *Trading in shares of the Company on the Stock Exchange has been suspended for the period from 1 June 2022 to 10 November 2022.*

FINANCIAL SUMMARY AND HIGHLIGHTS

TURNOVER BY SEGMENT

in HK\$'million



For the year ended 31 July

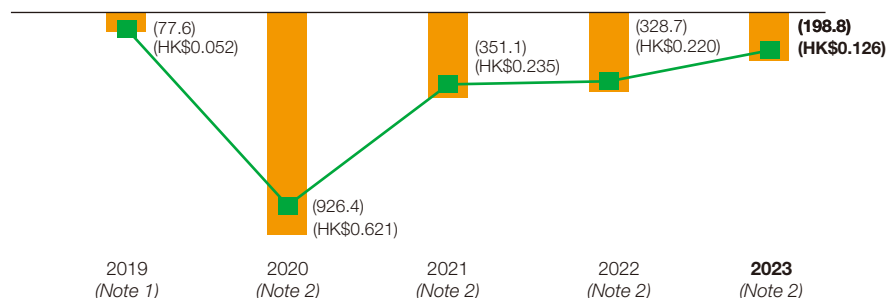
Notes:

- As reported. Turnover from continuing operations of the Group amounted to HK\$1,450.2 million.
- For continuing operations of the Group

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company (in HK\$'million)

Loss per share attributable to owners of the Company (in HK\$)



For the year ended 31 July

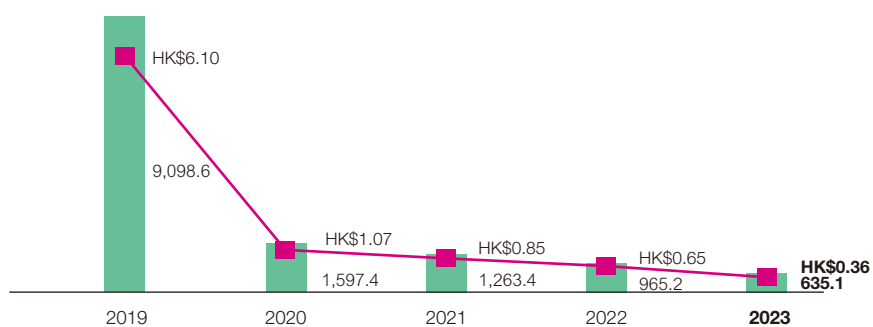
Notes:

- As reported. Loss attributable to owners of the Company from continuing operations of the Group amounted to HK\$293.9 million.
- For continuing operations of the Group

NET ASSETS & NET ASSET VALUE ("NAV") PER SHARE

Net assets attributable to owners of the Company (in HK\$'million)

NAV per share attributable to owners of the Company (in HK\$)



As at 31 July

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Cinema Operation

For the year ended 31 July 2023, this segment recorded a turnover of HK\$525.1 million (2022: HK\$385.0 million) and segment results of a loss of HK\$25.9 million (2022: a loss of HK\$128.6 million). The Hong Kong box office was encouraging with a strong line-up of locally produced movies and Hollywood blockbusters released during the year 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 year under review. As at the date of this Annual Report, the Group operates seventeen 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 disclosed in below table. Besides, the Group has extended its cinema network through a 50% joint venture with Emperor Cinemas Group, namely the Emperor Cinemas Plus+ (Tai Wai), which is managed by Emperor Cinemas Group and opened in July 2023.

Cinema (managed by the Group)	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 Airside Cinema	100	7	944
MCL The One Cinema	100	6	831
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		93	14,381
Total		108	16,726

Note: On 100% basis

MANAGEMENT DISCUSSION AND ANALYSIS

Media and Entertainment

For the year ended 31 July 2023, this segment recorded a turnover of HK\$372.5 million (2022: HK\$256.8 million) and segment results of a turnaround from loss to profit of HK\$13.3 million from that of a loss of HK\$7.7 million last year.

Events Management

During the year under review, the Group organised and invested in 93 (2022: 18) shows by popular local, Asian and internationally renowned artistes, including Grasshopper, Super Junior, Ekin Cheng, Joyce Cheng, Jay Fung, Jay Chou, Mayday, Yoga Lin, ILUB, Miriam Yeung and C AllStar.

Music Production, Distribution and Publishing

During the year under review, the Group released 7 (2022: 18) albums, including titles by Jay Fung, Cloud Wan, Sammi Cheng, Joyce Cheng 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 TV drama production and film production businesses. The Group currently has 25 artistes under its management.

Film and TV Program Production and Distribution

For the year ended 31 July 2023, this segment recorded a turnover of HK\$113.1 million (2022: HK\$185.8 million) and segment results of a loss of HK\$48.6 million (2022: a loss of HK\$52.8 million).

During the year under review, a total of 6 (2022: 8) films produced/invested by the Group were theatrically released, namely *“Warriors of Future”*, *“Tales From The Occult I”*, *“Cyber Heist”*, *“Tales From The Occult: Body and Soul”*, *“Tales From The Occult: Ultimate Malevolence”* and *“Detrimental”*. The Group also distributed 32 (2022: 19) films and 151 (2022: 196) videos with high profile titles including *“Warriors of Future”*, *“Mama’s Affair”*, *“Marry My Dead Body”*, *“Godfather”*, *“Jurassic World Dominion”* and *“Top Gun: Maverick”*.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2023, cash and bank balances held by the Group amounted to HK\$660.3 million (2022: HK\$1,202.9 million) of which around 76.9% was denominated in Hong Kong dollars (“**HKD**”) and around 18.1% 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 contract arrangements with a financial institution to mitigate 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

Borrowings

As at 31 July 2023, the Group had outstanding consolidated total borrowings in the amount of HK\$233.1 million. The Group had 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\$120.1 million for the said unsecured other borrowings as at 31 July 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 July 2023.

As at 31 July 2023, the Group had utilised letter of credit and letter of guarantee facilities of HK\$0.4 million. The Group has undrawn facilities of HK\$34.6 million as at 31 July 2023. At the date of this annual report, the letter of credit and letter of guarantee facilities were terminated.

Charge on Assets and Gearing

As at 31 July 2023, time deposits of HK\$9.3 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 July 2023, the consolidated net assets attributable to the owners of the Company amounted to HK\$635.1 million (2022: HK\$965.2 million). As at 31 July 2023, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company was approximately 36.7%.

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

Details of contingent liabilities of the Group as at 31 July 2023 are set out in note 42 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2023, the Group employed a total of around 530 (2022: 560) 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Company is delighted to publish its annual Environmental, Social and Governance (“**ESG**”) report, summarising the ESG management approach, strategies and performance of the Company and its subsidiaries (together, “**Group**”) in accordance with the ESG Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). This report complies with the four reporting principles listed in the Stock Exchange ESG Reporting Guide, including materiality, quantitative, balance and consistency for report disclosure and historical data comparison. This year, the Company has taken the lead to disclose the climate actions with reference to the Task Force on Climate-related Financial Disclosures (“**TCFD**”) to build climate resilience strategy. Besides, we mapped our strategies and initiatives with the United Nations’ Sustainable Development Goals (“**SDGs**”). 9 of the 17 SDGs, which are the most relevant to our business profile, were mapped into our contribution in respective chapters of this report.

Unless otherwise specified, this report covers the ESG management and performance of the Group from 1 August 2022 to 31 July 2023. The reporting boundary of this report comprises properties under the Group’s cinema, media and entertainment businesses in Hong Kong and Mainland China. For further details of the specific properties covered in the reporting scope, please refer to the section on Summary of Environmental Performance. This report has been approved by the management team and the board of directors of the Company (“**Board**”).

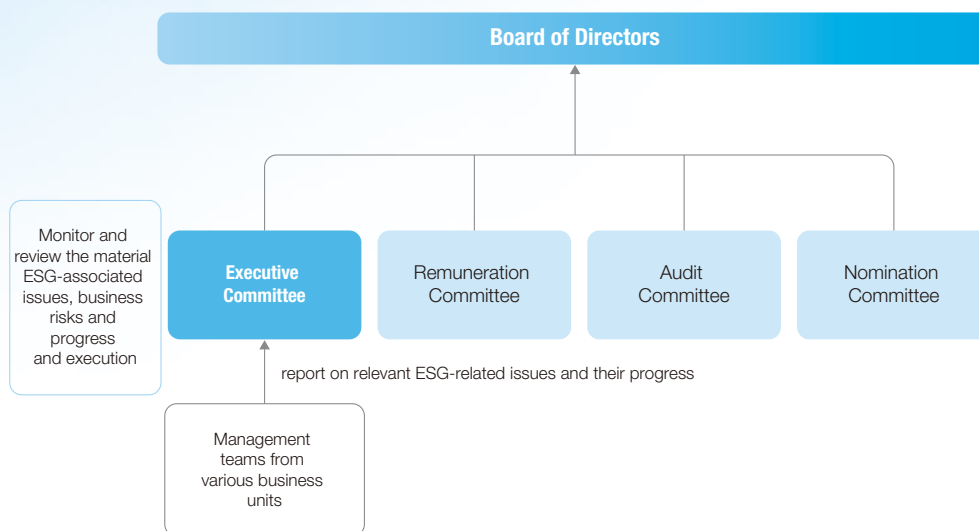
ESG GOVERNANCE

Board Statement

The Group recognises the importance of tackling ESG issues to pave the way for long-lasting business success. The Board holds the responsibility for endorsing the ESG report, prioritising and overseeing key ESG issues including material ESG risks related to the business operations and their incorporation with the Group’s ESG strategies, policies, procedures and initiatives.

The executive committee of the Company (“**Committee**”) is appointed by the Board to conduct assessment on the management and implementation efficacy of ESG relevant issues encompassing the execution of goals and targets. The Committee also arranges regular briefing sections to the Board to support their monitoring and evaluation of the material ESG issues, associated business risks and progress and implementation of ESG policies, procedures and initiatives. The Group’s environmental targets that have been assented by the Board will be reviewed by the Committee annually. Given the Group’s diversified business portfolios, each business unit holds the responsibility to report their performance and ESG issues to the Committee on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



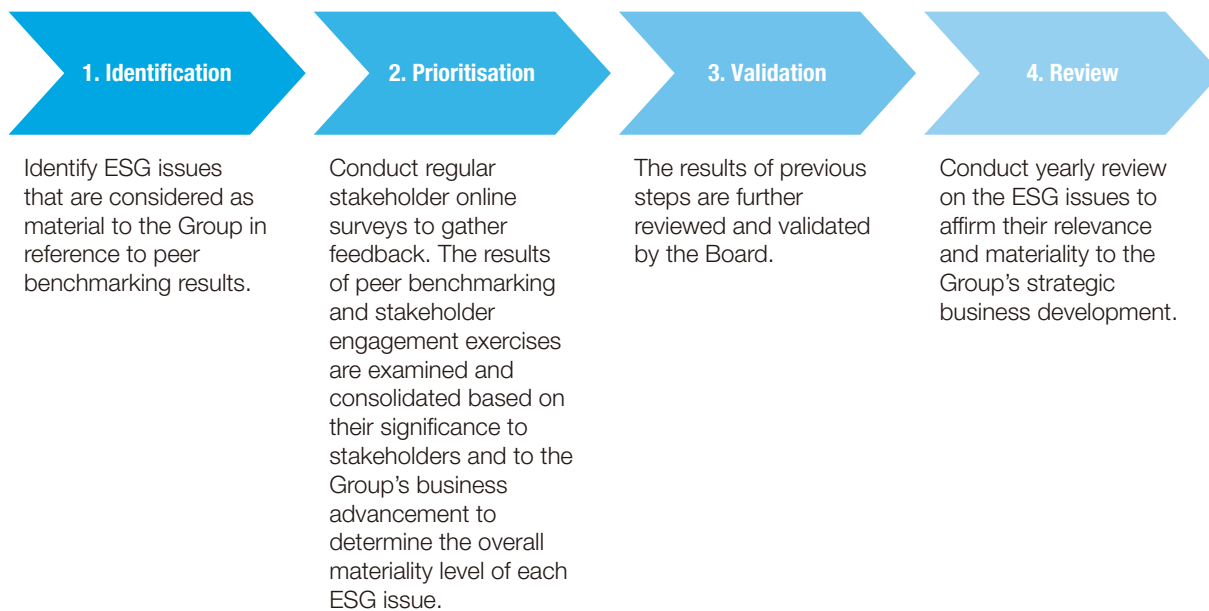
Following the stakeholder engagement exercises conducted in the financial year 2020/2021, the material ESG issues identified are reviewed annually and authenticated by the Board before incorporated into the Group’s ESG management approaches and underpin the strategy. For more details of the materiality analysis on ESG topics, please refer to the Materiality Analysis section.

Stakeholder Engagement

The Group strives to uphold a deep-rooted relationship with stakeholders and maximise value creation by refining our sustainability programs based on stakeholders’ views gained through different engagement channels. Stakeholders were engaged in identifying the potentially material ESG issues and risks to the Group, in the form of providing feedback via online surveys, which was executed by an independent consultant. The gathered input from stakeholders allows the Group to meet stakeholders’ needs and expectations in a continuous sense.

Materiality Analysis

The Group undertakes the constant review on the pertinence of the ESG issues to our business and stakeholders to formulate well-defined ESG management and strategies for informed decision. A four-step materiality assessment approach is implemented to pinpoint and assess the material ESG issues in our business operations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Peer benchmarking and review of the material issues were conducted during the reporting year. This exercise enabled us to identify latest trend from the industry and market, thereby leveraging them in building reinforced ESG management practices. A range of ESG issues that are regarded material to our stakeholders and the Group are listed as follows:

Aspects		ESG Issues	Cinema	Entertainment
Environment		Energy	✓	✓
		Waste management	✓*	✓*
Social	People	Employee engagement**	✓	✓
		Wellbeing, occupational health and safety**	✓	✓
		Training and development	✓	✓
		Equal opportunities	✓	✓
	Operating practices	Supply chain management	✓	✓
		Customer satisfaction	✓	✓
		Product/service quality and safety	✓	✓
		Customer/tenant privacy	✓	✓
		Anti-corruption	✓	✓
	Community	Community investment	✓	✓

* Newly added topic in this reporting year, or new topic to the business operation

** Renamed and merged

Note that “Employee relationship” and “Recruitment and retention” from the previous reporting year are merged into “Employee engagement” and “Occupational health and safety” and “Wellbeing” are incorporated and renamed as “Wellbeing, occupational health and safety”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT



Integrating Environmental Sustainability into Our Operations

The Group aims to conduct our businesses in an environmentally sustainable manner while reducing our environmental impacts. Aside from adopting effective management of the Group's carbon emissions, waste generation, consumption of water and energy, we have also committed to integrating environmental considerations into our business planning and decision-making procedures.

The Group regularly assesses the effectiveness of our environmental initiatives and monitors our environmental performance to ensure full compliance with all relevant laws and regulations. During the reporting year, there was no case of non-compliance with environmental legislation as stated in the "List of Significant Laws and Regulations" section.

Responding to Climate Change

This reporting year, the Group adopted TCFD recommended disclosures to disclose our climate risk management based on four pillars: Governance, Strategy, Risk Management and Metrics and Targets.

Governance

The Group recognises the significance of ESG challenges in ensuring long-term corporate success. The Board oversees the managing of significant ESG concerns such as material ESG risks, and any climate-related risks and opportunities relevant to company operations and their integration with the Group's ESG plans, policies, processes and activities. The Committee reviews and monitors the management and implementation effectiveness of relevant ESG-related issues including climate change, relevant business risks, and progress and execution of ESG policies, processes and initiatives. For more details, please refer to the Board Statement section.

Strategy

In light of the considerable risks posed by climate change on a worldwide scale, the Group has improved our management practices to strengthen our climate resilience and adaptation capability. To help us establish climate risk mitigation plans, a third-party consultant was hired to conduct a climate risk assessment in fiscal year 2020/2021 to identify and analyse potential hazards in our operations.

Physical Risk

Tropical cyclones are regarded as the most significant climate-related risk to our activities in terms of physical risk exposure, with the potential to cause catastrophic property destruction and economic loss. Our climate risk assessment results also showed that our operations in Hong Kong and Southern China could be considerably impacted by floods due to their proximity to coastal areas, however the flood risk for our operations in Eastern China is limited. In particular, our physical risk exposure is low for our offices and cinemas located in indoor buildings and shopping malls.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Transition Risk

Policy and legal risks are considered as material transition risks to the Hong Kong and Mainland China operations. It is expected that more stringent policies and initiatives are likely to be executed by the government to meet carbon emission reduction targets and net zero commitments, resulting in higher operating costs. Replacement of equipment with higher efficiency models is also expected down the line to ensure future compliance to the regulations.

Risk Management

We strive to prevent and mitigate the effects of climate change in our business activities.

The Group has created typhoon and extreme weather condition work arrangement standards to standardise operating procedures during tropical cyclone alerts and adverse weather conditions. Emergency plans are also in place in the event of natural disasters, and inspections are done regularly for critical machinery and equipment to ensure proper working conditions in the event of an emergency.

Metrics and Targets

No environmental targets are in place during the reporting year for our cinema operations, however the Group will consider setting relevant targets in the future. For more details on our environmental initiatives, please refer to the sections as follows.

Waste and Air Emissions to the Environment

The Group is also conscious of the effects our operations have on the environment and takes every effort to reduce our air emissions, wastewater discharges and waste generations. Considering this, we have already implemented a variety of group-wide and business unit-specific abatement procedures and control mechanisms. We have also implemented handling procedures for non-hazardous waste in the Group to ensure proper disposal of any waste produced.

Minimising Waste in Media and Entertainment Business

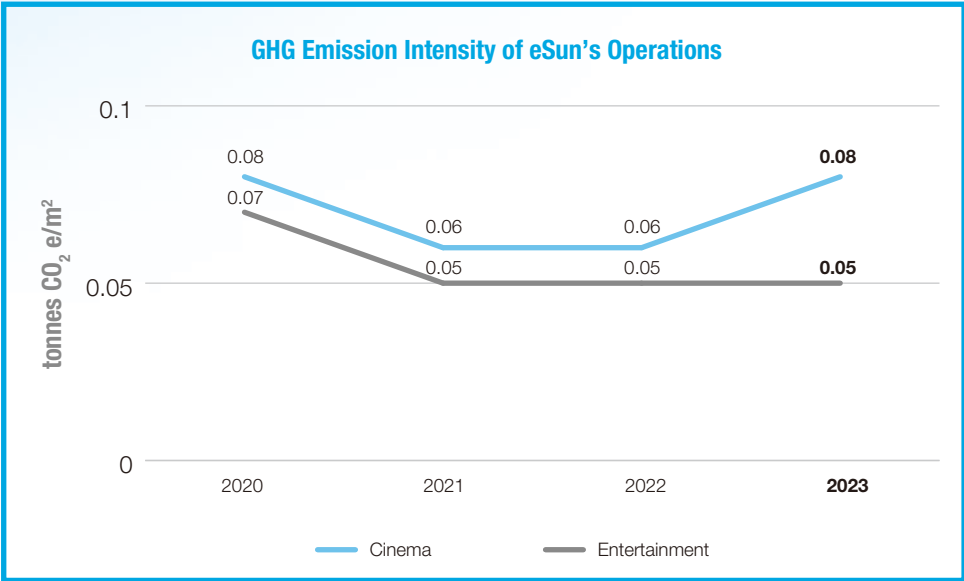
Our media and entertainment operations have implemented several employee-centric initiatives to curtail waste. We promote eco-friendly practices such as cloud-sharing of work documents, employment of environmentally friendly paper, and adoption of double-sided printing to minimise paper usage in our offices. Furthermore, we encourage our staff to minimise the use of plastic disposable items wherever feasible.

Greenhouse Gas ("GHG") Emissions and Energy

The Group strongly advocates for active energy management through the implementation of green policies and environmental initiatives aimed at reducing energy consumption, as well as GHG emissions. To achieve these goals, we have invested in energy-saving technologies and adopted locally and internationally recognised standards for building design and construction, which are intended to help us minimise our energy consumption and GHG emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The GHG emission intensities of the Group's operations are shown as follows:



Note: GHG emission intensity = The total (scope 1 & 2) GHG emission of the year/Gross Floor Area

Managing Energy Use in Cinema Operation

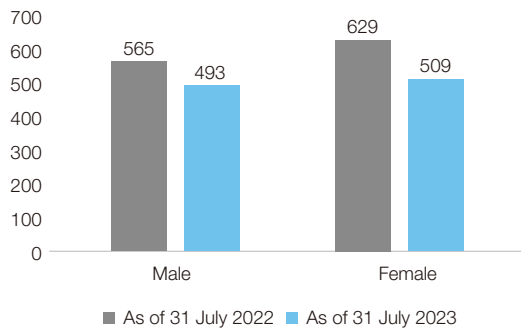
We have implemented various management measures to control electrical consumption effectively. To maintain our high standards, the electricity consumption of cinemas is closely monitored on a regular basis. Furthermore, some of the Group's cinemas have gone a step further by adopting additional energy-saving measures, such as installing energy-efficient lighting and automated induction systems.

PEOPLE

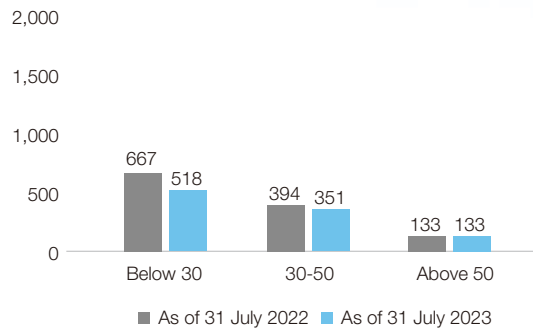


Employment Practices

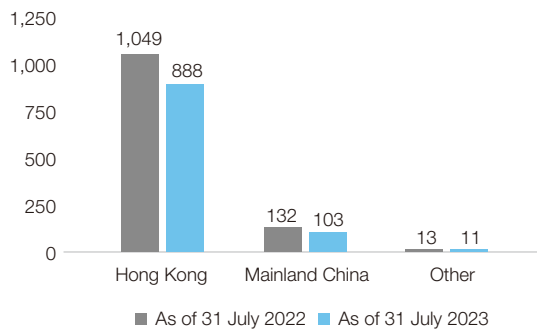
Number of Employees by Gender



Number of Employees by Age Group



Number of Employees by Geographical Region



Gender ratio
Male:Female = 1:1

Turnover rate
17%

The Group makes the best endeavour to retain and attract talent as we acknowledge the unquestionable importance of employees to a sustainable, successful business. Employees can thrive freely in this sound and unrivalled environment that we create. We strive to maintain such environment by complying with all applicable employment laws and regulations in Hong Kong and Mainland China. Meanwhile, our staff handbook states all relevant terms and conditions, including employee benefits, compensation and dismissal, working hours, leave entitlement, anti-discrimination, as well as the Group’s standards for employees’ work behaviour and conduct.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Effective policies and a grievance mechanism are in place to foster inclusivity and diversity in a professional workplace. In addition to encouraging employees to report any misconduct or wrongdoing by referring to the Code of Conduct and staff handbook, we also ensure that their personal information will be protected by absolute confidentiality. Furthermore, the Group has established several communication channels such as daily emails, meetings, internal newsletters and social media platforms to maintain close relationships with its employees as well as to increase employee engagement for a better workplace.

During the reporting year, there were no instances of non-compliance with employment laws and regulations.

Employee Welfare

By signing the Good Employer Charter of the Labour Department and complying with all relevant laws and regulations, the Group has further affirmed our commitment to building an all-around workplace that provides everything that employees need to grow professionally and personally. We want the workplace to provide employees with care, benefits, communications, and work-life balance. Apart from standardised welfare packages, we provide medical or commercial insurance, social security as well as housing benefits to employees in each region.

We also offer well-being programs and value-added benefits to the employees. We provide a wide range of non-wage compensations, such as vaccination leave, additional holidays, annual health check-ups and free entry to club-house facilities for employees who work in the properties in Mainland China. To foster balanced lifestyles, our full-time cinema staff is offered further work flexibility and mobility, including overtime allowance, travel allowance, typhoon/rainstorm allowance, and attendance bonus. We arrange monthly “Lunch Talk” sessions, with this reporting year covering topics on health knowledge and banking products, MPF investments and occupational safety. We prepared festive gifts such as mooncakes in celebration of traditional festivals and film screenings to engage employees.

Health and Safety

Being committed to safeguarding the health and safety of our employees, the Group endeavours to minimise any potential occupational safety risks at all costs. We do so by strictly following the guidelines and information stipulated by the Labour Department regarding occupational safety and health. We have tasked the management teams of different business units with implementing health and safety measures while providing regular safety training to all staff. For example, we have appointed fire safety ambassadors to promote fire awareness, and reporting or abating fire hazards. At the same time, protective equipment will be provided for our employees at all premises to prevent any health and safety hazards.

In response to times during the COVID-19 outbreak, we safeguarded employee health and safety by voluntary testing, free anti-epidemic supplies, required face masks and temperature checks, and offering paid vaccination leave and financial support. We have also provided psychological counselling to employees resuming work post-pandemic.

The Group places high value on its employees as a crucial asset for long-term business development. The Group regularly organises workshops and events dedicated to promoting health and wellness. During the reporting year, there were no non-compliance cases with health and safety laws and regulations listed in the “List of Significant Laws and Regulations” section.

Development and Training

Under the ever-changing business environment, the Group is mindful of the importance of cultivating a lifelong learning culture to unleash employees' full potential and keep them up with the latest market standards. Our Staff Handbook outlines the Group's progressive approaches toward the employee development and training programs. A wide spectrum of on-the-job learning programs are made available for managerial and frontline employees to upskill their hands-on experience. To help our officers and supervisory grade staff improve their communication and other business abilities, we especially invite seasoned specialists to conduct lectures on crucial business skills including providing talks on time management and delegation to managerial grade staff to enhance their management skills.

Apart from internal programs, we also provide financial support if our employees wish to obtain professional qualifications or attend programs that are being held externally, as pursuing career interests is vital to one's professional development.

The Group acknowledges a strong linkage between the performance appraisal and employee's motivation. To recognise valued performers, the job assessment is carried out every year while two evaluations for Mainland China employees in every July and December. The Group offers merit to employees with outstanding results in the forms of salary adjustments and job promotion opportunities.

Labour Standards

Creating an equitable, constructive, and motivating workplace is fundamental to our business. On top of the policies stipulated in the staff handbook, the Group adheres to international labour standards to respect the protection of proclaimed human rights and dignity of our employees. Our Human Resources Department is entitled with the overall responsibilities in overseeing employment-related issues and monitoring compliance with applicable and related laws. All potential candidates undergo a robust screening process to ensure their background and relevant information meet the legal standards. The Group provides clear and well-defined employment and labour terms in the employment contract and does not hire employees aged under 15 to ensure that there are no instances of forced or child labour in our operations.

Our Mainland China business also operates under rigid compliance with the laws and regulations related to forced and child labour and overtime work. In case of any overtime, employees will be paid based on a relevant legal policy. We require the Group's contractors to adhere to the stipulations as well. Emerging laws and regulations are closely monitored to make sure we are braced for any changes.

There were no non-compliance cases with relevant laws and regulations listed in the "List of Significant Laws and Regulations" section during the reporting year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES



Responsible and Ethical Practices

The Group takes the appropriate precautions to keep its consumers from receiving any materials containing misleading information. We make sure that all of our goods and services abide by the laws and rules pertaining to product responsibility that are included in the section under “List of Significant Laws and Regulations”.

Service Excellence

Ensuring Customer Satisfaction for Cinema Operation and Entertainment Business

The Group gathers feedback from customers of cinema and entertainment businesses through various channels, such as hotlines, emails, and social media platforms. All comments and complaints are handled by our customer service representatives. We also ensure that customers’ enquiries are responded within a service target time. All communications with customers are overseen by the management team to ensure timely and reasonable responses.

In Hong Kong, the Group adheres to the Standard Operating Procedure to provide quality customer services. We provide customer service training for all employees such as monthly complaint cases and guidelines sharing and conduct weekly site visits by operation managers. Aside from a centralised hotline, our operation managers will respond quickly to customer feedback on-site and, if necessary, divert it to headquarters for further follow-up. During the reporting year, the Group received a total of 158 complaint cases for cinema operation, most of which were related to issues such as ticketing, membership scheme, incidence handling, staff or facility performance, and the distribution of premium. Our actions to prevent unsatisfactory services include monthly sharing of case studies, guidelines and suggestions to all cinemas, weekly site visits by Senior Assistant Operations Manager with a focused checklist based on previous complaint cases, and periodic training referencing case studies conducted to front line staff. On the other hand, there were no major complaint cases in the entertainment business received by the Group during the reporting year.

Customer Health and Safety

From witnessing the significant impact of COVID-19 on the overall well-being of customers and employees, as well as business operations, the Company understands the importance of safeguarding health and safety, and has taken various preventative actions. For instance, special technicians are employed for equipment maintenance and fire drills are held for tenants and employees on a regular basis.

Safety and Hygiene in Cinema Operation

Food safety is crucial to our cinema operations. To maintain a high standard of food hygiene, the management staff is appointed as hygiene supervisors in accordance with the Hygiene Manager and Hygiene Supervisor Scheme by the Food and Environmental Hygiene Department. The Group conducts frequent internal audits to monitor the quality of the food being served to customers while providing staff with checklists on proper food handling procedures. The Group primarily purchases food from authorised suppliers to enhance source traceability and control. The Group will keep informed on the latest government regulations and announcements, including the Notice of the Centre for Food Safety, and will act swiftly to address relevant issues.

The Group did not have any non-compliance incident related to food safety and hygiene during the reporting year.

Data Protection and Privacy

The Group endeavours to build a trusting relationship with its customers by protecting their privacy. When handling personal data and what is considered to be confidential data, the Group fully abides by Chapter 486 Personal Data (Privacy) Ordinance in Hong Kong and Cybersecurity Law of the People's Republic of China ("PRC") strictly. Personal and confidential data will be handled with caution, and the Group only collects personal data from its employees, suppliers or customers when necessary. Data providers are well informed to sign a Personal Information Collection Statement before or when their personal information is about to be collected. The practice is also made known to our business partners and clients to avoid confusion. During the reporting year, there were no recorded incidents of non-compliance with data privacy.

Cinema Operation

While the Group provides individualised and superior services to customers, information security maintains the top priority. In our cinema operation, the customers' personal data, including their names, birth dates, emails and telephone numbers, are solely collected for necessary use to manage customer memberships. Customers' acknowledgement of the Personal Information Collection Statement and Privacy Policy Statement is required prior to their enrolment in the loyalty program. The statements outline appropriate steps and procedures for data collection and disposal for all relevant staff. No marketing materials will be sent to unsubscribed individuals without any permission.

For our online ticketing system, to ensure that only authorised personnel have access to the database, access rights are strictly monitored and reviewed regularly. All data in the online ticketing system is stored in the head office's database to minimise access points. The Group only collects minimal personal information of customers for potential refunds and ticket redemption. After the service is completed, all personally identifiable information will be destroyed in a safely manner immediately.

Supply Chain Management



To ensure the quality of our products and services, the Group adheres to the principles of being transparent and fair in our tendering process as well as supply chain operation and management. We do so by working closely with all business partners and selecting suppliers with many attributes taken into account, such as their quality, strength and experience. The Group's major type of suppliers are service providers including film distributors, concession suppliers, landlords and POS system vendors, where material environmental impact is not generated.

Responsible Food Sourcing in Cinema Operation

To fulfil the growing demand for healthy and sustainable food among the customers, priorities will be given to suppliers who provide ASC, MSC or organic-certified food with ISO or HACCP certification to ensure responsible food sourcing. Healthiness, organic and fair trade are also taken into consideration when purchasing concession stand products for our cinema operations. Site visits with our existing suppliers are also conducted regularly to monitor their environmental and social compliances and initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Integrity and Discipline

Being committed to upholding its absolute integrity, fairness and discipline in the business, the Group expects its employees to strictly follow all rules and procedures in line with applicable laws and regulations. No fraud or corruption should, in any case, be tolerated regardless of the business segment, and we strive to prevent it at all costs.

Our staff handbook explicitly states the definition of “advantages” and outlines the procedures for employees to follow, preventing any bribery, corruption, and conflicts of interests from happening. Our Anti-Fraud and Anti-Corruption Policy ensures that the Group operates in a high standard of integrity, openness and discipline. We also expect employees to declare or make known to the management when handling presents and gifts as the action could be deemed suspicious and unethical. If any misconduct is discovered, the person responsible will be subject to termination or legal consequences. Regular anti-fraud and anti-corruption trainings are provided to all employees including directors. We invited the representatives of Independent Commission Against Corruption to provide both “Prevention of Bribery Ordinance” and integrity compliance training during the reporting year.

The Group has set up designated training across our businesses. We hold regular anti-corruption training across media operations.

The Group also has a Whistleblowing Policy as a monitoring and control system to allow employees and relevant third parties such as customers, suppliers, creditors and debtors to report any concerns. The policy sets out how the reports of inappropriate acts can be made and how they are reviewed and investigated. The Group will handle all whistleblowing reports with care and treat the whistleblower’s concerns fairly and properly. During the reporting year, there were no non-compliance cases in relation to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China. There were also no legal cases regarding corrupt practices brought against the Group or its employees during the reporting year.

Intellectual Property Rights

To preserve all intellectual property rights, the Group has implemented appropriate security safeguards and confidentiality agreements. All agreements on collaboration with third parties in all business segments and within the Group are reviewed by the Group’s legal team to avoid infringements and breaches.

Respecting Creations in our Entertainment Business

The Group recognises that intellectual property is essential to entertainment business development. The Group is committed to ensuring compliance with all relevant intellectual property laws and regulations, including but not limited to Chapter 559 Trade Marks Ordinance, Chapter 528 Copyright Ordinance and Chapter 544 Prevention of Copyright Piracy Ordinance. Before using or referencing any other creative works, the Group will ensure that the producers and their teams of films, TV programs and music productions are acquainted with the rights and have clarified them. In any case of violation of relevant regulations and infringement, actions will be taken immediately to clear the rights or deal with related matters. During the reporting year, there were no non-compliance cases with the aforementioned laws and regulations.

COMMUNITY



As a responsible corporate, the Group recognises the significance of community engagement and its impact on sustainable development. We remain committed to fulfilling our corporate social responsibilities by giving back to the communities in where we operate.

The Group has organised a variety of charity events to show our love and care to the society. During the reporting year, we supported inclusive employment by ordering mooncakes from Caritas La Vie and donating Rapid Test kits to non-government organisation Holy Café. Our staff contributed to community health and wellbeing through our partnership with Konica Minolta to raise funds for the Children’s Thalassaemia Foundation, and by volunteering at St. James’ Settlement to gift Goodie Bags and celebrate the festival with the elderly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF ENVIRONMENTAL PERFORMANCE *Notes 1 & 2*

Reporting Scope

Media and Entertainment	Cinema		
<ul style="list-style-type: none"> • Wyler Centre 	<ul style="list-style-type: none"> • Movie Town • Festival Grand Cinema • MCL Metro City Cinema • MCL Telford Cinema • STAR Cinema 	<ul style="list-style-type: none"> • Grand Kornhill Cinema • MCL South Horizons Cinema • MCL Green Code Cinema • Grand Windsor Cinema 	<ul style="list-style-type: none"> • MCL Cheung Sha Wan Cinema • MCL Cyberport Cinema • K11 Art House • MCL Citygate Cinema • MCL Amoy Cinema

Notes:

1. *Calculations are based on method and conversion factor mentioned in “How to prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 25 Mar 2022)” by the Stock Exchange and Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition), unless otherwise specified.*
2. *Total data figures are calculated from exact values.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	Total		Cinema ^{Note 3}		Entertainment	
		2023	2022	2023	2022	2023	2022
A1.1 The types of air emissions and respective emissions data							
Nitrogen oxides emissions	kg	2.39	2.74	0	0	2.39	2.74
Sulphur oxides emissions	kg	0.11	0.12	0	0	0.11	0.12
Particulate Matter emissions	kg	0.18	0.2	0	0	0.18	0.2
Total air emissions	kg	2.68	3.06	0	0	2.68	3.06
A1.2 GHG emissions in total and intensity							
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	20	22	0	0	20	22
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	2,764	2,339	2,668	2,244	96	95
Total GHG emissions	tonnes CO₂e	2,783	2,361	2,668	2,244	115	117
GHG emissions intensity	tonnes CO₂e/m²	0.07	0.06	0.08	0.06	0.05	0.05
A1.3 Total hazardous waste produced and intensity							
Total hazardous waste produced ^{Note 4}	kg	163	229	124	197	39	32
Percentage of hazardous waste recycled	%	14	8	0	0	60	59
Hazardous waste produced intensity	kg/m²	0.004	0.006	0.004	0.006	0.02	0.01
A1.4 Total non-hazardous waste produced and intensity							
General waste disposed	tonnes	67	39	64	36	2.84	2.84
Total non-hazardous waste produced	tonnes	67	39	64	36	2.84	2.84
Non-hazardous waste produced intensity	kg/m²	1.80	1.05	1.84	1.04	1.19	1.19
A2.1 Direct and/or indirect energy consumption by type in total and intensity							
Electricity consumption	MWh	6,143	5,140	5,897	4,897	246	244
Gasoline consumption	MWh	71	81	N/A	N/A	71	81
Total energy consumption	MWh	6,214	5,222	5,897	4,897	317	325
Energy consumption intensity	kWh/m²	166	139	168	139	133	137
A2.2 Water consumption in total and intensity ^{Note 5}							
Water consumption	m ³	7,948	7,389	7,948	7,389	N/A	N/A
Water consumption intensity	m³/m²	0.21	0.20	0.26	0.23 ^{Note 6}	N/A	N/A

Notes:

3. Closure of cinemas due to COVID-19 outbreak in financial year 2021/2022.
4. Hazardous waste produced includes fluorescent lamp and toner cartridge waste.
5. Grand Kornhill Cinema and MCL Cyberport Cinema are excluded from the scope of both financial years as their water consumption is managed by the central management of the property and there are no separate water meter for the cinemas.
6. Data is restated to reflect actual situation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF SOCIAL PERFORMANCE

The Group ^{Note 7}	Unit	2023	2022
B1.1 Total Workforce by gender, employment type, age group and geographical region (excluding contractors and subcontractors)			
Number of employees	No. of people	1,002	1,194
By gender			
Male	No. of people	493	565
Female	No. of people	509	629
By age group			
Below 30	No. of people	518	667
30-50	No. of people	351	394
Above 50	No. of people	133	133
By employment type			
Full time – Male	No. of people	267	272
Full time – Female	No. of people	256	288
Part time – Male	No. of people	226	293
Part time – Female	No. of people	253	341
By geographical region			
Hong Kong	No. of people	888	1,049
Mainland China	No. of people	103	132
Other	No. of people	11	13
B1.2 Employee turnover rate by gender, age group and geographical region ^{Note 8}			
Total employee turnover rate	%	17	13
By gender			
Male	%	18	13
Female	%	17	13
By age group			
Below 30	%	13	11
30-50	%	23	17
Above 50	%	23	9
By geographical region			
Hong Kong	%	18	11
Mainland China	%	9	25
Other	%	18	0

Notes:

- The reporting scope of the Summary of Social Performance includes all cinema and entertainment operations under the Company.
- Turnover rate (in percentage) = Total number of employees leaving employment in the category/Total number of employees in the category × 100% for financial year 2021/2022 and 2022/2023, including all full-time and part-time employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group <small>Note 7</small>	Unit	2023	2022
B2.1 Number and rate of work-related fatalities <small>Note 9</small>			
Number of work-related fatalities	No. of fatalities	0	0
Rate of work-related fatalities	%	0	0
B2.2 Lost days due to work injury			
Number of lost days	No. of lost days	15	202.5
Number of attendance by employees attended training by gender and employee category			
By employee category			
Senior management	No. of attendance	2	4
Middle management	No. of attendance	62	51
General staff	No. of attendance	224	73
By gender			
Male	No. of attendance	148	64
Female	No. of attendance	140	64
B3.2 The average training hours completed per employee by gender and employee category <small>Note 10</small>			
By employee category			
Senior management	No. of hours	0.04	0.1
Middle management	No. of hours	2.2	1.1
General staff	No. of hours	0.6	0.2
By gender			
Male	No. of hours	0.9	0.4
Female	No. of hours	0.7	0.3
B5.1 Number of suppliers by geographical region			
Hong Kong	No. of suppliers	791	677
Mainland China	No. of suppliers	160	115
Other	No. of suppliers	51	37
B8.2 Resources contributed to community investment			
Cash donations/sponsorships	HKD	7,195	13,248
Volunteering hours	Hours	0	29

Notes:

9. Number and rate of work-related fatalities occurred in each of the past three years including the reporting year was 0.

10. Average number of training hours per employee = Total training hours in the category/Total workforce in the category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LIST OF SIGNIFICANT LAWS AND REGULATIONS

Environment

Aspect A1-A3: Environmental

Hong Kong:

- Chapter 311 Air Pollution Control Ordinance
- Chapter 358 Water Pollution Control Ordinance
- Chapter 354 Waste Disposal Ordinance
- Chapter 400 Noise Control Ordinance

Employee

Aspect B1: Employment

Hong Kong:

- Chapter 57 Employment Ordinance
- Chapter 282 Employees' Compensation Ordinance
- Chapter 608 Minimum Wage Ordinance
- Chapter 480 Sex Discrimination Ordinance
- Chapter 487 Disability Discrimination Ordinance
- Chapter 527 Family Status Discrimination Ordinance
- Chapter 602 Race Discrimination Ordinance

Mainland China:

- Labour Law of the PRC
- Labour Contract Law of the PRC

Aspect B2: Health and Safety

Hong Kong:

- Chapter 509 Occupational Safety and Health Ordinance

Mainland China:

- Work Safety Law of the PRC

Aspect B4: Labour Standards

Hong Kong:

- Chapter 57B Employment of Children Regulations
- Chapter 57C Employment of Young Persons (Industry) Regulations

Mainland China:

- Labour Laws of the PRC
- Provisions on the Prohibition of Using Child Labour

Operating Practices

Aspect B6: Product Responsibility

Hong Kong:

- Chapter 362 Trade Descriptions Ordinance
- Chapter 392 Film Censorship Ordinance
- Chapter 486 Personal Data (Privacy) Ordinance
- Chapter 612 Food Safety Ordinance
- Chapter 528 Copyright Ordinance
- Chapter 544 Prevention of Copyright Piracy Ordinance
- Chapter 559 Trade Marks Ordinance
- Food Hygiene Code

Mainland China:

- Food Safety Law of the PRC
- Food Hygiene Law of the PRC
- Law of the PRC on Protection of Consumer Rights and Interests
- Cybersecurity Law of the PRC

Aspect B7: Anti-corruption

Hong Kong:

- Chapter 201 Prevention of Bribery Ordinance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REFERENCES TO STOCK EXCHANGE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Integrating Environmental Sustainability into Our Operations; Waste and Air Emissions to the Environment
A1.1	The types of emissions and respective emissions data.	Summary of Environmental Performance
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Summary of Environmental Performance
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Summary of Environmental Performance
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Summary of Environmental Performance
A1.5	Description of emission target(s) set and steps taken to achieve them.	Integrating Environmental Sustainability into Our Operations; GHG Emissions and Energy; Waste and Air Emissions to the Environment; No emission targets are in place during the reporting year, however the Group will consider setting relevant targets in the future.
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Integrating Environmental Sustainability into Our Operations; Waste and Air Emissions to the Environment; No waste targets are in place during the reporting year, however the Group will consider setting relevant targets in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect A2: Use of Resources (1) – GHG Emissions and Energy		
General Disclosure	Policies on the efficient use of resources, including energy and other raw materials.	Integrating Environmental Sustainability into Our Operations; GHG Emissions and Energy
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Summary of Environmental Performance
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Integrating Environmental Sustainability into Our Operations; GHG Emissions and Energy; No energy use efficiency targets are in place during the reporting year, however the Group will consider setting relevant targets in the future.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of packaging materials for finished products is not applicable to majority of the Group's businesses.
Aspect A2: Use of Resources (2) – Water		
General Disclosure	Policies on the efficient use of resources, including water.	Integrating Environmental Sustainability into Our Operations
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Summary of Environmental Performance
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption is not considered as material in relation to the Group's businesses, therefore no water efficiency targets are in place during the reporting year.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Integrating Environmental Sustainability into Our Operations
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Integrating Environmental Sustainability into Our Operations; Waste and Air Emissions to the Environment; GHG Emissions and Energy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Integrating Environmental Sustainability into Our Operations
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Integrating Environmental Sustainability into Our Operations
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Practices; Employee Welfare
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Summary of Social Performance
B1.2	Employee turnover rate by gender, age group and geographical region.	Summary of Social Performance
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Summary of Social Performance
B2.2	Lost days due to work injury.	Summary of Social Performance
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	During the reporting year, only the number of training attendees are being recorded and disclosed.
B3.2	The average training hours completed per employee by gender and employee category.	Summary of Social Performance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	The Group does not tolerate any use of child or forced labour and has established procedures to ensure that no child or forced labour is engaged.
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Summary of Social Performance
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Suppliers performance is monitored by operating teams based on relevant screening criteria.
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible and Ethical Practices; Service Excellence; Customer Health and Safety; Data Protection and Privacy; Intellectual Property Rights
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's businesses.
B6.2	Number of products and service related complaints received and how they are dealt with.	Service Excellence
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	Service Excellence
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Protection and Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Discipline
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and Discipline
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and Discipline
B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Discipline
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Summary of Social Performance

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively).

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code for the year ended 31 July 2023 (“**Year**”).

(2) CORPORATE CULTURE AND STRATEGY

The Company embeds with a strong corporate culture for compliance, corporate governance and corporate social responsibilities, and at the same time, strives to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and continuous development.

The Company acts as an investment holding company and the principal activities of its subsidiaries (together with the Company, “**Group**”) include the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation. As a group with diversified businesses, it is the role of the board of directors of the Company (“**Board**” and “**Directors**”, respectively) to foster a corporate culture with the following principles to guide the conduct and behaviours of its employees, and ensure that the Company’s vision, mission, policies and business strategies are aligned to it:

- (i) Integrity — we strive to do what is right;
- (ii) Excellence — we aim to deliver excellence;
- (iii) Collaboration — we are always better together;
- (iv) Accountability — we are accountable for delivering on our commitments;
- (v) Empathy — we care about our stakeholders — employees, customers, supply chain and the community; and
- (vi) Sustainability — we are committed to a sustainable future.

The Group continuously reviews and updates its strategies to provide better clarity on direction and business models. In addition, the Group takes active and prompt measures to meet market changes through adjustment of business strategy and control over costs for supporting continuous business development of the Group.

(3) BOARD OF DIRECTORS

(3.1) Responsibilities and Delegation

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 of the Company ("**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 of the Company ("**Audit Committee**", "**Executive Committee**", "**Nomination Committee**" and "**Remuneration Committee**", respectively). 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 comprising all executive Directors ("**EDs**"), 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.

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.

(3.2) Composition of the Board

As at 31 July 2023, the Board comprises eight members, of whom three are EDs, one is non-executive Director (“**NED**”) and the remaining four are independent non-executive Directors (“**INEDs**”). As at the date of this Annual Report, the Board comprises ten members, of whom four are EDs, one is NED and the remaining five are INEDs. The Company has met at all times the requirements of Rule 3.10(1) and Rule 3.10A of the Listing Rules to have at least three INEDs and representing at least one-third of the Board. The Board will review the management structure regularly to ensure that it continues to meet the Group’s objectives and is in line with the industry practices.

The Directors who served the Board during the Year and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Yang Yiu Chong, Ronald Jeffrey (*Chief Executive Officer*) ^(Note 1)

Mr. Cheung Sum, Sam (*Group Chief Financial Officer*) ^(Note 2)

Mr. Lam Hau Yin, Lester (*also alternate director to Madam U Po Chu*)

Mr. Yip Chai Tuck

Mr. Lui Siu Tsuen, Richard (*Chief Executive Officer*) ^(Note 3)

Mr. Chew Fook Aun ^(Note 4)

Non-executive Director

Madam U Po Chu

Independent Non-executive Directors

Mr. Low Chee Keong (*Chairman*)

Mr. Lo Kwok Kwei, David

Dr. Ng Lai Man, Carmen

Mr. Poon Kwok Hing, Albert ^(Note 5)

Mr. Alfred Donald Yap

Notes:

1. Mr. Yang Yiu Chong, Ronald Jeffrey (“**Mr. Yang**”) was appointed as an ED and the chief executive officer of the Company (“**Chief Executive Officer**”) and a member of each of the Executive Committee, Nomination Committee and Remuneration Committee with effect from 3 October 2023.
2. Mr. Cheung Sum, Sam (“**Mr. Cheung**”) joined the Company as Group Chief Financial Officer on 13 July 2023, then was appointed as an ED and a member of each of the Executive Committee, Nomination Committee and Remuneration Committee with effect from 1 August 2023.
3. Mr. Lui Siu Tsuen, Richard (“**Mr. Lui**”) resigned as an ED, the Chief Executive Officer and a member of each of the Executive Committee, Nomination Committee and Remuneration Committee on 3 October 2023.
4. Mr. Chew Fook Aun (“**Mr. Chew**”) resigned as an ED and a member of each of the Executive Committee, Nomination Committee and Remuneration Committee on 2 June 2023.
5. Mr. Poon Kwok Hing, Albert (“**Mr. Poon**”) was appointed as an INED with effect from 1 August 2023.

CORPORATE GOVERNANCE REPORT

A list of Directors and their respective roles and functions can also be found on the respective websites of Hong Kong Exchanges and Clearing Limited (“**HKEX**”) at www.hkexnews.hk and the Company at www.esun.com. The brief biographical particulars of the Directors as at the date of this Annual Report are set out in the section headed “*Biographical Details of Directors*” of this Annual Report.

Mr. Lam Hau Yin, Lester (“**Mr. Lam**”, an ED) is a grandson of Madam U Po Chu (“**Madam U**”, a NED). Save as aforesaid and as disclosed in the “*Biographical Details of Directors*” section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(3.3) Attendance Record at Board Meetings

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.

The attendance record of each Director at the Board meetings held during the Year is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Lui Siu Tsuen, Richard (<i>Chief Executive Officer</i>)	5/5
Mr. Chew Fook Aun ^(Note)	4/4
Mr. Lam Hau Yin, Lester (<i>also alternate director to Madam U Po Chu</i>)	5/5
Mr. Yip Chai Tuck	5/5
Non-executive Director	
Madam U Po Chu	5/5
Independent Non-executive Directors	
Mr. Low Chee Keong (<i>Chairman</i>)	5/5
Mr. Lo Kwok Kwei, David	5/5
Dr. Ng Lai Man, Carmen	5/5
Mr. Alfred Donald Yap	5/5

Note: Mr. Chew resigned on 2 June 2023.

For the Year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions. In compliance with code provision C.2.7 of the CG Code, the Chairman of the Board met all INEDs without the presence of the EDs after the Board meeting held on 13 January 2023, to provide an avenue for independent views to be communicated to the Chairman of the Board directly.

(3.4) Appointment and Re-election of Directors

The Board shall have power from time to time and at any time to appoint any person as a Director. The Company has set up a Nomination Committee for formulating a nomination policy (“**Nomination Policy**”) for consideration by the Board and making recommendations to the Board on the selection, appointment and re-appointment of Directors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an INED should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

To comply with code provision B.2.2 of the CG Code and subject to the retirement provisions of the New Bye-laws of the Company adopted on 16 December 2022 (“**Bye-laws**”), all Directors are required to retire from office by rotation once every three years since their last election by Shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (either to fill a casual vacancy or as an addition to the Board) shall hold office only until the first annual general meeting of the Company (“**AGM**”) after his/her appointment and shall then be eligible for election at that meeting.

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Cheung (appointed as an ED with effect from 1 August 2023), Mr. Poon (appointed as an INED with effect from 1 August 2023) and Mr. Yang (appointed as an ED and the Chief Executive Officer with effect from 3 October 2023) will retire from office as Directors at the forthcoming AGM to be held on Friday, 15 December 2023 (“**2023 AGM**”) and being eligible, will offer themselves for election.

In accordance with Bye-law 87 of the Bye-laws, Directors shall retire from office by rotation once every three years since their last election. Messrs. Yip Chai Tuck (an ED), Low Chee Keong (“**Mr. Low**”, an INED) and Alfred Donald Yap (“**Mr. Yap**”, an INED) will retire from office as Directors by rotation at 2023 AGM and being eligible, will offer themselves for re-election.

Details of the above retiring Directors proposed for election/re-election at 2023 AGM required to be disclosed under Rule 13.51(2) of the Listing Rules are set out in the Company’s circular dated 17 November 2023 (“**Circular**”).

(3.5) Non-executive Directors

None of the existing NEDs (including the INEDs) is appointed for a specific term.

(3.6) Independent Non-executive Directors

Save as disclosed in paragraph (3.2) above, the Company has complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the INEDs (except Mr. Poon) a written annual confirmation of his/her independence for the Year pursuant to Rule 3.13 of the Listing Rules and Mr. Poon’s signed confirmation in relation to his appointment with effect from 1 August 2023 on the independence criteria as set out in Rule 3.13 of the Listing Rules. Both the Nomination Committee and the Board considered that all INEDs are independent. Further, up to the date of this Annual Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

CORPORATE GOVERNANCE REPORT

Mr. Low and Mr. Yap will retire from office as Directors by rotation at 2023 AGM and being eligible, will offer themselves for re-election. Both of them have served on the Board for over 20 years. The Board has received from Mr. Low and Mr. Yap written annual confirmations of their independence every year and taking into account various factors as set out in Rule 3.13 of the Listing Rules and their actual contributions, impartiality and independent judgement on various issues that they bring to the discussions during Board and Board committees meetings, there is no empirical evidence that the long services of Mr. Low and Mr. Yap would impair their independent judgements. Both the Nomination Committee and the Board are satisfied that Mr. Low and Mr. Yap will continue to have the required character and experience to fulfill the role of INEDs and considered that the re-election of each of Mr. Low and Mr. Yap as an INED at 2023 AGM is in the best interest of the Company and its Shareholders as a whole. Pursuant to code provision B.2.3 of the CG Code, their re-election will be subject to a separate resolution to be approved by the Shareholders at 2023 AGM.

As the length of tenure of four INEDs, namely Mr. Low, Mr. Lo Kwok Kwei, David (“**Mr. Lo**”), Dr. Ng Lai Man, Carmen (“**Dr. Ng**”) and Mr. Yap, with the Company as at the date of this Annual Report was more than 24 years, 14 years, 14 years and 26 years, respectively, Mr. Poon has been appointed as an additional INED on 1 August 2023 under code provision B.2.4(b) of the CG Code. It is expected to complement the existing balance of skills and experience on the Board and to further the objective of having a strong independent element on the Board which can effectively exercise independent judgement. Mr. Poon is due to retire as Director from office at 2023 AGM and is eligible for election thereat. Both the Nomination Committee and the Board are satisfied that Mr. Poon has the required character and experience to fulfill the role of an INED and considered that the election of Mr. Poon as an INED at 2023 AGM is in the best interest of the Company and its Shareholders as a whole.

Details of the above retiring INEDs and the reasons why the Nomination Committee and the Board considered them to be independent and recommended them to be elected/re-elected at 2023 AGM are set out in the Circular.

(3.7) Independent Views of the Board

The Board has established mechanisms (will be reviewed annually) to ensure independent views and input are available to the Board. The Board has performed the review of such mechanisms at its meeting held on 17 October 2023 and set out below:

- (a) Five out of the ten Directors are INEDs which exceeds the Listing Rules requirement for INEDs to make up to have more than three and at least one-third of the Board. Chairpersons of major Board Committees are INEDs.
- (b) The Nomination Committee will assess the independence of a candidate for a new INED appointment and also the continued independence of existing INEDs on an annual basis. All INEDs are required to confirm in writing annually their compliance with the independence requirements pursuant to Rule 3.13 of the Listing Rules.
- (c) External independent professional advice is available as and when required by individual Directors.
- (d) All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Committee meetings.
- (e) No equity-based remuneration with performance-related elements will be granted to INEDs.

- (f) A Director (including INED) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.
- (g) The Chairman of the Board meets with INEDs annually without the presence of the EDs and NED.

In assessing the independence of INEDs, the Nomination Committee and the Board considered each individual Director's character and judgement as demonstrated by his/her commitment and contribution to the Board during his/her years of service and other relevant factors. Their length of service also means they have an in-depth understanding of the Company's operations and businesses. The Nomination Committee and the Board are of the view that the length of services will not affect their independent judgement as the INEDs (except Mr. Poon) have been providing objective view and independent opinion to the Company over the years, and have continued to demonstrate a firm commitment to their independent roles and to the Board that they are able to devote sufficient time and attention to the Company's affairs. The Board remains adamant that the board appointments should be based on merits and the length of time any Director has served is only one of many factors to be considered.

The Board concluded that the above mechanisms were implemented effectively.

(3.8) Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

(4) CHAIRMAN AND CHIEF EXECUTIVE

The CG Code provides that the roles of the chairman and the chief executive should be separate and performed by different individuals.

During the Year and up to the date of this Annual Report, Mr. Low (an INED) is the Chairman of the Board and Mr. Lui (resigned on 3 October 2023) while Mr. Yang (appointed on 3 October 2023) are the Chief Executive Officer. 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 of the Board and the Chief Executive Officer is clearly established and set out in writing.

(5) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. Mr. Cheung, Mr. Poon and Mr. Yang have received the comprehensive induction package after their appointment.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors and senior executives are encouraged to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditor and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

CORPORATE GOVERNANCE REPORT

From time to time, Directors are provided with written training materials to develop and refresh their knowledge and professional skills; seminars/webinars on the latest development of applicable laws, rules and regulations will be organised and arranged for the Directors to assist them in discharging their duties. Directors are requested to provide records of training they received to the company secretary of the Company (“**Company Secretary**”) for records. During the Year, the Company has arranged for the Directors to attend the seminars/webinars organised by certain organisations and professional bodies.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code’s requirement on continuous professional development during the Year:

Directors	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Webinars/ Briefings	Read Materials	Attend Seminars/ Webinars/ Briefings
Executive Directors				
Mr. Lui Siu Tsuen, Richard (Chief Executive Officer)	✓	✓	✓	✓
Mr. Chew Fook Aun ^(Note)	✓	✓	✓	✓
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	✓	✓	✓	✓
Dr. Ng Lai Man, Carmen	✓	✓	✓	✓
Mr. Alfred Donald Yap	✓	✓	✓	✓

Note: Mr. Chew resigned on 2 June 2023.

(6) BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 23 December 2005 with written terms of reference to assist the Board in monitoring the on-going management of the Company’s businesses and in implementing the Company’s objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

(6.1) Audit Committee

On 29 April 1999, the Board established an Audit Committee which currently comprises three INEDs, namely Dr. Ng (Chairwoman), Mr. Low and Mr. Yap.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

(a) Duties of the Audit Committee

The Audit Committee is principally responsible for, among other things, monitoring the integrity of periodical financial statements of the Company, reviewing significant financial reporting judgements contained in them before submission to the Board for approval, reviewing and monitoring the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards. The Audit Committee is also responsible for performing the corporate governance functions and to oversight the Company's risk management and internal control systems and arrangements under the Company's "Whistleblowing Policy".

The Board believes that good corporate governance is essential to the success of the Group and the enhancement of Shareholders' value. While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy. The Audit Committee has been delegated with the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management of the Company.

Pursuant to code provision D.3.4 of the CG Code, the terms of reference of the Audit Committee setting out its authority, duties and responsibilities are available on both the websites of HKEX and the Company.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year and has met its responsibilities in its review of, among other things, (i) the audited results of the Company for the year ended 31 July 2022, the unaudited interim results of the Company for the six months ended 31 January 2023 and other matters related to the financial and accounting policies and practices; (ii) the Company's internal control review reports and enterprise risk management report prepared by Deloitte Advisory (Hong Kong) Limited ("**Deloitte**", an independent advisor of the Company ("**Independent Advisor**")) and the effectiveness of the Group's risk management and internal control systems; (iii) the Company's compliance with the CG Code and the disclosure requirements in the Corporate Governance Report such as Anti-Fraud and Anti-Corruption Policy, Shareholders' Communication Policy and revised Whistleblowing Policy, etc.; and put forward relevant recommendations to the Board for approval. In addition, the Audit Committee held private session with the Company's independent auditor ("**Independent Auditor**", i.e. Ernst & Young, Certified Public Accountants ("**Ernst & Young**")) separately without the presence of management.

CORPORATE GOVERNANCE REPORT

On 16 October 2023, the Audit Committee reviewed the draft consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report, the Company's internal control review reports and enterprise risk management report prepared by the Independent Advisor, the effectiveness of the Group's risk management and internal control systems as well as the proposed internal audit plan and engagement of the internal control service provider for the three years ending 31 July 2026.

(c) Attendance Record at Audit Committee Meetings

The attendance record of each Committee member at the Audit Committee meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Independent Non-executive Directors	
Dr. Ng Lai Man, Carmen (<i>Chairwoman</i>)	3/3
Mr. Low Chee Keong	3/3
Mr. Alfred Donald Yap	3/3

Note: Mr. Lo (an INED) participated in part of an Audit Committee meeting held during the Year for reviewing the continuing connected transactions of the Company.

(6.2) Nomination Committee

On 21 January 2022, the Board established a Nomination Committee which currently comprises five members, including three INEDs, namely Mr. Low (Chairman), Mr. Lo and Mr. Yap and two EDs, namely Mr. Cheung and Mr. Yang. Mr. Cheung and Mr. Yang were appointed as members in place of Mr. Chew and Mr. Lui following their resignation as EDs on 2 June 2023 and 3 October 2023, respectively. The composition meets the requirements of chairmanship and independence under Rule 3.27A of the Listing Rules. Pursuant to code provision B.3.2 of the CG Code, the terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on both the websites of HKEX and the Company.

(a) Duties of the Nomination Committee

The principal duties of the Nomination Committee are, inter alia, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes; to make recommendation to the Board on selection of candidates for directorship and on appointment or re-appointment of Directors; to assess the independence of the INEDs; and to ensure fair and transparent procedures for the appointment and re-appointment of Directors. The Nomination Committee is responsible for monitoring the implementation of and will also periodically review the Nomination Policy and the board diversity policy ("**Board Diversity Policy**"), as appropriate, to ensure the effectiveness of these policies and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

(b) Work Performed by the Nomination Committee

The Nomination Committee held two meetings during the Year to review, assess and consider the adequacy and effectiveness of the Board Diversity Policy and the Nomination Policy; to review and discuss the structure, size and composition (including the skills, knowledge and experience) of the Board taking into account the Board Diversity Policy and the Nomination Policy, ensuring that it has good diversity (including the proportion of female directors of the Board (two out of eight for the Year)) and a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group; to review and assess the independence of all INEDs with reference to the independence criteria set out in Rule 3.13 of the Listing Rules; and to review and recommend to the Board the re-election of the retiring Directors at the AGM held on 16 December 2022 (“**2022 AGM**”). In addition, the Nomination Committee also recommended the appointment of Mr. Cheung and Mr. Poon as an ED and an INED respectively at its meeting held on 18 July 2023 as well as Mr. Yang as an ED and the Chief Executive Officer at its meeting held on 20 September 2023 after taking into account of the Board Diversity Policy and the Nomination Policy.

On 16 October 2023, the Nomination Committee reviewed again the structure, skills set, expertise and competencies of members of the Board; affirmed the independence of INEDs; deliberated and selected Directors for retirement and election/re-election at 2023 AGM and recommended to the Board for consideration. It also reviewed the Board Diversity Policy and Nomination Policy as well as their implementation and effectiveness during the Year. These are determined to be effective.

The Nomination Committee formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company’s businesses.

(c) Board Diversity Policy

Following the establishment of the Nomination Committee, the Board Diversity Policy adopted by the Board in July 2013 was revised on 22 March 2022 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Nomination Committee, the Board will set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy and the independent view mechanisms annually to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices. Full details of the Board Diversity Policy are available on the Company’s website.

CORPORATE GOVERNANCE REPORT

In compliance with code provision B.3.1 of the CG Code, the Nomination Committee has reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy during the Year and considered that the composition of the Board (two being women out of its eight members as at 31 July 2023 and out of its ten members as at the date of this Annual Report) is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current diversity of the Board is appropriate and the Board will continue to monitor the need to maintain or, if desired or necessary, increase diversity to meet the corporate objectives. 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 Nomination Committee concluded at its meeting held on 16 October 2023 that the Board Diversity Policy and the independent view mechanisms were implemented effectively and remain relevant and useful overtime.

The Company has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. For the Year, the total workforce of the Group comprised 51% female and 49% male. Further details of gender ratio are disclosed in the section headed “*Environmental, Social and Governance Report*” of this Annual Report.

(d) Nomination Policy

The Nomination Policy, adopted by the Board on 22 January 2019 with updates last made on 21 January 2022, sets out the criteria for identifying and selecting potential candidates for the appointment of new Director(s) as well as for considering the renewal of director appointment. The Nomination Committee will conduct the relevant selection process against the proposed candidate, make recommendations and furnish with the terms and conditions of the appointment for Board’s consideration. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and experience in the industry(ies) that are relevant to the Company’s businesses, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board, diversity perspectives set out in the Board Diversity Policy, the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc. and other relevant factors as the Nomination Committee or the Board may determine from time to time.

The Nomination Policy also sets out the procedures on the identification, evaluation and nomination of suitable candidate to the Board, which shall be responsible for such appointment or re-appointment ultimately and, where applicable, subject to the approval of the Shareholders in general meeting. The Nomination Committee will review the Nomination Policy from time to time to ensure the effectiveness of the Policy and make recommendation on any proposed revisions to the Board.

The Shareholders may also propose a person for election as a Director, details of which are set out in “Procedures for Shareholders to Propose a Person for Election as a Director of the Company” which is available on the Company’s website at www.esun.com.

The Nomination Committee concluded at its meeting held on 16 October 2023 that the Nomination Policy was appropriate and effective.

During the Year, the Nomination Committee recommended to the Board the appointment of Mr. Cheung and Mr. Poon as an ED and an INED respectively in accordance with the Board Diversity Policy and the Nomination Policy, to ensure that the Board members possess the necessary skills, experience and knowledge in alignment with the Company's strategy. The Board believes that the substantial experience of Mr. Cheung and Mr. Poon could provide objective insights and judgement to the Board. Mr. Poon has also provided his confirmation of independence in respect of Rule 3.13 of the Listing Rules, and the Company is not aware of any factor adversely affecting his independence.

On 20 September 2023, the Nomination Committee recommended to the Board the appointment of Mr. Yang as an ED and the Chief Executive Officer in place of Mr. Lui in accordance with the Board Diversity Policy and the Nomination Policy.

(e) **Attendance Record at Nomination Committee Meetings**

The attendance record of each Committee member at the Nomination Committee meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
<i>Executive Directors</i>	
Mr. Lui Siu Tsuen, Richard	2/2
Mr. Chew Fook Aun <i>(Note)</i>	1/1
<i>Independent Non-executive Directors</i>	
Mr. Low Chee Keong <i>(Chairman)</i>	2/2
Mr. Lo Kwok Kwei, David	2/2
Mr. Alfred Donald Yap	2/2

Note: Mr. Chew resigned on 2 June 2023.

(6.3) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. Low (Chairman), Dr. Ng and Mr. Yap, and two EDs, namely Mr. Cheung and Mr. Yang. Mr. Cheung and Mr. Yang were appointed as members in place of Mr. Chew and Mr. Lui following their resignation as EDs on 2 June 2023 and 3 October 2023, respectively. The composition meets the requirements of chairmanship and independence under Rule 3.25 of the Listing Rules.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management of the Company. On 13 January 2023, the Board adopted the revised terms of reference of the Remuneration Committee to include, but not limited to, review and/or approve matters relating to the share schemes under new requirements of Chapter 17 of the Listing Rules which became effective on 1 January 2023. Pursuant to code provision E.1.3 of the CG Code, the terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of HKEX and the Company.

CORPORATE GOVERNANCE REPORT

(a) Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management of the Company, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held two meetings during the Year to deliberate on matters relating to the payment of discretionary bonuses to and the review of the remuneration packages of certain EDs; to discuss other remuneration-related matters in accordance with the Group's policy to maintain the level of remuneration of the Directors and senior management at competitive levels within the industry and comparable companies with reference to the results of the Company, the prevailing market conditions, performance or contribution of each Director; and to review and recommend to the Board the proposed remuneration packages relating to the appointment of an ED and an INED. No Director was involved in deciding his/her own remuneration at the meeting(s) of the Remuneration Committee. Details of Directors' remuneration and five highest pay individuals are set out in note 10 to the financial statements pursuant to code provision E.1.5 of the CG Code.

On 20 September 2023, the Remuneration Committee reviewed and recommended to the Board the proposed remuneration package relating to the appointment of an ED and the Chief Executive Officer.

(c) Attendance Record at Remuneration Committee Meetings

The attendance record of each Committee member at the Remuneration Committee meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Lui Siu Tsuen, Richard	2/2
Mr. Chew Fook Aun <i>(Note)</i>	1/1
Independent Non-executive Directors	
Mr. Low Chee Keong <i>(Chairman)</i>	2/2
Dr. Ng Lai Man, Carmen	2/2
Mr. Alfred Donald Yap	2/2

Note: Mr. Chew resigned on 2 June 2023.

(7) 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 who held office on 31 July 2023 have confirmed in writing their compliance with the required standard set out in the Securities Code throughout the Year.

(8) WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a whistleblowing policy ("**Whistleblowing Policy**") on 19 July 2022 with updates last made on 3 October 2023 which provides formal channels and guidance to facilitate the raising of matters of concern by employees of the Group ("**Employees**") and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) ("**Third Parties**", each a "**Whistleblower**"), in confidence, without fear of reprisals. Procedures are formulated to enable the Whistleblower to report suspected improprieties in any matters related to the Group directly addressed to the designated EDs as well as Head of Group Human Resources and Administration Department. An email account (whistleblowing@laisun.com) has been set up for this purpose.

The Group is determined to prevent any misconduct, malpractice or irregularities in any matters that might compromise the interest of any Shareholders. Employees at all levels of the organisation are made aware of the Company's emphasis on integrity and "speak up" culture.

The Audit Committee is supervising the enforcement of the Whistleblowing Policy and is responsible for the interpretation, monitoring and periodic review of all of its policies and procedures. The Board and the Audit Committee will review the whistleblowing mechanism periodically to improve its effectiveness. No whistleblowing cases were reported during the Year. Full details of the Whistleblowing Policy are available on the Company's website.

(9) ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with code provision D.2.7 of the CG Code, the Board adopted an anti-fraud and anti-corruption policy ("**AFAC Policy**") on 19 July 2022 which sets out the specific behavioral guidelines that the Employees, the Third Parties and those acting in an agency or fiduciary capacity on behalf of the Group must follow to combat fraud and corruption.

The Group is committed to maintaining a high standard of integrity, openness and discipline in its business operations. The AFAC Policy forms an integral part of the Group's corporate governance framework. Other relevant policies of the framework, including code of conduct and whistleblowing policy, outline the Group's expectations and requirements of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

The AFAC Policy demonstrates the Company's commitment to the practice of ethical business conduct and compliance with all applicable laws and regulations related to anti-corruption and anti-bribery.

The Board and the Audit Committee will review the anti-fraud and anti-corruption mechanism periodically to improve its effectiveness and align with the applicable laws and regulations. Full details of the AFAC Policy are available on the Company's website.

During the Year, no incident involving fraud or misconduct have been received from employees nor external parties which had or would have a material impact on the Company's financial position and overall operations.

CORPORATE GOVERNANCE REPORT

(10) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for such reporting period. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

More detailed descriptions of the changes in accounting policies and the related financial impacts are included in the audited consolidated financial statements of the Group for the Year.

(11) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

The statement by the Independent Auditor about its reporting and auditing responsibilities for the consolidated financial statements of the Group is set out in the section headed "*Independent Auditor's Report*" of this Annual Report.

(12) INDEPENDENT AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

At 2022 AGM, Ernst & Young was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by Ernst & Young for the Year amounted to approximately HK\$6,007,000 and HK\$2,270,000, respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services.

(13) RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the risk management taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the risk management taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

There is currently no internal audit function within the Group. With a view to manage the Group's business and operational risks and to ensure smooth operation, the Group has outsourced the internal audit function to the Independent Advisor during the Year to assist the Board and the Audit Committee in on-going monitoring of the risk management and internal control systems of the Group. The design and implementation of internal controls are to identify weakness and propose recommendation on a timely basis to ensure prompt remediation actions are taken. The Board and the Audit Committee confirmed that no significant deficiency and weakness on the internal control system has been identified by the Independent Advisor for the Year.

The Company's enterprise risk management report and internal control review report ("**Reports**") are prepared by the Independent Advisor and submitted to the Audit Committee and the Board at least once a year. The Board has performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Reports of the Year have not identified any significant control failings or weaknesses and it concurred with the management's confirmation on the effectiveness of the Group's risk management and internal control systems. Both the Audit Committee and the Board considered that the Group's risk management and internal control systems in place for the Year and up to the date of this Annual Report are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with the requirements of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in the Company's announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(14) COMPANY SECRETARY

The Company Secretary is an employee of the Company. For the Year, the Company Secretary has confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

(15) SHAREHOLDERS' RIGHTS

(15.1) Procedures for Shareholders to Convene Special General Meetings ("SGMs")

Pursuant to the Bye-laws, registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**SGM Requisitionists**") can deposit a written request to convene a SGM at the registered office of the Company ("**Registered Office**"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Company Secretary.

The SGM Requisitionists must state in their request(s) the objects of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Company's branch share registrar in Hong Kong ("**Registrar**") will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Registrar that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one-half (50%) of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. Any reasonable expenses incurred by the SGM Requisitionists by reason of the Board's failure to duly convene a SGM shall be reimbursed to the SGM Requisitionists by the Company.

(15.2) Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Act 1981 of Bermuda (as amended), either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (15.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one (1) week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(15.3) Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section (Shareholders' Rights sub-section) of the Company's website at www.esun.com.

(15.4) Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Fax: (852) 2743 8459
E-mail: lscomsec@laisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

The Board recognised the importance of maintaining clear, timely, continuing and effective communication with the Shareholders and on 29 March 2012, adopted a Shareholders' communication policy ("**Shareholders' Communication Policy**") reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company, and emphasises its commitment to an effective communication with Shareholders and potential investors through various platforms and channels specified in the policy. It will be reviewed annually with updates last made on 19 July 2022 to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. Full details of the Shareholders' Communication Policy are available on the Company's website.

To ensure the Shareholders and potential investors receive equal access to information at the same time, corporate communications will be provided to the Shareholders in both English and Chinese versions to facilitate the Shareholders' understanding and the Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

- (i) Shareholders can choose the means of receiving corporate communications such as annual reports, interim reports and circulars either in printed form or in electronic form by assessing the corporate communications published on HKEX's website at www.hkexnews.hk and the Company's website at www.esun.com;
- (ii) financial highlights, press releases and results roadshows presentations are also posted on the Company's website;
- (iii) periodic announcements are made through the Stock Exchange and published on the respective websites of HKEX and the Company;

CORPORATE GOVERNANCE REPORT

- (iv) corporate information is made available on the Company's website and the Memorandum of Association and New Bye-laws of the Company has been posted on the respective websites of HKEX and the Company;
- (v) participate in roadshows and investors' conferences to meet Shareholders/investors, media and financial analysts;
- (vi) AGMs and SGMs provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management of the Company; and
- (vii) the Registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

The Board has reviewed the implementation of the communication channels and, based on the multiple channels of communication and engagement in place, considered that the Shareholders' Communication Policy has been effectively implemented during the Year and was adequate.

(16.2) Directors' Attendance at General Meetings

During the Year, 2022 AGM and the SGM on 13 February 2023 ("**2023 SGM**") were held. The attendance record of each Director at these meetings is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held	
	Annual General Meeting	Special General Meeting
Executive Directors		
Mr. Lui Siu Tsuen, Richard (<i>Chief Executive Officer</i>)	1/1	1/1
Mr. Chew Fook Aun (<i>Note 1</i>)	1/1	1/1
Mr. Lam Hau Yin, Lester (<i>also alternate director to Madam U Po Chu</i>)	0/1	0/1
Mr. Yip Chai Tuck	1/1	1/1
Non-executive Director		
Madam U Po Chu	0/1	0/1
Independent Non-executive Directors		
Mr. Low Chee Keong (<i>Chairman</i>)	1/1 (<i>Note 2</i>)	1/1
Mr. Lo Kwok Kwei, David	1/1	1/1
Dr. Ng Lai Man, Carmen	1/1	1/1
Mr. Alfred Donald Yap	1/1	1/1

Notes:

1. Mr. Chew resigned on 2 June 2023.
2. As Mr. Low (Chairman of the Board) participated in 2022 AGM by electronic means, Mr. Lui (an ED and the Chief Executive Officer) present and took the chair of 2022 AGM pursuant to Bye-law 63 of the Bye-laws to ensure an effective communication with the Shareholders thereat.

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being 2023 SGM, was held at 10:00 a.m. at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong. During which the Directors (except Mr. Lam and Madam U), the designated senior management of the Company and the representatives of Ernst & Young, presented to answer the Shareholders' questions. At the 2023 SGM, Shareholders approved, among other things, to privatise Media Asia Group Holdings Limited by way of a scheme of arrangement ("**Scheme**").

Further details of the Scheme and the notice of 2023 SGM are contained in the Company's circular dated 12 January 2023; and the poll results of 2023 SGM are set out in the Company's announcement dated 13 February 2023, both published on the respective websites of HKEX and the Company.

(17) DIVIDEND POLICY

In compliance with code provision F.1.1 of the CG Code, the Board adopted a dividend policy ("**Dividend Policy**") on 22 January 2019 setting out the criteria and forms of dividend payout of the Company.

The Dividend Policy does not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account of factors such as (i) the Group's actual and expected underlying financial performance; (ii) the Shareholders' interests; (iii) business condition and strategies; (iv) expected working capital requirements and future business growth plans; and (v) any other factors that the Board may consider appropriate.

There is no assurance that a dividend will be proposed or declared in any particular amount for any specific periods. Any declaration and payment of future dividends under the Dividend Policy will be subject to, among others, any restrictions under the applicable laws of Bermuda, the Bye-laws and the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time to ensure the effectiveness of the Dividend Policy.

(18) 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.

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 year under review, the Company has been communicating with a number of research analysts and investors via online meetings and conference calls.

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 6106, by fax at (852) 2853 6651 or by e-mail at ir@esun.com.

CORPORATE GOVERNANCE REPORT

(19) CONSTITUTIONAL DOCUMENTS

During the Year, the Company made amendments to its Bye-laws to, among other things, (i) enabling the Company to have general meetings to be held in physical form, hybrid form or electronic form; (ii) conforming with the Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules and applicable laws of Bermuda; and (iii) making certain minor consequential and housekeeping amendments to the Bye-laws, which was passed by the Shareholders by a special resolution at 2022 AGM. Details of the amendments are set out in the Company's circular dated 17 November 2022. The latest version of the Memorandum of Association and New Bye-laws of the Company is available on the respective websites of HKEX at www.hkexnews.hk and the Company at www.esun.com.

Save as disclosed above, there has been no other significant changes in the constitutional documents of the Company during the Year.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Each of the executive directors of the Company (“**Directors**” and “**Executive Directors**”, respectively) named below holds directorship in a number of subsidiaries of the Company and all of them (except Mr. Yip Chai Tuck) hold directorship in all/certain of the Company’s listed affiliates, namely Lai Sun Garment (International) Limited (“**LSG**”), Lai Sun Development Company Limited (“**LSD**”) and Lai Fung Holdings Limited (“**Lai Fung**”). The issued shares of LSG, LSD and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). LSG is the ultimate holding company of the Company while LSD is a subsidiary of LSG and the intermediate holding company of the Company and Lai Fung.

Mr. Yang Yiu Chong, Ronald Jeffrey, aged 56, was appointed an Executive Director and the Chief Executive Officer of the Company as well as a member of each of the executive committee, nomination committee and remuneration committee of the Company (“**Executive Committee**”, “**Nomination Committee**” and “**Remuneration Committee**”, respectively) on 3 October 2023. He has over 30 years of experience in finance and investment arena in Greater China and North America. Mr. Yang has a double bachelor degree in Accounting and Finance from Boston University, the United States of America. He held senior management position in several listed companies and the issued shares of which are listed and traded on the Stock Exchange. Mr. Yang was also a Responsible Officer and has participated in numerous corporate finance activities for many listed companies in Hong Kong, as well as worked in a leading international bank.

Mr. Yang joined LSD as the Chief Investment Officer in September 2020 and was appointed as an executive director of LSG since 2 June 2023. He has worked for Sing Tao News Corporation Limited (“**Sing Tao**”, the issued shares of which are listed and traded on the Main Board of the Stock Exchange) for over 18 years where he held senior management positions as well as serving as an executive director. Mr. Yang worked as senior vice president of corporate finance of Global China Technology Group Limited, and completed the acquisition of and the merger with Sing Tao. He worked for Leefung-Asco Printers Holdings Limited for over 10 years where he participated and successfully completed their initial public offering on the Stock Exchange. Mr. Yang also worked in the corporate banking and the corporate finance department of Citibank Hong Kong after obtaining the university degree.

Mr. Cheung Sum, Sam, aged 59, was appointed an Executive Director and a member of each of the Executive Committee, Nomination Committee and Remuneration Committee on 1 August 2023. Mr. Cheung was also appointed an executive director of each of LSG, LSD and Lai Fung on the same date. He joined the Company and each of LSG, LSD and Lai Fung as Group Chief Financial Officer on 13 July 2023.

Mr. Cheung was the chief financial officer of FTLife Insurance Company Limited (“**FTLife**”, a wholly-owned subsidiary of NWS Holdings Limited) from September 2019 to November 2020, the chief financial officer and vice president of Agile Group Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange) from July 2013 to May 2019, an Executive Director from March 2011 to August 2012, and an executive director of each of LSD and Lai Fung from March 2011 to August 2012 and from June 2007 to October 2009.

Prior to joining the Lai Sun Group in 2006, Mr. Cheung worked for a number of other listed companies and international investment banks in Hong Kong. He has extensive experience in capital markets and financial management. Mr. Cheung graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science (Economics) degree in Accounting and Finance. He is a fellow member of the Association of Chartered Certified Accountants (“**ACCA**”) in the United Kingdom (“**UK**”) and the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lam Hau Yin, Lester, aged 42, was appointed an Executive Director on 1 November 2012 and is presently a member of the Executive Committee. He is also an executive director of both LSG and LSD, as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is also the alternate director to Madam U Po Chu ("**Madam U**", a non-executive director of the Company ("**NED**")) in her capacity as an executive director of each of LSG and Lai Fung and a non-executive director of each of LSD and the Company.

Mr. Lam holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of the United States of America. He completed the Kellogg-HKUST Executive MBA program in 2016. Mr. Lam has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment. He is currently a committee member of the general committee of The Chamber of Hong Kong Listed Companies.

Mr. Lam is a grandson of Madam U and a son of Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**", a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

Mr. Yip Chai Tuck, aged 49, was appointed an Executive Director on 14 February 2014 and is presently a member of the Executive Committee. He is also the chief executive officer of LSG and a director of Media Asia Group Holdings Limited ("**MAGHL**", has been privatised and become a wholly-owned subsidiary of the Company since 16 March 2023 and delisted on GEM of the Stock Exchange on 21 March 2023). Mr. Yip has extensive experience in corporate advisory, business development and investment banking.

Mr. Yip is a member of the Securities and Futures Appeals Tribunal for a term of 2 years with effect from 1 April 2023. Prior to joining the Company, he was a managing director and head of mergers and acquisitions ("**M&A**") for China of Goldman Sachs. Mr. Yip had also worked for PCCW Limited, a Hong Kong listed company, as vice president of ventures and M&A, responsible for strategic investments and M&A transactions.

Mr. Yip graduated from Macquarie University, Australia with a Bachelor of Economics (Accounting) and obtained a Master Degree in Applied Finance and Investments from the Financial Services Institute of Australia, where he is also a Fellow member.

NON-EXECUTIVE DIRECTOR

Madam U Po Chu, aged 98, is a NED and was first appointed as Director in October 1996. She is also an executive director of LSG and Lai Fung as well as a non-executive director of LSD.

Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's.

Madam U is the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director) and the mother of Dr. Peter Lam.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 63, has been the Chairman of the board of Directors (“**Board**”) since June 2010 and is presently an independent non-executive Director (“**INED**”), a member of the audit committee of the Company (“**Audit Committee**”) and the chairman of the Nomination Committee and Remuneration Committee. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

Mr. Low graduated from the Chartered Institute of Marketing in the UK in 1986. He has over 28 years’ experience in the property development and maintenance industry in Singapore.

Mr. Lo Kwok Kwei, David, aged 63, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011 and is presently a member of the Nomination Committee.

Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. Mr. Lo has been practising as a solicitor in Hong Kong for over 34 years and is a partner of a law firm David Lo & Partners. In addition, he is currently an independent non-executive director of Man Yue Technology Holdings Limited and Futong Technology Development Holdings Limited (the issued shares of both companies are listed and traded on the Main Board of the Stock Exchange).

Dr. Ng Lai Man, Carmen, aged 59, was appointed an INED in March 2009 and is presently the chairwoman of the Audit committee and a member of the Remuneration Committee. She has over 35 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited in Hong Kong as well as the director and responsible officer of Redwood Asset Management Limited which is licensed with Securities and Futures Commission. She is a fellow member of the HKICPA and the ACCA in the UK, and an associate member of The Institute of Chartered Accountants in England and Wales. Dr. Ng received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, Master of Professional Accounting from The Hong Kong Polytechnic University as well as Master of Science in Global Finance jointly offered by Leonard N. Stern School of Business of New York University and The Hong Kong University of Science & Technology.

In addition, Dr. Ng is currently an independent non-executive director of Lion Rock Group Limited (formerly known as 1010 Printing Group Limited), Global International Credit Group Limited and Moisselle International Holdings Limited (the issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange).

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Poon Kwok Hing, Albert, aged 62, was appointed an INED on 1 August 2023. He is currently an independent non-executive director of Shaw Brothers Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). Mr. Poon was an independent non-executive director of each of MAGHL from April 2020 to April 2023, Greater Bay Area Dynamic Growth Holding Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange) from March 2007 to October 2022 and Master Glory Group Limited (delisted on the Main Board of the Stock Exchange on 8 February 2021) from February 2007 to December 2020, respectively.

Mr. Poon graduated from the University of Bath, UK with a Master of Science degree in Business Administration. He is a member of each of the HKICPA and the CPA Australia.

Mr. Alfred Donald Yap, J.P., aged 84, is an INED and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. He was first appointed to the Board in December 1996.

Mr. Yap is presently a common consultant for both K. C. Ho & Fong and Yap & Lam, Solicitors. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap was also a former Hong Kong Affairs Adviser appointed by the Chinese Government and has served on various public and community organisations. In addition, he is currently an independent non-executive director of Wong's International Holdings Limited and was an independent non-executive director of Hung Hing Printing Group Limited from March 2005 to May 2023. The issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (“**Directors**”) present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, “**Group**”) for the year ended 31 July 2023 (“**Financial Statements**” and “**Year**”, respectively).

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company. The principal activities of its subsidiaries include the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation.

Particulars of the Company’s principal subsidiaries as at 31 July 2023 are set out in note 44 to the Financial Statements. There were no significant changes in the nature of the Group’s principal activities during the Year and up to the date of this Report.

BUSINESS REVIEW

A review of the Group’s businesses during the Year and a discussion and analysis of the Group’s future business development, possible risks and uncertainties that the Group may be facing are provided in the “*Chairman’s Statement*” and “*Management Discussion and Analysis*” on pages 4 to 9 and pages 14 to 16 of this Annual Report, respectively. An analysis of the Group’s performance during the Year using financial key performance indicators is provided in the “*Financial Summary and Highlights*” on pages 10 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 41 to the Financial Statements. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the “*Environmental, Social and Governance Report*” and “*Corporate Governance Report*” on pages 17 to 40 and pages 41 to 62 of this Annual Report, respectively. These discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the results of the Group for the Year and the Group’s financial position as at 31 July 2023 are set out in the Financial Statements and their accompanying notes on pages 90 to 188 of this Annual Report.

The board of Directors (“**Board**”) does not recommend the payment of a final dividend in respect of the Year (2022: Nil). No interim dividend was paid or declared in respect of the Year (2022: Nil).

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who were in office during the Year and as at the date of this Report are as follows:

Executive Directors (“EDs”)

Mr. Yang Yiu Chong, Ronald Jeffrey (<i>Chief Executive Officer</i>)	(appointed on 3 October 2023)
Mr. Cheung Sum, Sam (<i>Group Chief Financial Officer</i>)	(appointed on 1 August 2023)
Mr. Lam Hau Yin, Lester (<i>also alternate director to Madam U Po Chu</i>)	
Mr. Yip Chai Tuck	
Mr. Lui Siu Tsuen, Richard (<i>Chief Executive Officer</i>)	(resigned on 3 October 2023)
Mr. Chew Fook Aun	(resigned on 2 June 2023)

Non-executive Director (“NED”)

Madam U Po Chu

Independent Non-executive Directors (“INEDs”)

Mr. Low Chee Keong (<i>Chairman</i>)	
Mr. Lo Kwok Kwei, David	
Dr. Ng Lai Man, Carmen	
Mr. Poon Kwok Hing, Albert	(appointed on 1 August 2023)
Mr. Alfred Donald Yap	

In respect of the resignation of Mr. Chew Fook Aun (“**Mr. FA Chew**”) and Mr. Lui Siu Tsuen, Richard (“**Mr. Richard Lui**”), both of them had confirmed that they have no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company (“**Shareholders**”).

In accordance with Bye-law 86(2) of the New Bye-laws of the Company adopted on 16 December 2022 (“**Bye-laws**”), Messrs. Cheung Sum, Sam (“**Mr. Sam Cheung**”), Poon Kwok Hing, Albert (“**Mr. Albert Poon**”) and Yang Yiu Chong, Ronald Jeffrey (“**Mr. Ronald Yang**”) will retire from office as Directors at the forthcoming annual general meeting of the Company (“**AGM**”) and being eligible, will offer themselves for election.

In accordance with Bye-law 87 of the Bye-laws, Directors shall retire from office by rotation once every three years since their last election. Messrs. Yip Chai Tuck (“**Mr. CT Yip**”), Low Chee Keong and Alfred Donald Yap will retire from office as Directors by rotation at the forthcoming AGM and being eligible, will offer themselves for re-election.

Details of the above-mentioned Directors (collectively, “**Retiring Directors**”) proposed for election/re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively), are set out in the Company’s circular dated 17 November 2023.

All Retiring Directors have confirmed that there are no other matters that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs (excluding Mr. Albert Poon) in writing an annual confirmation of his/her independence for the Year pursuant to Rule 3.13 of the Listing Rules and a confirmation signed by Mr. Albert Poon in relation to his appointment with effect from 1 August 2023 on the independence criteria as set out in Rule 3.13 of the Listing Rules and the Board considers all INEDs to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 63 to 66 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for election/re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in note 10 to the Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Bye-law 166(1) of the Bye-laws and subject to the provisions of the Statutes, every Director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged Directors' and officers' liability insurance policy of the Company during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 5 to the Financial Statements and the section headed "*Continuing Connected Transactions*" in this Report below, no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its holding companies, subsidiaries and fellow subsidiaries was entered into or subsisted during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' and Chief Executive's Interests*" in this Report below, in note 34 to the Financial Statements, and the share option schemes adopted by Lai Sun Garment (International) Limited ("**LSG**") and Lai Sun Development Company Limited ("**LSD**"), at no time during the Year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries, where applicable, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this Report, the following Directors (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 the Group pursuant to the Listing Rules:

Six EDs, namely Messrs. Lam Hau Yin, Lester (“**Mr. Lester Lam**”, also alternate director to Madam U Po Chu (“**Madam U**”), CT Yip, Richard Lui (resigned on 3 October 2023), FA Chew (resigned on 2 June 2023), Sam Cheung (appointed on 1 August 2023) and Ronald Yang (appointed on 3 October 2023) as well as Madam U, a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation.

However, the 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 Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of such companies/entities.

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 the Company’s ordinary shares of HK\$0.50 each (“**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 (that is, 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.

The 2015 Scheme was terminated and a new share option scheme (“**2022 Scheme**”) was adopted by the Shareholders at its AGM 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 Year 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.

Unless otherwise cancelled or amended, the 2022 Scheme will remain in force for 10 years from the Effective Date, which will expire on 19 December 2032. 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 (being 8.50% and 0.85% of the total issued Shares) as at the end of the Year respectively.

REPORT OF THE DIRECTORS

The purpose of the 2022 Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the 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 defined in the 2022 Scheme).

During the Year, 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 Year.

As at 31 July 2023, share options comprising a total of 1,500,000 underlying Shares (representing approximately 0.085% of the total issued Shares as at that date (that is, 1,755,876,866)) 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. Therefore, a total number of 150,685,459 Shares are available for issue under the share option schemes of the Company, representing approximately 8.58% of the total issued Shares as at that date.

The movement of share options granted under the 2015 Scheme during the Year is set out below:

Category of grantees	Date of grant (dd/mm/yyyy)	Number of underlying Shares comprised in share options				As at 31 July 2023	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note)</i>	Vesting period
		As at 1 August 2022	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year				
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 the 2022 Scheme during the Year.

A share option granted to an eligible participant under the 2015 Scheme on 21 January 2022 comprising 800,000 underlying Shares lapsed on 15 August 2023. As at the date of this Report, share options to subscribe for a maximum of 149,185,459 Shares could be granted under the 2022 Scheme, together with the 700,000 underlying Shares comprised in the share options granted under the 2015 Scheme and remained outstanding as at the date of this Report, a total number of 149,885,459 Shares are available for issue under the share option schemes of the Company, representing approximately 8.54% of the total issued Shares as at the date of this Report.

Further details of the 2015 Scheme and the 2022 Scheme are disclosed in note 34 to the Financial Statements.

REPORT OF THE DIRECTORS

2. Media Asia Group Holdings Limited ("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 adoption of the 2022 MAGHL Scheme by MAGHL had 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 had 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 ("**MAGHL Eligible Participants**", as defined in the 2022 MAGHL Scheme) for their contribution to MAGHL and its subsidiaries ("**MAGHL Group**") by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre MAGHL Eligible Participants in line with the performance goals of MAGHL Group and its related entities; and strengthen the many long-term relationships that MAGHL Eligible Participants may have with MAGHL Group. MAGHL Eligible Participants include but not limited to the directors, chief executive, employees and service providers of MAGHL Group as well as the related entity participants (as defined in the 2022 MAGHL Scheme).

The 2022 MAGHL Scheme which became effective on 19 December 2022 ("**MAGHL Effective Date**") would 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's ordinary shares of HK\$0.10 each ("**MAGHL Shares**") issuable and MAGHL's service provider submit pursuant to the 2022 MAGHL Scheme were 298,631,401 and 29,863,140 MAGHL Shares (being 10% and 1% of the total number of the issued MAGHL Shares) as at MAGHL Effective Date.

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 with the approval of MAGHL's board of directors and sole member respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 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 the 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 Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**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	0.16%

REPORT OF THE DIRECTORS

Note: The total number of issued Shares as at 31 July 2023 (that is, 1,755,876,866 Shares) has been used for the calculation of the approximate percentage. The total number of issued Shares increased to 1,755,876,866 on 27 March 2023 due to the allotment and issue of 264,022,268 consideration shares of the Company under the specific mandate granted on 13 February 2023 and pursuant to the proposed merger of MAGHL by the Company and Perfect Sky Holdings Limited (a direct wholly-owned subsidiary of the Company), details of which are set out in (i) the joint announcement dated 17 March 2023 of, among others, the Company and (ii) the circular dated 12 January 2023 of the Company.

(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 <small>(Note 2)</small>
		Number of LSG Shares		Number of underlying LSG Shares		
		Personal interests <small>(Note 3)</small>	Corporate interests	Personal interests <small>(Note 1)</small>	Total	
Lam Hau Yin, Lester	Beneficial owner	28,033,218 <small>(Note 3)</small>	Nil	6,519,095 <small>(Note 5)</small>	34,552,313	3.91%
Lui Siu Tsuen, Richard	Beneficial owner	Nil <small>(Note 4)</small>	Nil	Nil	Nil	0%
U Po Chu	Beneficial owner	1,857,430 <small>(Note 3)</small>	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\$)
Lam Hau Yin, Lester	19/06/2017	5,135,275 <small>(Note 5)</small>	19/06/2017 – 18/06/2027	11.155 <small>(Note 5)</small>
	25/01/2022	1,383,820 <small>(Note 5)</small>	25/01/2022 – 24/01/2032	3.673 <small>(Note 5)</small>

REPORT OF THE DIRECTORS

2. The total number of issued LSG Shares as at 31 July 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. Lester Lam 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 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 Mr. Lester Lam has been adjusted to 5,135,275 underlying LSG Shares at the exercise price of HK\$11.155 per LSG Share; 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.
6. Mr. FA Chew resigned as an ED on 2 June 2023. Upon completion of the LSG Rights Issue, the share options granted on 19 June 2017 comprising 4,869,867 underlying LSG Shares at the exercise price of HK\$11.763 per LSG Shares to Mr. FA Chew (being the deputy chairman and a non-executive director of LSG until 1 October 2023) has been adjusted to 5,135,275 underlying LSG Shares at the exercise price of HK\$11.155 per LSG Share.

(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 <small>(Note 1)</small>
		Personal interests	Corporate interests	Personal interests		
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil <small>(Note 2)</small>	Nil	0%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	Nil <small>(Note 2)</small>	Nil	0%
U Po Chu	Beneficial owner	60,567 <small>(Note 3)</small>	Nil	Nil	60,567	0.004%

REPORT OF THE DIRECTORS

Notes:

1. The total number of issued LSD Shares as at 31 July 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 the rights issue on the basis of one LSD Rights Share for every two existing LSD Shares on 30 January 2023.
2. 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 for the exercise period from 18 January 2013 to 17 January 2023 (both days inclusive) at the exercise price of HK\$13.811 per LSD Share lapsed on 18 January 2023.
3. 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.
4. Mr. FA Chew (being the deputy chairman and a non-executive director of LSD until 1 October 2023) 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")

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 <small>(Note)</small>	Nil	0%

Note: The share option comprising 3,219,182 underlying Lai Fung Shares granted on 18 January 2013 to Mr. Lester Lam for the exercise period from 18 January 2013 to 17 January 2023 (both days inclusive) at the exercise price of HK\$11.40 per Lai Fung Share lapsed on 18 January 2023.

Save as disclosed above, as at 31 July 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 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:

Name	Capacity	Long positions in the Shares and underlying Shares	
		Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <small>(Note 1)</small>
Substantial Shareholders			
Lai Sun Development Company Limited <small>(Note 2)</small>	Owner of controlled corporation	1,113,260,072	63.40% <small>(Note 4)</small>
Lai Sun Garment (International) Limited <small>(Note 3)</small>	Owner of controlled corporations	1,113,260,072	63.40% <small>(Note 4)</small>
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	1,116,054,515	63.56% <small>(Note 4)</small>
Other Persons			
Mr. Yu Cheuk Yi	Beneficial Owner	149,864,000	8.53% <small>(Note 5)</small>
Ms. Yu Siu Yuk	Beneficial Owner	149,864,000	8.53% <small>(Note 5)</small>

Notes:

1. The total number of issued Shares as at 31 July 2023 (that is, 1,775,876,866 Shares) has been used for the calculation of the approximate percentage.
2. As at 31 July 2023, Mr. Lester Lam was also an executive director of LSD. Madam U was also a non-executive director of LSD.
3. As at 31 July 2023, Mr. Lester Lam and Madam U were also the executive directors of LSG. Mr. CT Yip was also the chief executive officer of LSG.
4. 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 July 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 63.40% 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; and LSD was approximately 55.60% 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 Wisdom Limited, which in turn 100% beneficially owned by Dr. Peter Lam.

As at 31 July 2023, Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner.

5. Based on the disclosure of interests notices received by the Company, as at 31 July 2023, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (“YUs”) were both taken to be interested in the same 149,864,000 Shares (approximately 8.53% 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 July 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 5 to the Financial Statements and the section headed “Continuing Connected Transactions” in this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

The Company had certain continuing connected transactions (“CCTs”) (as defined in the Listing Rules) during the Year, brief particulars of which are as follows:

1. Commercial Letting Framework Agreements

On 31 July 2020, the Company (together with its subsidiaries), LSG (together with its subsidiaries, “**LSG Group**”), LSD (together with its subsidiaries, “**LSD Group**”), Lai Fung (together with its subsidiaries, “**Lai Fung Group**”) and MAGHL (collectively, “**Lai Sun Group**”) entered into the commercial letting framework agreement (“**2020 Commercial Letting Framework Agreement**”) to record the basis for governing the transactions with regard to the letting and/or licensing of premises for office space, warehouse, sales office, restaurant premises, serviced apartments, commercial shops and show flats within members of the Lai Sun Group (“**2020 – 2023 Transactions**”) for a period of three years commenced on 1 August 2020 and expired on 31 July 2023.

Pursuant to the 2020 Commercial Letting Framework Agreement, each 2020 – 2023 Transaction shall be governed by a written agreement on normal commercial terms; and the rental or fees (including property management fees) payable and the payment terms shall be determined by reference to the prevailing market or comparable rental or fees.

According to Hong Kong Financial Reporting Standard 16 *Leases* (“**HKFRS 16**”), lessees are required to recognise a right-of-use asset (which is measured at the present value of the total rental payable, discounted using the lessee’s incremental borrowing rate) in respect of such fixed rental payments for the term (or, as the case may be, the remainder of the term) of each 2020 – 2023 Transaction. Moreover, licensing fees payable by lessees and other fees payable other than fixed rental payments (such as the property management fees and variable lease payments) under each 2020 – 2023 Transaction are recorded as expenses incurred by the lessees over the term (or, as the case may be, the remainder of the term) of that lease. As a result, the Company as the lessee has set the following cap amounts:

- (i) the annual cap amount for the total value of the right-of-use assets in respect of the 2020 – 2023 Transactions is HK\$24,400,000 for the Year; and
- (ii) the annual cap amount for licensing and other fees other than the fixed rental payments in respect of the 2020 – 2023 Transactions is HK\$1,900,000 for the Year.

REPORT OF THE DIRECTORS

LSG and LSD are holding companies of the Company whereas Lai Fung is an indirect non-wholly-owned subsidiary of LSD, all of them are therefore connected persons of the Company under the Listing Rules. Accordingly, the 2020 – 2023 Transactions between the Group and each of the LSG Group (excluding the LSD Group) and the LSD Group (including the Lai Fung Group but excluding the Group) under the 2020 Commercial Letting Framework Agreement constituted the CCTs of the Company.

Details of the 2020 Commercial Letting Framework Agreement are set out in the joint announcement dated 31 July 2020 published by the Lai Sun Group.

The total value of the right-of-use assets recognised for the 2020 – 2023 Transactions amounted to approximately HK\$16,912,000 representing right-of-use assets newly recognised during the Year.

Licensing and other fees other than the fixed rental payments paid or payable to the LSG Group (excluding LSD Group) and LSD Group (excluding the Group) by the Group amounted to approximately HK\$591,000 during the Year.

The 2020 Commercial Letting Framework Agreement expired on 31 July 2023.

On 31 July 2023, the Lai Sun Group entered into the commercial letting framework agreement (“**2023 Commercial Letting Framework Agreement**”) to record the basis for governing the transactions with regard to the letting and/or licensing of premises for office space, warehouse, commercial properties, car parking spaces, advertising spaces and other premises (excluding, for the avoidance of doubt, cinema premises) within members of the Lai Sun Group (“**2023 – 2026 Transactions**”), with substantially the same terms as the 2020 Commercial Letting Framework Agreement, for a period of three years commenced on 1 August 2023 and expiring on 31 July 2026.

Pursuant to the 2023 Commercial Letting Framework Agreement, each 2023 – 2026 Transactions shall be governed by a written agreement on normal commercial terms; and the rental or fees (including property management fees) payable and the payment terms shall be determined by reference to the prevailing market or comparable rental or fees.

Pursuant to HKFRS 16, the Company as the lessee has set the following cap amounts:

- (i) the annual cap amount for the total value of the right-of-use assets in respect of the 2023 – 2026 Transactions is HK\$7,000,000, HK\$12,000,000 and HK\$16,000,000 for the respective financial years ending 2024, 2025 and 2026; and
- (ii) the annual cap amount for licensing and other fees other than the fixed rental payments in respect of the 2023 – 2026 Transactions is HK\$1,000,000 for each of the financial years ending 31 July 2024, 2025 and 2026, respectively.

LSG and LSD are holding companies of the Company whereas Lai Fung is an indirect non-wholly-owned subsidiary of LSD, all of them are therefore connected persons of the Company under the Listing Rules. Accordingly, the 2023 – 2026 Transactions between the Group and each of the LSG Group (excluding the LSD Group) and the LSD Group (including the Lai Fung Group but excluding the Group) under the 2023 Commercial Letting Framework Agreement constituted the CCTs of the Company.

Details of the 2023 Commercial Letting Framework Agreement are set out in the joint announcement dated 31 July 2023 published by the Lai Sun Group (excluding MAGHL).

2. Cheung Sha Wan Cinema Lease

On 26 November 2018, Multiplex Cinema Limited (“**MCL**”, a non-wholly-owned subsidiary of the Company), as lessee, entered into an offer letter with LSD in relation to the lease of certain premises in Lai Sun Commercial Centre (a commercial property wholly owned by LSD) for operation of MCL Cheung Sha Wan Cinema (“**LSCC Premises**”) for a fixed term of 4 years from 26 November 2018 to 25 November 2022 and two renewal options at MCL’s option (enabling MCL to renew the lease for a total lease term of 10 years) (“**Cheung Sha Wan Cinema Lease**”).

LSD is a holding company of the Company and hence a connected person of the Company under the Listing Rules. Accordingly, the Cheung Sha Wan Cinema Lease is a CCT of the Company.

As set out in the Company’s announcement dated 31 July 2020, the amounts payable by the Company other than the base rent (such as the property management fees and any additional turnover rent) under the Cheung Sha Wan Cinema Lease are recorded as expenses incurred over the remainder of the term of the Cheung Sha Wan Cinema Lease subject to an annual cap of HK\$3,000,000 for each of the eight financial years ending 31 July 2028 and an annual cap of HK\$1,000,000 for financial year ending 31 July 2029 (“**Adopted Annual Cap**”).

The term of Cheung Sha Wan Cinema Lease expired on 25 November 2022.

Subsequently, MCL exercised its right of option to renew the lease of LSCC Premises by entering into an offer letter (“**Offer Letter**”) with LSD for a fixed term of 3 years from 26 November 2022 to 25 November 2025 and MCL has an option to renew the lease for another 3 years, subject to the terms and conditions of the Offer Letter.

For the Year, the total value of licensing and other fees other than the base rent paid or payable by the Group to LSD amounted to approximately HK\$2,084,000.

As at the date of the Offer Letter, the estimated annual amounts payable other than the base rent under the Offer Letter would not exceed the Adopted Annual Cap, therefore, the entering into of the Offer Letter would not require any adjustments regarding the Adopted Annual Cap. The Company will observe the requirements under the connected transactions rules of Listing Rules if any cap is exceeded, or when the above lease is renewed or there are material changes to the lease.

3. Licence Arrangement – The Receipt of Service Fee

On 6 December 2017, Marvel Day Ventures Limited (“**Marvel Day**”, an indirect non-wholly-owned subsidiary of the Company) and Cosmic Dragon Limited (“**Cosmic Dragon**”, an indirect non-wholly-owned subsidiary of LSD) entered into the shareholders agreement (“**Shareholders Agreement**”), pursuant to which the parties agreed to form Love Grubers Limited (“**Love Grubers**”, currently known as Hazelway Holding Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Marvel Day and 50% by Cosmic Dragon), to incorporate a wholly-owned subsidiary, Grubers Telford Limited (“**GTL**”, currently known as Hazelway Limited, a company incorporated in Hong Kong with limited liability), for the purpose of operating a cafe (“**Café**”) within the premises of MCL Telford Cinema located at Level 2 (Portion) and Level 3, Telford Gardens, No. 33 Wai Yip Street, Kowloon Bay, (New Kowloon Inland Lot No. 5744), Kowloon, Hong Kong (“**Telford Premises**”).

The Shareholders Agreement contemplates Love Grubers entering into a licence arrangement concerning the space for the Café from MCL.

REPORT OF THE DIRECTORS

Love Grubers is an investment holding company which owns all the shares of GTL, the Café is being operated within the Telford Premises. Marvel Day had obtained consent from MCL to use a space of approximately 1,250 square feet exclusively for the Café plus additional space to be shared with, and at the discretion of, MCL for a term commenced on 6 December 2017 and expiring on 30 September 2024 (“**Licence Arrangement**”).

Pursuant to the Shareholders Agreement, GTL shall pay to MCL a monthly service fee of the higher of (i) HK\$138,000 per month or (ii) 10% of the Café’s monthly gross revenue from 6 December 2017 to 30 September 2019 and 12% of the Café’s monthly gross revenue from 1 October 2019 to 30 September 2024 (“**Service Fee**”), but the Service Fee from 6 December 2017 to 31 December 2017 had been waived.

As the Licence Arrangement contemplated under the Shareholders Agreement was a new CCT with LSD Group, no historical data was available for reference as far as the determination of the proposed annual caps for each of the financial years ending 31 July 2025 in respect of the Licence Arrangement contemplated under the Shareholders Agreement is concerned.

Based on the Service Fee in respect of the Licence Arrangement, the Company expected the amount payable by GTL to MCL for each of the financial years of the Company ending 31 July 2025 to be no more than HK\$2,400,000.

GTL is a wholly-owned subsidiary of Love Grubers which is an associate of LSD. GTL is therefore deemed as an associate (as defined in Chapter 14A of the Listing Rules) of the controlling shareholder of the Company as at the date of the CT Announcement, and hence the connected person of the Company. MCL is an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Licence Arrangement contemplated under the Shareholders Agreement between GTL and MCL constituted a CCT of the Company under Chapter 14A of the Listing Rules.

For the Year, total Service Fee received or receivable by MCL from GTL amounted to HK\$1,656,000.

The CCTs listed above for the Year have been reviewed by all INEDs who have confirmed that the transactions had been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, Certified Public Accountants (“**Ernst & Young**”), being the Company’s independent auditor, were engaged to report on the Group’s CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” and with reference to Practice Note 740 (Revised) “*Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*” issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unmodified letter containing their findings and conclusions in respect of the CCTs disclosed above to the Board in accordance with Rule 14A.56 of the Listing Rules confirming that nothing has come to their attention that causes them to believe the CCTs:

- (i) have not been approved by the Board;
- (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iii) have exceeded the annual caps as set by the Company.

A copy of their letter has been provided by the Company to the Stock Exchange.

Moreover, during the Year, there were sharing of corporate salaries and administrative expenses on a cost basis allocated from and to the LSG Group (excluding the Group). These CCTs are exempt from announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group for the Year are provided under note 5 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2023, the Company's contributed surplus of HK\$845,455,000 is available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**").

Under the Companies Act, the Company's contributed surplus is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than its liabilities.

In addition, the Company's share premium account, in the amount of HK\$4,257,351,000 may be applied to pay up in full unissued shares to be issued to the Shareholders as fully paid bonus shares.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float exceeding 25% of its issued share capital since 27 March 2023. During the period from 30 May 2022 to 26 March 2023, the public float of the Company has fallen below 25% as prescribed by Rule 8.08(1)(a) of the Listing Rules and inevitably caused the suspension of the trading in the Shares on the Stock Exchange from 1 June 2022 at the request of the Company.

As disclosed in the Company's announcement dated 31 May 2022, the shortfall in the public float of the Company was due to the purchase of 882,000 Shares by YUs on 30 May 2022. As YUs held an aggregate of 149,864,000 Shares (representing approximately 10.05% of the total issued Shares as at that date), YUs became substantial shareholders and core connected persons of the Company as defined under the Listing Rules and the Shares held by YUs were excluded for the public float of the Company.

Moreover, as disclosed in the Company's announcement dated 10 November 2022 in relation to public float and resumption of trading, the Board proposed to privatise MAGHL by way of a scheme of arrangement ("**Scheme**"), pursuant to which Shares would be issued as cancellation consideration ("**Securities Exchange Offer**"). The Securities Exchange Offer, if implemented, would have the effect of restoring the public float of the Company ("**Application**"). The Application has been made by the Company and permitted by the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 November 2022.

REPORT OF THE DIRECTORS

As the Scheme became effective on 16 March 2023, an aggregate of 264,022,268 new Shares were allotted and issued to the relevant Scheme shareholders on 27 March 2023. As a result, a total of 637,027,908 Shares, representing approximately 36.28% of the total issued Shares, were held by the public. Accordingly, the minimum public float as required under Rule 8.08(1)(a) of the Listing Rules has been restored. Details of which are set out in the Company's announcements dated 31 May 2022, 31 August 2022, 10 November 2022 and 10 February 2023 as well as the joint announcement of the Company dated 17 March 2023.

Save as disclosed above, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Report, the Company has maintained the sufficient public float exceeding 25% of its issued share capital.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DONATIONS

During the Year, the Group did not make any donations for charitable and other purposes.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest customers accounted for approximately 17% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 5%. Purchases from the Group's five largest suppliers accounted for approximately 39% of the Group's total purchases, the largest supplier accounted for approximately 10% of the Group's total purchases for the Year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom to the best knowledge and belief of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Year.

BANK LOANS AND OTHER BORROWINGS

Details of the Company's bank loans and other borrowings as at 31 July 2023 are set out in notes 29 and 30 to the Financial Statements, respectively.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "*Financial Summary and Highlights*" on pages 10 to 13 of this Annual Report. This summary does not form part of the Financial Statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 41 to 62.

EQUITY-LINKED AGREEMENT

For the Year, the Company has not entered into any equity-linked agreement, save for options to be granted under the above section of "*Share Option Schemes*" of this Report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed with the management of the Company the audited Financial Statements.

INDEPENDENT AUDITOR

The Financial Statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Ernst & Young as the independent auditor of the Company for the ensuing year will be put to the forthcoming AGM for Shareholders' approval.

On behalf of the Board

Low Chee Keong

Chairman

Hong Kong

17 October 2023

SHAREHOLDERS' INFORMATION

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.13% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK\$'000). In addition, a fixed duty of HK\$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under the present Bermuda laws, transfers and other dispositions of shares in the Company are exempt from Bermuda stamp duty.

(c) Consultation with professional advisers

Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

KEY DATES

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2022/2023
Annual results announcement for the year ended 31 July 2023	17 October 2023
Latest time and date to lodge transfer documents with the branch share registrar in Hong Kong for entitlement to attending and voting at the 2023 annual general meeting (" AGM ")	4:30 p.m. on 11 December 2023
2023 AGM	10:00 a.m. on 15 December 2023
	For Financial Year 2023/2024
Interim results announcement for the six months ending 31 January 2024	on or before 31 March 2024
Annual results announcement for the year ending 31 July 2024	on or before 31 October 2024
2024 AGM	December 2024

INDEPENDENT AUDITOR'S REPORT



To the shareholders of eSun Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of eSun Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 90 to 188, which comprise the consolidated statement of financial position as at 31 July 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of property, plant and equipment and right-of-use assets</i>	
<p>As at 31 July 2023, the Group had property, plant and equipment (“PPE”) and right-of-use assets (“ROU assets”) of approximately HK\$168.3 million and HK\$614.2 million, respectively.</p> <p>In view of the operating performance of the Group for the year, management performed impairment assessments on the Group’s PPE and ROU assets. A net reversal of impairment losses of HK\$1 million has been recognised in the consolidated income statement for the year ended 31 July 2023.</p> <p>When performing the impairment test, management determined the recoverable amounts of the relevant cash-generating units (“CGUs”) or groups of CGUs as at 31 July 2023 based on the value in use calculations using the discounted cash flow method.</p> <p>Significant judgements and estimates were involved in the assessments of the recoverable amounts of CGUs or groups of CGUs, including assumptions on the growth rate and the discount rate. The outcome was sensitive to expected future market conditions and the actual performance of the CGUs or groups of CGUs.</p> <p>The related disclosures are included in notes 2, 3, 13 and 14 to the financial statements.</p>	<p>Our audit procedures included, among others, evaluating the Group’s policies and procedures in identifying indicators for impairment or reversal of impairment and determining the relevant CGUs or groups of CGUs.</p> <p>In evaluating management’s impairment assessment, we also assessed (i) the valuation methodologies adopted by management in determining recoverable amounts of CGUs or groups of CGUs and (ii) the key assumptions used in the value in use calculations, including the growth rates and the discount rates, by:</p> <ul style="list-style-type: none"> – evaluating the growth rates with reference to the historical results and economic environment; – comparing the discount rates used with the relevant industry’s weighted average cost of capital. <p>We involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology, the key assumptions and discount rates used in the value in use calculations.</p> <p>We also assessed the disclosures relating to the impairment assessments of PPE and ROU assets.</p>

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of film rights, film and TV program products and films and TV programs under production</i>	
<p>As at 31 July 2023, the Group had films and TV programs under production, film rights and film and TV program products of approximately HK\$267.6 million, HK\$24.4 million and HK\$61.1 million, respectively.</p> <p>Management makes significant judgements and estimates in assessing whether there is any impairment or reversal of impairment for these assets. In making such assessments, management considers both internal and external information available on the films and TV programs under production, film rights and film and TV program products, and reviews the estimated costs to be incurred to complete production and distribution, projected revenues and related future cash flows of the relevant assets, as appropriate. Further details are included in note 3 to the financial statements.</p> <p>The related disclosures are included in notes 2, 3, 15, 16 and 23 to the financial statements.</p>	<p>We have evaluated management's impairment assessments of films and TV programs under production, film rights and film and TV program products by performing, among others, the following procedures:</p> <ul style="list-style-type: none"> — Obtained an understanding of the procedures used by management to perform the impairment assessments on films and TV programs under production, film rights and film and TV program products. — Assessed the sources of information used by management in impairment assessment on films and TV programs under production, film rights and film and TV program products which included, among others, by (i) performing inquiries with management about the main artistes and directors involved in the films and TV programs, the production plan, the progress of the production, and the distribution plan of the respective films and TV programs; and (ii) performing searches through external sources for relevant media coverage on the related popularity and past performance of the main artistes and directors of the respective films and TV programs to corroborate management's production and distribution plans. — Evaluated the key assumptions used by management in the impairment assessment, which included, among others, the projected revenues, estimated costs to be incurred to complete the production and distribution by comparing with agreements for future licensing, historical cash flows of comparable films and TV programs and the production plan in relation to the films and TV programs. — Involved our internal valuation specialists to assist us in evaluating the key assumptions, discount rates and methodologies used by the Group in the discounted cash flow projections.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fok Lai Ching.

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

17 October 2023

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2023

	Notes	2023 HK\$'000	2022 HK\$'000
TURNOVER	6	1,013,860	830,237
Cost of sales		(537,355)	(481,366)
Gross profit		476,505	348,871
Other revenue	7	47,445	91,649
Selling and marketing expenses		(28,866)	(22,108)
Administrative expenses		(268,004)	(279,014)
Other operating gains		57,126	24,529
Other operating expenses		(444,614)	(498,565)
LOSS FROM OPERATING ACTIVITIES		(160,408)	(334,638)
Finance costs	9	(49,480)	(54,379)
Share of profits and losses of joint ventures		(11,799)	(17,852)
LOSS BEFORE TAX	8	(221,687)	(406,869)
Tax	11	(1,258)	37,023
LOSS FOR THE YEAR		(222,945)	(369,846)
Attributable to:			
Owners of the Company		(198,763)	(328,732)
Non-controlling interests		(24,182)	(41,114)
		(222,945)	(369,846)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted		(HK\$0.126)	(HK\$0.220)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2023

	2023 HK\$'000	2022 HK\$'000
LOSS FOR THE YEAR	(222,945)	(369,846)
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	2,311	400
Share of other comprehensive loss of joint ventures	(239)	(153)
Release of exchange reserve upon dissolution and deregistration of subsidiaries	(844)	335
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	1,228	582
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(221,717)	(369,264)
Attributable to:		
Owners of the Company	(197,479)	(327,838)
Non-controlling interests	(24,238)	(41,426)
	(221,717)	(369,264)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	168,262	208,957
Right-of-use assets	14(a)	614,189	758,895
Film rights	15	24,366	19,162
Film and TV program products	16	61,059	61,174
Music catalogs	17	—	663
Goodwill	18	—	10,000
Investments in joint ventures	19	39,943	30,729
Financial assets at fair value through profit or loss	21	64,897	111,878
Deposits, prepayments, other receivables and other assets	22	158,800	131,398
Deferred tax assets	31	79	517
Total non-current assets		1,131,595	1,333,373
CURRENT ASSETS			
Films and TV programs under production and film investments	23	306,142	317,109
Inventories	24	27,677	16,611
Debtors	25	135,706	135,930
Financial assets at fair value through profit or loss	21	92,073	6,822
Deposits, prepayments, other receivables and other assets	22	156,705	157,753
Prepaid tax		24	199
Derivative financial instruments	32	748	—
Pledged time deposits	26	9,307	146,300
Cash and cash equivalents	26	651,012	1,056,587
Total current assets		1,379,394	1,837,311
CURRENT LIABILITIES			
Creditors and accruals	27	520,782	425,772
Deposits received and contract liabilities	28	177,112	139,871
Interest-bearing bank loans	29	—	143,956
Lease liabilities	14(b)	168,050	202,724
Tax payable		14,388	78,871
Total current liabilities		880,332	991,194
NET CURRENT ASSETS		499,062	846,117
TOTAL ASSETS LESS CURRENT LIABILITIES		1,630,657	2,179,490

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Creditors and accruals	27	8,318	8,163
Lease liabilities	14(b)	811,274	941,994
Other borrowings	30	233,053	226,864
Deferred tax liabilities	31	45	87
Total non-current liabilities		1,052,690	1,177,108
Net assets		577,967	1,002,382
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	877,938	745,927
Reserves	35	(242,826)	219,230
		635,112	965,157
Non-controlling interests		(57,145)	37,225
Total equity		577,967	1,002,382

Low Chee Keong
Director

Yang Yiu Chong, Ronald Jeffrey
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2023

	Attributable to owners of the Company										
	Note	Issued capital	Share premium account	Contributed surplus	Share option reserve	Exchange reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note (i))							
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 year		-	-	-	-	-	-	(198,763)	(198,763)	(24,182)	(222,945)
Other comprehensive income/(loss) for the year, net of tax:											
Exchange realignment on translation of foreign operations		-	-	-	-	2,345	-	-	2,345	(34)	2,311
Share of other comprehensive loss of joint ventures		-	-	-	-	(217)	-	-	(217)	(22)	(239)
Release of exchange reserve upon dissolution of a subsidiary		-	-	-	-	(844)	-	-	(844)	-	(844)
Total comprehensive income/(loss) for the year		-	-	-	-	1,284	-	(198,763)	(197,479)	(24,238)	(221,717)
Issue of shares to non-controlling shareholders to acquire additional interests in a subsidiary	44(a)	132,011	-	-	-	-	(263,426)	-	(131,415)	(71,283)	(202,698)
Dissolution of a subsidiary		-	-	-	-	-	550	(1,701)	(1,151)	1,151	-
At 31 July 2023		877,938	4,257,351*	891,289*	243*	(14,746)*	(82,031)*	(5,294,932)*	635,112	(57,145)	577,967

* These reserve accounts comprise the consolidated deficit of HK\$242,826,000 (2022: reserves of HK\$219,230,000) in the consolidated statement of financial position.

Notes:

- (i) The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in November 1996.
- (ii) No dividend was paid or proposed during the year ended 31 July 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2023

	Notes	Attributable to owners of the Company								Non-controlling interests	Total equity	
		Issued capital	Share premium account	Contributed surplus	Share option reserve	Exchange reserve	Other reserve	Statutory reserve	Accumulated losses			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
				(Note (f))					Total			
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 year		–	–	–	–	–	–	–	(328,732)	(328,732)	(41,114)	(369,846)
Other comprehensive income/(loss) for the year, net of tax:												
Exchange realignment on translation of foreign operations		–	–	–	–	605	–	–	–	605	(205)	400
Share of other comprehensive loss of joint ventures		–	–	–	–	(103)	–	–	–	(103)	(50)	(153)
Release of exchange reserve upon dissolution and deregistration of subsidiaries		–	–	–	–	392	–	–	–	392	(57)	335
Total comprehensive income/(loss) for the year		–	–	–	–	894	–	–	(328,732)	(327,838)	(41,426)	(369,264)
Equity-settled share option arrangements	34	–	–	–	243	–	–	–	–	243	–	243
Shares issued by a subsidiary to a non-controlling shareholder of a subsidiary	44(a)	–	–	–	–	–	29,372	–	–	29,372	18,665	48,037
Release of statutory reserve upon deregistration of a subsidiary		–	–	–	–	–	–	(370)	370	–	–	–
At 31 July 2022		745,927	4,257,351*	891,289*	243*	(16,030)*	180,845*	–*	(5,094,468)*	965,157	37,225	1,002,382

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(221,687)	(406,869)
Adjustments for:			
Fair value changes from film investments	8	4,614	(1,656)
Fair value changes from entertainment events organised by co-investors	8	(1,366)	(155)
Fair value losses on financial liabilities at fair value through profit or loss		204	—
Fair value losses on financial assets at fair value through profit or loss	8	4,801	56,414
Fair value gains on derivative financial instruments	32	(17)	—
Finance costs	9	49,480	54,379
Rent concessions related to COVID-19	7	(786)	(57,923)
Share of profits and losses of joint ventures		11,799	17,852
Interest income		(14,897)	(7,188)
Dividend income from listed investments	7	(837)	(312)
Gain on disposal of items of property, plant and equipment		(407)	(5)
Gain on disposal of financial assets at fair value through profit or loss		(1,032)	(118)
Gain on disposal of financial liabilities at fair value through profit or loss		(1,084)	—
Gain on termination of leases	8	(26,228)	(298)
Gain on modification of leases		(161)	—
Loss/(gain) on dissolution/deregistration of subsidiaries	8	(844)	335
Depreciation of property, plant and equipment	8	46,401	50,612
Depreciation of right-of-use assets	8	129,760	152,231
Amortisation of film rights	8	3,747	5,397
Amortisation of film and TV program products	8	35,641	10,076
Amortisation of music catalogs	8	663	2,461
Write-off of items of property, plant and equipment		32	22
Impairment of property, plant and equipment	8	1,399	9,444
Reversal of impairment of property, plant and equipment	8	(3,006)	—
Impairment of right-of-use assets	8	8,289	54,145
Reversal of impairment of right-of-use assets	8	(7,687)	—
Impairment of films and TV programs under production	8	2,472	39,977
Impairment of goodwill	8	10,000	—
Write-back of impairment of film rights	8	(8,951)	(8,901)
Impairment of debtors	8	284	7,100
Write-back of impairment of debtors	8	—	(223)
Impairment of advances and other receivables	8	4,671	5,507
Write-back of impairment of advances and other receivables	8	(1,410)	(6,460)
Impairment of amounts due from joint ventures	8	5,135	1,711
Write-back of impairment of amounts due from joint ventures	8	—	(1,551)
Write-back of impairment of amounts due from associates	20	(647)	(54)
Impairment of inventories	8	2,276	1,483
Equity-settled share option expenses		—	243
Foreign exchange differences, net	8	13,428	6,784
		44,049	(15,540)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2023

Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)		
Increase in inventories	(13,342)	(12,891)
Additions of films and TV programs under production	(64,199)	(204,177)
Decrease/(increase) in film investments	25,257	(28,576)
Decrease/(increase) in film and TV program products	(80)	92,245
Additions of film rights	—	(549)
Increase in debtors	(60)	(35,888)
Decrease in deposits, prepayments, other receivables and other assets	26,196	4,908
Increase in creditors and accruals	99,300	24,042
Increase/(decrease) in deposits received and contract liabilities	37,241	(65,196)
Cash from/(used in) operations	154,362	(241,622)
Hong Kong profits tax paid, net	(1,284)	(264)
Mainland China taxes paid, net	(60,725)	(5,555)
Net cash flows from/(used in) operating activities	92,353	(247,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,897	7,188
Dividend income from listed investments	837	312
Proceeds from disposal of items of property, plant and equipment	407	10
Purchases of items of property, plant and equipment	(65,146)	(7,721)
Capital contributions to joint ventures	(25,000)	(27,346)
Advances to joint ventures	(3,630)	(8,080)
Repayment from joint ventures	2,243	6,993
Repayment from associates	647	54
Decrease/(increase) in financial assets at fair value through profit or loss	(42,039)	5,271
Increase in financial liabilities at fair value through profit or loss	880	—
Increase in derivative financial instruments	(731)	—
Decrease in pledged time deposits	136,993	17,820
Net cash flows from/(used in) investing activities	20,358	(5,499)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of additional interests in a subsidiary	44(a)	(202,698)	—
Proceeds from issuance of shares of a subsidiary		—	48,735
Transaction costs of issuance of shares of a subsidiary		—	(698)
Repayment of bank loans		(144,000)	(18,000)
Interest and bank financing charges paid		(4,742)	(2,219)
Lease payments	14(b)	(157,017)	(189,112)
Net cash flows used in financing activities		(508,457)	(161,294)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(395,746)	(414,234)
Cash and cash equivalents at beginning of year		1,056,587	1,476,796
Effect of foreign exchange rate changes, net		(9,829)	(5,975)
CASH AND CASH EQUIVALENTS AT END OF YEAR		651,012	1,056,587
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	26	578,567	585,705
Non-pledged and non-restricted time deposits	26	72,445	470,882
Cash and cash equivalents as stated in the consolidated statement of financial position		651,012	1,056,587

NOTES TO FINANCIAL STATEMENTS

31 July 2023

1. CORPORATE AND GROUP INFORMATION

eSun Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the following principal activities:

- production and distribution of films and TV programs;
- music production and publishing;
- management and production of concerts;
- artiste management;
- cinema operation; and
- investment holding.

Details of the principal subsidiaries are set out in note 44 to the financial statements.

The ultimate holding company of the Company was Lai Sun Garment (International) Limited (“**LSG**”), which was incorporated in Hong Kong and whose shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,6}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> ⁷
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,5}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ²
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁷ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.5% – 5.0%
Leasehold improvements	Over the terms of the related leases
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	10% – 30%
Computers	18% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Music catalogs

Music catalogs represent song catalogs, music video recording rights and publishing rights of songs acquired from outsiders. They are stated at cost less accumulated amortisation and impairment losses.

The costs of music catalogs less accumulated impairment loss are amortised based on the proportion of actual revenue earned during the year to total estimated projected revenues subject to a maximum of 15 years. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Estimated projected revenues and related future cash flows, and the amortisation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Film rights, film and TV program products and films and TV programs under production

Film rights are rights acquired or licensed from outsiders for exhibition/broadcasting and other exploitation of the films and TV programs.

Film rights are stated at cost less accumulated amortisation and any impairment losses. Film rights, less accumulated impairment loss, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Estimated projected revenues and related future cash flows, and the amortisation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Film and TV program products are stated at cost less accumulated amortisation and any impairment losses. The portion of film and TV program products to be recovered through use, less estimated residual value and accumulated impairment losses, is amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Cost of film and TV program products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film or TV program.

Films and TV programs under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films or TV programs. Upon completion and available for commercial exploitation, these films and TV programs under production are reclassified as film and TV program products. Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of debtors that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Debtors that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

The Group has certain investments in film projects and entertainment events which entitle the Group to receive a fixed and/or variable income based on the Group's investment amount and/or expected rate of return as specified in the respective agreements. All film investments and investments in entertainment events which give rise to cash flows that are not SPPI on the principal amount outstanding are stated at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for debtors which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For debtors that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debtors that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include creditors and accruals, deposits received, lease liabilities, interest-bearing bank loans and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Inventories

Inventories comprise video products, gaming products and merchandise, and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	Over the unexpired lease terms
Cinema related properties	2 to 15 years
Other properties	2 to 3 years
Equipment	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) *Entertainment events*

Revenue from entertainment events organised by the Group is recognised when the events are completed.

(b) *Film distribution*

Income from films licensed to movie theatres is recognised when the films are exhibited.

(c) *Film licence fee*

Licence income from films and TV programs licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract is recognised where an assignment is granted to the licensee which permits the licensee to exploit those rights freely, and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees.

Licence income from films and TV programs licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period is recognised when the films and TV programs are available for showing or telecast.

(d) *Sale of products and albums*

Sale of products and albums are recognised when control of the asset is transferred to the customers, generally on delivery of the products or in accordance with the terms of the relevant agreements.

(e) *Distribution commission*

Distribution commission income is recognised when the albums, film materials or TV program materials have been delivered to the wholesalers, distributors and licensees.

(f) *Album licensing and music publishing*

Album licence income and music publishing income are recognised when the licence is used by the customer or the customer simultaneously receives and consumes the benefits provided by the Group in accordance with the terms of the relevant agreements.

(g) *Box-office takings*

Revenue from gross box-office takings for film exhibition is recognised at the point in time, upon the sale of tickets and when the film is exhibited.

(h) *Advertising and artiste management*

Advertising income and artiste management fee income from entertainment events and TV programs and commission income and handling fees from entertainment events are recognised in the period in which the relevant services are rendered to the customer or the customer simultaneously receives and consumes the benefits provided by the Group.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Share-based payments

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Binomial Option Pricing Model ("**Binomial Model**").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the board of directors are not recognised as a liability until they have been approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income tax

Deferred tax is provided using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As explained in note 31 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment assessment of film rights, film and TV program products, and films and TV programs under production

Film rights and film and TV program products are stated at cost less accumulated amortisation and any impairment losses. Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Management estimates the costs to be incurred to complete production and the total projected revenues and the related future cash flows, as appropriate, of films and TV programs under production, film rights and film and TV program products based on the historical cost, performance and cash flows of similar films and TV programs, incorporating factors such as the production plans, target markets and distribution plans of the respective films and TV programs, the past box office or similar records and/or other relevant information of the main artistes and directors of the films and TV programs, the genre of the films and TV programs, their anticipated performance in relevant theatrical, home entertainment, television and other ancillary markets, with reference to agreements for future sales, licensing and other exploitations, as appropriate.

The estimated costs to be incurred to complete production, projected revenues and related future cash flows can change significantly due to a variety of factors. Based on both internal and external information available on the films and TV programs under production, film rights and film and TV program products, management reviews the estimated costs to be incurred to complete production, the projected revenues and the related future cash flows of the relevant assets, as appropriate, to assess whether there is any impairment or reversal of impairment. Any change in estimates may have a significant impact on the Group's financial performance. The carrying amounts of film rights, film and TV program products and films and TV programs under production are disclosed in notes 15, 16 and 23 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in note 18 to the financial statements.

(iii) Impairment of non-financial assets (other than goodwill)

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iv) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(v) Provision for expected credit losses on debtors and other receivables

The Group uses a provision matrix to calculate ECLs for debtors. The provision rates are based on days past due for groupings of various customer segments with shared risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's debtors is disclosed in note 25 to the financial statements.

The loss allowances for other receivables are based on assumption about risk of default and expected loss rates. The Group makes adjustment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. A number of significant judgements are also required in applying the accounting requirements for measuring ECLs, such as:

- Determining criteria for a significant increase in credit risk;
- Identifying economic indicators for forward-looking measurement; and
- Estimating future cash flows for the other receivables.

The information about the provision for ECLs on the Group's other receivables is disclosed in note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable segments:

- (a) the media and entertainment segment engages in the management and production of concerts and the provision of related advertising services, the provision of artiste management services, album sales and the distribution and licensing of music and the trading of gaming products;
- (b) the film and TV program segment engages in the investment in, production of, sale, distribution and licensing of films and TV programs, the provision of related advertising services as well as the distribution of video format products derived from these films and films licensed-in by the Group;
- (c) the cinema operation segment engages in the operation of cinemas in Hong Kong and Mainland China; and
- (d) the corporate and others segment comprises business segments not constituting a reportable segment individually, together with corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, impairment of goodwill, fair value losses on financial assets at fair value through profit or loss and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, deferred tax assets, prepaid tax, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, other borrowings, tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

In determining the Group's geographical information, revenue information is based on the locations of the customers, and asset information is based on the locations of the assets.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue:										
Sales to external customers (note 6)	372,458	256,771	113,116	185,794	525,066	385,023	3,220	2,649	1,013,860	830,237
Intersegment sales	—	—	19,286	3,891	5,543	1,972	1,882	1,726	26,711	7,589
Other revenue	7,572	1,802	2,612	1,737	19,273	76,177	3,091	4,745	32,548	84,461
Total	380,030	258,573	135,014	191,422	549,882	463,172	8,193	9,120	1,073,119	922,287
Elimination of intersegment sales									(26,711)	(7,589)
Total revenue									1,046,408	914,698
Segment results	13,288	(7,735)	(48,615)	(52,757)	(25,948)	(128,584)	(99,229)	(96,336)	(160,504)	(285,412)
Unallocated interest income									14,897	7,188
Impairment of goodwill	(10,000)	—	—	—	—	—	—	—	(10,000)	—
Fair value losses on financial assets at fair value through profit or loss									(4,801)	(56,414)
Loss from operating activities									(160,408)	(334,638)
Finance costs									(49,480)	(54,379)
Share of profits and losses of joint ventures	(744)	(543)	(55)	(847)	(11,000)	(16,462)	—	—	(11,799)	(17,852)
Loss before tax									(221,687)	(406,869)
Tax									(1,258)	37,023
Loss for the year									(222,945)	(369,846)

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	238,221	268,037	773,501	706,865	1,056,906	1,234,545	244,597	811,092	2,313,225	3,020,539
Investments in joint ventures	8,957	10,524	106	1,659	25,999	12,690	4,881	5,856	39,943	30,729
Unallocated assets									157,821	119,416
Total assets									2,510,989	3,170,684
Segment liabilities	140,958	83,049	432,768	370,275	1,059,787	1,225,677	52,023	39,523	1,685,536	1,718,524
Unallocated liabilities									247,486	449,778
Total liabilities									1,933,022	2,168,302

NOTES TO FINANCIAL STATEMENTS

31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	834	993	163	165	45,083	49,068	321	386	46,401	50,612
Depreciation of right-of-use assets	131	1,302	1,351	4,324	121,388	143,242	6,890	3,363	129,760	152,231
Impairment of property, plant and equipment	211	618	610	142	—	7,829	578	855	1,399	9,444
Reversal of impairment of property, plant and equipment	—	—	—	—	(3,006)	—	—	—	(3,006)	—
Impairment of right-of-use assets	633	3,262	883	8,234	—	40,309	6,773	2,340	8,289	54,145
Reversal of impairment of right-of-use assets	—	—	—	—	(7,687)	—	—	—	(7,687)	—
Impairment of films and TV programs under production	—	—	2,472	39,977	—	—	—	—	2,472	39,977
Amortisation of film rights	—	—	3,747	5,397	—	—	—	—	3,747	5,397
Amortisation of film and TV program products	—	—	35,641	10,076	—	—	—	—	35,641	10,076
Amortisation of music catalogs	663	2,461	—	—	—	—	—	—	663	2,461
Write-back of impairment of film rights	—	—	(8,951)	(8,901)	—	—	—	—	(8,951)	(8,901)
Impairment of advances and other receivables	4,671	5,507	—	—	—	—	—	—	4,671	5,507
Write-back of impairment of advances and other receivables	(1,353)	(6,460)	(57)	—	—	—	—	—	(1,410)	(6,460)
Impairment of debtors	206	7,050	78	50	—	—	—	—	284	7,100
Impairment of amounts due from joint ventures	1,175	1,711	1,032	—	—	—	2,928	—	5,135	1,711
Write-back of impairment of amounts due from joint ventures	—	—	—	(1,551)	—	—	—	—	—	(1,551)
Gain on termination of leases	—	—	(537)	—	(25,006)	—	(685)	(298)	(26,228)	(298)
Impairment of inventories	1,075	1,164	1,199	319	—	—	2	—	2,276	1,483
Additions of property, plant and equipment	244	548	193	732	3,599	708	1,077	618	5,113	2,606
Additions of film rights	—	—	—	549	—	—	—	—	—	549
Additions of films and TV programs under production and film investments	—	—	70,446	244,246	—	—	—	—	70,446	244,246
Additions of right-of-use assets	195	—	—	—	87,925	—	842	1,279	88,962	1,279

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:								
Sales to external customers	865,188	599,590	84,430	183,012	64,242	47,635	1,013,860	830,237
Assets:								
Segment assets:								
– non-current assets	1,056,552	1,200,328	9,867	20,597	200	53	1,066,619	1,220,978
– current assets	1,009,813	1,521,860	261,334	293,705	15,402	14,725	1,286,549	1,830,290
Unallocated assets							157,821	119,416
Total assets							2,510,989	3,170,684

Information about major customers:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year ended 31 July 2023. Revenue of approximately HK\$109,650,000 was derived from a single customer which accounted for over 10% of the Group's total revenue for the year ended 31 July 2022.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

5. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year.

(a) Transactions with related parties

	Notes	2023 HK\$'000	2022 HK\$'000
LSG and its subsidiaries, excluding the Group:			
Lease payments and building management fee paid or payable	(i)	4,063	2,807
Sharing of corporate salaries on a cost basis allocated from		25,834	27,279
Sharing of administrative expenses on a cost basis allocated from		2,872	2,311
Sharing of corporate salaries on a cost basis allocated to		6,804	7,678
Sharing of administrative expenses on a cost basis allocated to		3,215	6,458
Licence income from TV programs	(ii)	—	1,219
Joint ventures:			
Production fee	(ii)	3,430	1,522
Service fee income	(ii)	1,656	1,177
Film releasing income	(ii)	1,821	—
Advertising and promotion expenses	(ii)	875	—
Sale of products and management fee income	(iii)	2,722	3,506

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 leases to the related parties, right-of-use assets of HK\$26,708,000 and lease liabilities of HK\$51,762,000 related to the leases were recognised in the consolidated statement of financial position as at 31 July 2023. During the year, depreciation of right-of-use assets of HK\$10,650,000 (2022: HK\$10,021,000) and finance costs on lease liabilities of HK\$2,876,000 (2022: HK\$3,945,000) were recognised in the consolidated income statement. During the year ended 31 July 2023, the Group entered into an agreement with a fellow subsidiary to early terminate the lease agreement of a cinema in the PRC, resulting in a non-recurring gain on derecognition of lease liabilities of HK\$25,006,000 (2022: Nil) in the consolidated income statement. Further details are set out in the joint announcement dated 15 September 2022.
- (ii) The licence income from TV programs, service fee income and film releasing income were recognised and the production fee, advertising and promotion expenses were charged in accordance with contractual terms with the respective parties.
- (iii) The sale of products and management fee income were recognised in accordance with contractual terms with the joint ventures.

Certain of the above related party transactions also constitute connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and details are disclosed in the Report of the Directors.

5. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	2023 HK\$'000	2022 HK\$'000
Short-term employee benefits	22,928	25,358
Post-employment benefits	52	54
Total compensation paid to key management personnel	22,980	25,412

Further details of directors' emoluments are included in note 10 to the financial statements.

6. TURNOVER

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

	2023 HK\$'000	2022 HK\$'000
Turnover from contracts with customers		
Entertainment event income	208,410	36,963
Distribution commission income, licence income from and sales of film and TV program products and film rights	105,163	181,394
Album sales, licence income and distribution commission income from music publishing and licensing	53,011	80,713
Box-office takings, concessionary income and related income from cinemas	525,066	385,023
Artiste management fee income	12,780	11,052
Advertising income	7,953	4,400
Sale of game products	98,257	128,043
Sale of merchandising products	3,220	2,649
	1,013,860	830,237

NOTES TO FINANCIAL STATEMENTS

31 July 2023

6. TURNOVER (continued)

(a) Disaggregated revenue information

For the year ended 31 July 2023

	Media and entertainment HK\$'000	Film and TV program HK\$'000	Cinema operation HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Geographical markets					
Hong Kong	298,262	55,290	508,416	3,220	865,188
Mainland China and Macau	30,044	37,736	16,650	—	84,430
Others	44,152	20,090	—	—	64,242
Total turnover from contracts with customers	372,458	113,116	525,066	3,220	1,013,860
Timing of revenue recognition					
At a point in time	346,097	113,116	525,066	3,220	987,499
Over time	26,361	—	—	—	26,361
Total turnover from contracts with customers	372,458	113,116	525,066	3,220	1,013,860

For the year ended 31 July 2022

	Media and entertainment HK\$'000	Film and TV program HK\$'000	Cinema operation HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Geographical markets					
Hong Kong	197,793	33,992	365,156	2,649	599,590
Mainland China and Macau	34,467	128,678	19,867	—	183,012
Others	24,511	23,124	—	—	47,635
Total turnover from contracts with customers	256,771	185,794	385,023	2,649	830,237
Timing of revenue recognition					
At a point in time	216,627	185,794	385,023	2,649	790,093
Over time	40,144	—	—	—	40,144
Total turnover from contracts with customers	256,771	185,794	385,023	2,649	830,237

The revenue from contracts with customers recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period was HK\$27,320,000 (2022: HK\$76,185,000).

6. TURNOVER (continued)

(b) Performance obligations

Information about the Group's performance obligations is recognised below:

Entertainment events

Revenue from entertainment events organised by the Group is recognised at a point in time when the events are completed. Payment is generally due within 30 to 60 days from the date of billing.

Film and TV program licence income

The performance obligation is satisfied at a point in time (i) when the films or TV programs licensed to movie theatres are exhibited, (ii) where an assignment is granted to the licensee which permits the licensee to exploit those rights freely and where the Group has no remaining obligations to perform and when the materials have been delivered to the licensee, or (iii) when the films or TV programs are available for showing or telecast. Partial payment in advance for licence income is normally required and the remaining balance is billed according to the payment schedule as stipulated in agreements or upon completion of exhibition of the films or TV programs. Payment is generally due within 30 to 60 days from the date of billing.

Distribution commission

Distribution commission income is recognised at a point in time when the albums or film materials or TV program materials have been delivered to the wholesalers, distributors and licensees. Payment in advance is normally required.

Box-office takings income

Revenue from cinema admission tickets sold is recognised at a point in time, upon the sale of tickets and when the films are exhibited. Payment in advance is normally required.

Sale of products

Revenue from the sale of products is recognised at a point in time when the products are delivered to customers, being at the point that the customers obtain the control of the products, and payment is generally due within 30 to 90 days from the date of billing.

(c) Transaction price allocated to the remaining performance obligations

The Group elected to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an original expected duration for one year or less.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

7. OTHER REVENUE

An analysis of the Group's other revenue is as follows:

	Note	2023 HK\$'000	2022 HK\$'000
Bank interest income		12,787	5,685
Other interest income		2,110	1,503
Rent concessions related to COVID-19	14(b)	786	57,923
Government grants*		6,108	15,317
Dividend income from listed investments		837	312
Others		24,817	10,909
		47,445	91,649

* During the years ended 31 July 2023 and 2022, government grants mainly represented the amount received under the "Anti-epidemic Fund" of the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies related to these grants.

8. LOSS BEFORE TAX

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

	Notes	2023 HK\$'000	2022 HK\$'000
Cost of film rights, licence rights and film and TV program products		75,048	146,400
Cost of artiste management services and services for entertainment events provided		176,873	57,905
Cost of theatrical releasing and concessionary sales		190,842	159,154
Cost of inventories sold		94,592	117,907
Total cost of sales		537,355	481,366
Employee benefit expense (including directors' remuneration (note 10)):			
Wages and salaries		249,249	246,025
Equity-settled share option expense		—	243
Pension scheme contributions##		6,542	6,062
Total		255,791	252,330
Auditor's remuneration		6,007	6,552
Depreciation of property, plant and equipment^	13	46,401	50,612
Depreciation of right-of-use assets^	14(a)	129,760	152,231
Lease payments not included in the measurement of lease liabilities:			
Entertainment events#		6,277	1,045
Cinemas*		122	113
Others		8,459	7,882
		14,858	9,040
Contingent rents incurred for:			
Entertainment events#		14,251	2,199
Cinemas*		27,564	4,646
		41,815	6,845
Total		56,673	15,885

NOTES TO FINANCIAL STATEMENTS

31 July 2023

8. LOSS BEFORE TAX (continued)

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

	Notes	2023 HK\$'000	2022 HK\$'000
Impairment of goodwill*	18	10,000	—
Impairment of property, plant and equipment*	13	1,399	9,444
Reversal of impairment of property, plant and equipment [®]	13	(3,006)	—
Impairment of right-of-use assets*	14(a)	8,289	54,145
Reversal of impairment of right-of-use assets [®]	14(a)	(7,687)	—
Impairment of films and TV programs under production [#]	23(a)	2,472	39,977
Fair value changes from film investments* [®]	23(b)	4,614	(1,656)
Fair value changes from entertainment events organised by co-investors [®]		(1,366)	(155)
Amortisation of film rights [#]	15	3,747	5,397
Amortisation of film and TV program products [#]	16	35,641	10,076
Amortisation of music catalogs [#]	17	663	2,461
Impairment of debtors*	25	284	7,100
Write-back of impairment of debtors [®]	25	—	(223)
Impairment of advances and other receivables*	22	4,671	5,507
Write-back of impairment of advances and other receivables [®]	22	(1,410)	(6,460)
Impairment of amounts due from joint ventures*	19	5,135	1,711
Write-back of impairment of amounts due from joint ventures [®]	19	—	(1,551)
Write-back of impairment of film rights [®]	15	(8,951)	(8,901)
Loss/(gain) on dissolution/deregistration of subsidiaries* [®]		(844)	335
Fair value losses on financial assets at fair value through profit or loss*		4,801	56,414
Gain on termination of leases [®]		(26,228)	(298)
Impairment of inventories [#]		2,276	1,483
Foreign exchange differences, net*		13,428	6,784

^{##} There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

[^] Depreciation charge of HK\$166,471,000 (2022: HK\$192,310,000) related to cinema operation is included in "Other operating expenses" on the face of the consolidated income statement.

[#] These items are included in "Cost of sales" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

^{*} These items are included in "Other operating expenses" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross box-office takings in respect of the cinema operation.

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

9. FINANCE COSTS

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

	Note	2023 HK\$'000	2022 HK\$'000
Interest on:			
Lease liabilities	14(b)	37,052	44,817
Bank loans		4,682	2,238
Other borrowings		6,189	5,647
Amortisation of transaction fee for bank loans		44	175
Other finance costs		1,513	1,502
Total finance costs		49,480	54,379

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK\$'000	2022 HK\$'000
Fees	2,105	2,081
Other emoluments:		
Salaries, allowances and benefits in kind	9,175	10,580
Pension scheme contributions	52	54
	9,227	10,634
	11,332	12,715

NOTES TO FINANCIAL STATEMENTS

31 July 2023

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 July 2023				
Executive directors:				
Lui Siu Tsuen, Richard [^] (resigned on 3 October 2023)	180	3,020	—	3,200
Chew Fook Aun (resigned on 2 June 2023)	—	3,521	16	3,537
Lam Hau Yin, Lester (also alternate director to U Po Chu)	—	—	—	—
Yip Chai Tuck	180	2,400	36	2,616
	360	8,941	52	9,353
Non-executive director:				
U Po Chu	—	—	—	—
Independent non-executive directors:				
Low Chee Keong	775	74	—	849
Alfred Donald Yap	290	60	—	350
Ng Lai Man, Carmen	390	55	—	445
Lo Kwok Kwei, David	290	45	—	335
	1,745	234	—	1,979
	2,105	9,175	52	11,332

[^] Lui Siu Tsuen, Richard was also the chief executive officer of the Company as at 31 July 2023 and resigned as an executive director and the chief executive officer of the Company with effect from 3 October 2023.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 July 2022				
Executive directors:				
Lui Siu Tsuen, Richard [^]	180	3,304	—	3,484
Chew Fook Aun	—	4,481	18	4,499
Lam Hau Yin, Lester (also alternate director to U Po Chu)	—	—	—	—
Yip Chai Tuck	180	2,620	36	2,836
	360	10,405	54	10,819
Non-executive director:				
U Po Chu	—	—	—	—
Independent non-executive directors:				
Low Chee Keong	751	45	—	796
Alfred Donald Yap	290	50	—	340
Ng Lai Man, Carmen	390	45	—	435
Lo Kwok Kwei, David	290	35	—	325
	1,721	175	—	1,896
	2,081	10,580	54	12,715

[^] Lui Siu Tsuen, Richard was also the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' remuneration

The five highest paid employees during the year included two (2022: two) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	19,039	20,371
Pension scheme contributions	18	18
	19,057	20,389

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$11,500,001 – HK\$12,000,000	1	—
HK\$12,500,001 – HK\$13,000,000	—	1
	3	3

NOTES TO FINANCIAL STATEMENTS

31 July 2023

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Note	2023 HK\$'000	2022 HK\$'000
Current			
– Hong Kong			
Charge for the year		72	2,113
Overprovision in prior years		(594)	(178)
		(522)	1,935
– Mainland China			
Charge for the year		1,384	5,556
Overprovision in prior years		–	(41,971)
		1,384	(36,415)
		862	(34,480)
Deferred tax	31	396	(2,543)
		1,258	(37,023)

NOTES TO FINANCIAL STATEMENTS

31 July 2023

11. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to loss before tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(221,687)	(406,869)
Tax at the applicable tax rates	(36,618)	(65,834)
Profits and losses attributable to joint ventures	1,947	2,946
Income not subject to tax	(19,391)	(10,455)
Expenses and losses not deductible for tax	12,004	17,579
Other temporary differences	1,411	687
Estimated tax losses from prior years utilised	(12,315)	(9,373)
Estimated tax losses not recognised	54,814	69,576
Adjustments in respect of current tax of prior years	(594)	(42,149)
Tax charge/(credit) at the Group's effective rate	1,258	(37,023)

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,583,719,880 (2022: 1,491,854,598) in issue during the year. The weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the year ended 31 July 2023 has been adjusted to reflect the effect of the allotment and issue of new shares of the Company as set out in note 33 to the financial statements.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Total HK\$'000
Cost:						
At 1 August 2021	70,851	489,485	217,494	13,599	12,051	803,480
Additions	—	12	1,550	—	1,044	2,606
Write-off	—	—	(200)	—	(362)	(562)
Disposals	—	—	(649)	—	(94)	(743)
Exchange realignment	—	(3,854)	(1,604)	(143)	(134)	(5,735)
At 31 July 2022 and 1 August 2022	70,851	485,643	216,591	13,456	12,505	799,046
Additions	—	1,086	3,080	—	947	5,113
Write-off	—	(34,587)	(6,051)	—	(668)	(41,306)
Disposals	—	—	(6,557)	(1,654)	(80)	(8,291)
Exchange realignment	—	(6,902)	(2,728)	(191)	(424)	(10,245)
At 31 July 2023	70,851	445,240	204,335	11,611	12,280	744,317
Accumulated depreciation and impairment:						
At 1 August 2021	30,377	346,747	136,663	11,708	11,270	536,765
Depreciation provided during the year	2,170	32,445	14,648	853	496	50,612
Impairment during the year	—	6,669	1,654	—	1,121	9,444
Write-off	—	—	(178)	—	(362)	(540)
Disposals	—	—	(646)	—	(92)	(738)
Exchange realignment	—	(3,811)	(1,412)	(108)	(123)	(5,454)
At 31 July 2022 and 1 August 2022	32,547	382,050	150,729	12,453	12,310	590,089
Depreciation provided during the year	2,168	16,356	26,834	789	254	46,401
Impairment during the year	—	—	625	—	774	1,399
Reversal of impairment during the year	—	(3,006)	—	—	—	(3,006)
Write-off	—	(34,587)	(6,023)	—	(664)	(41,274)
Disposals	—	—	(6,557)	(1,654)	(80)	(8,291)
Exchange realignment	—	(6,230)	(2,449)	(170)	(414)	(9,263)
At 31 July 2023	34,715	354,583	163,159	11,418	12,180	576,055
Net carrying amount:						
At 31 July 2023	36,136	90,657	41,176	193	100	168,262
At 31 July 2022	38,304	103,593	65,862	1,003	195	208,957

During the year ended 31 July 2023, the impairment loss of HK\$1,399,000 (2022: HK\$9,444,000) represented the write-down of the carrying amounts of certain plant and equipment to their recoverable amounts because the market conditions were out of management's expectation. The reversal of impairment loss of HK\$3,006,000 (2022: Nil) represented the write-back of the carrying amounts of certain plant and equipment of certain cinemas to their recoverable amounts because favourable changes on the cinema operation have been taken place during the year ended 31 July 2023. The estimated recoverable amounts as at 31 July 2023 were determined based on their value in use amounts estimated using a discount rate of 11% (2022: 9.51% to 11%).

NOTES TO FINANCIAL STATEMENTS

31 July 2023

14. LEASES

The Group as a lessee

The Group has lease contracts for certain cinema related properties, other properties and equipment. Leases of cinema related properties generally have lease terms between 2 and 15 years, while other properties generally have lease terms between 2 and 3 years. Leases of equipment generally have lease terms of 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK\$'000	Cinema related properties HK\$'000	Other properties HK\$'000	Equipment HK\$'000	Total HK\$'000
At 1 August 2021	12,429	865,697	5,379	—	883,505
Additions	—	—	—	1,279	1,279
Lease modification	—	63,098	18,144	—	81,242
Termination	—	—	—	(376)	(376)
Depreciation charged	(666)	(142,576)	(8,871)	(118)	(152,231)
Impairment loss charged	—	(40,309)	(13,051)	(785)	(54,145)
Exchange realignment	—	(336)	(43)	—	(379)
At 31 July 2022 and 1 August 2022	11,763	745,574	1,558	—	758,895
Additions	—	87,925	195	842	88,962
Lease modification	—	(125,469)	22,969	—	(102,500)
Termination	—	—	(606)	—	(606)
Depreciation charged	(665)	(120,723)	(8,312)	(60)	(129,760)
Impairment loss charged	—	—	(7,507)	(782)	(8,289)
Reversal of impairment recognised	—	7,687	—	—	7,687
Exchange realignment	—	(195)	(5)	—	(200)
At 31 July 2023	11,098	594,799	8,292	—	614,189

During the year ended 31 July 2023, the impairment loss of HK\$8,289,000 (2022: HK\$54,145,000) represented the write-down of the carrying amounts of right-of-use assets of certain properties and equipment to their recoverable amounts because the market conditions were out of management's expectation. The reversal of impairment loss of HK\$7,687,000 (2022: Nil) represented the write-back of the carrying amounts of right-of-use assets of certain cinema related properties to their recoverable amounts because favourable changes on the cinema operation have been taken place during the year ended 31 July 2023. The estimated recoverable amounts as at 31 July 2023 were determined based on their value in use amounts estimated using a discount rate of 11% (2022: 9.51% to 11%).

14. LEASES (continued)**The Group as a lessee** (continued)**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the reporting period	1,144,718	1,267,933
Additions	88,962	1,279
Accretion of interest recognised during the year	37,052	44,817
Termination	(26,834)	(674)
Lease modification	(102,661)	81,155
Payments	(157,017)	(189,112)
Rent concessions related to COVID-19	(786)	(57,923)
Exchange realignment	(4,110)	(2,757)
At end of the reporting period	979,324	1,144,718
Less: Portion classified as current	(168,050)	(202,724)
Non-current portion	811,274	941,994

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

The Group adopted the amendments to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by lessors during the year ended 31 July 2022.

(c) The amounts charged/(credited) in the income statement in relation to leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	37,052	44,817
Depreciation charge of right-of-use assets	129,760	152,231
Impairment of right-of-use assets	8,289	54,145
Reversal of impairment of right-of-use assets	(7,687)	—
Expense relating to short-term leases and other leases with remaining lease terms less than one year and leases of low-value assets	14,858	9,040
Variable lease payments not included in the measurement of lease liabilities	41,815	6,845
Rent concessions related to COVID-19	(786)	(57,923)
Gain on termination of leases	(26,228)	(298)
Gain on modification of leases	(161)	—
Total	196,912	208,857

NOTES TO FINANCIAL STATEMENTS

31 July 2023

14. LEASES (continued)

The Group as a lessee (continued)

- (d) The Group had lease contracts that had not yet commenced as at 31 July 2022. The future lease payments for these non-cancellable lease contracts were HK\$7,800,000 due within one year, HK\$129,800,000 due in the second to fifth years, inclusive and HK\$195,790,000 due after five years as at 31 July 2022.
- (e) The total cash outflow for leases included in the consolidated statement of cash flows was HK\$213,690,000 (2022: HK\$204,997,000) during the year ended 31 July 2023.

15. FILM RIGHTS

	HK\$'000
Cost:	
At 1 August 2021	279,349
Additions	549
Write-off	(1,070)
At 31 July 2022 and 1 August 2022	278,828
Write-off	(21,291)
At 31 July 2023	257,537
Accumulated amortisation and impairment:	
At 1 August 2021	264,240
Amortisation provided during the year	5,397
Write-back of impairment during the year	(8,901)
Write-off	(1,070)
At 31 July 2022 and 1 August 2022	259,666
Amortisation provided during the year	3,747
Write-back of impairment during the year	(8,951)
Write-off	(21,291)
At 31 July 2023	233,171
Net carrying amount:	
At 31 July 2023	24,366
At 31 July 2022	19,162

In light of the specific circumstances of the film industry, the Group regularly reviews its library of film rights to assess the marketability/future economic benefits of film rights and the corresponding recoverable amounts. The estimated recoverable amounts were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film rights, which were derived from discounting the projected cash flows using a discount rate of 13.5% (2022: 13.5%) for the relevant assets. The impairment of HK\$8,951,000 (2022: HK\$8,901,000) was written back because the estimated recoverable amounts of the film rights were higher than their carrying amounts after taking into account of the performance of the film rights during the year.

16. FILM AND TV PROGRAM PRODUCTS

	Note	HK\$'000
Cost:		
At 1 August 2021		1,924,404
Transfer from films and TV programs under production	23	108,681
Sale of film and TV program products		(92,245)
Exchange realignment		(7,994)
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At 31 July 2022 and 1 August 2022		1,932,846
Additions		80
Transfer from films and TV programs under production	23	35,473
Exchange realignment		(14,114)
<hr/>		
At 31 July 2023		1,954,285
Accumulated amortisation and impairment:		
At 1 August 2021		1,869,566
Amortisation provided during the year		10,076
Exchange realignment		(7,970)
<hr/>		
At 31 July 2022 and 1 August 2022		1,871,672
Amortisation provided during the year		35,641
Exchange realignment		(14,087)
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At 31 July 2023		1,893,226
Net carrying amount:		
At 31 July 2023		61,059
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At 31 July 2022		61,174
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In light of the specific circumstances of the film and TV industry, the Group regularly reviews its film and TV program products to assess the marketability/future economic benefits of the film and TV program products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2023 and 31 July 2022 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film and TV program products, which were derived from discounting the projected cash flows using a discount rate of 13.5% (2022: 13.5%) for the relevant assets.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

17. MUSIC CATALOGS

	HK\$'000
Cost:	
At 1 August 2021, 31 July 2022, 1 August 2022 and 31 July 2023	150,834
Accumulated amortisation:	
At 1 August 2021	147,710
Amortisation provided during the year	2,461
At 31 July 2022 and 1 August 2022	150,171
Amortisation provided during the year	663
At 31 July 2023	150,834
Net carrying amount:	
At 31 July 2023	—
At 31 July 2022	663

18. GOODWILL

	HK\$'000
Cost:	
At 1 August 2021, 31 July 2022, 1 August 2022 and 31 July 2023	126,068
Accumulated impairment:	
At 1 August 2021, 31 July 2022 and 1 August 2022	116,068
Impairment losses charged	10,000
At 31 July 2023	126,068
Net carrying amount:	
At 31 July 2023	—
At 31 July 2022	10,000

Impairment testing of goodwill

Goodwill acquired through business combination had been allocated to cash-generating units (the "IGHL CGU"), which are components of the media and entertainment segment, the film and TV program segment and the cinema operation segment, for impairment testing.

Intercontinental Group Holdings Limited and its subsidiaries are a group of IGHL CGU which generates cash inflows that are largely independent of the cash inflows from other assets.

As at 31 July 2023, the recoverable amount of the IGHL CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on past experience and management's expectation for market development. The discount rate applied to the cash flow projections is 14.5% (2022: 14.5%). The growth rate used to extrapolate the cash flows of the IGHL CGU beyond the five-year period is 3% (2022: 3%).

Assumptions were used in the value in use calculation of the IGHL CGU for 31 July 2023 and 31 July 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted profit — The basis used to determine the value assigned to the budgeted profit is the average profit achieved in the markets, adjusted for expected efficiency improvement, and expected market development.

Discount rate — The discount rate used is before tax.

As at 31 July 2023, the estimated recoverable amount of the IGHL CGU was below its carrying amount because the market conditions were out of management's expectation and an impairment loss of HK\$10,000,000 (2022: Nil) was recognised in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

19. INVESTMENTS IN JOINT VENTURES

	2023 HK\$'000	2022 HK\$'000
Share of net assets	24,654	11,515
Amounts due from joint ventures	72,724	72,634
Provision for impairment [#]	(57,435)	(53,420)
	15,289	19,214
Total investments in joint ventures	39,943	30,729

[#] As at 31 July 2023, an impairment of HK\$57,435,000 (2022: HK\$53,420,000) was recognised for amounts due from joint ventures with gross carrying amounts of HK\$67,501,000 (2022: HK\$66,605,000) because these joint ventures have been loss-making for some time.

The amounts due from joint ventures are unsecured, interest-free and repayable on demand but are not expected to be repayable within the next 12 months from the end of the reporting period. In the opinion of the directors, these amounts due from joint ventures are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

Loss allowance for impairment of amounts due from joint ventures represented lifetime ECLs made for the credit-impaired balance. Except for the credit-impaired balance, there has been no significant increase in credit risk of the remaining balances.

Movements in loss allowance for impairment of amounts due from joint ventures are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	53,420	53,883
Impairment loss recognised	5,135	1,711
Write-back of impairment loss recognised	—	(1,551)
Exchange realignment	(1,120)	(623)
At the end of the reporting period	57,435	53,420

19. INVESTMENTS IN JOINT VENTURES (continued)

H Cinematic Limited (“**H Cinematic**”), a 50%-owned joint venture, is incorporated and engages in cinema operation in Hong Kong, and is accounted for using the equity method. The following table illustrates the summarised financial information of H Cinematic reconciled to the carrying amount in the financial statements:

	2023 HK\$'000	2022 HK\$'000
Non-current assets	109,572	125,433
Cash and cash equivalents	10,635	21,284
Other current assets	1,051	1,723
Current liabilities	(26,459)	(40,370)
Non-current liabilities	(138,145)	(140,495)
Net liabilities	(43,346)	(32,425)
Reconciliation to the Group's interest in H Cinematic:		
The Group's 50% share of net liabilities of H Cinematic	(21,673)	(16,213)
Capital contribution to H Cinematic	29,750	24,750
Amounts due from H Cinematic	3,231	4,153
Carrying amount of the Group's investment in H Cinematic	11,308	12,690
Turnover	45,853	4,238
Other income (including interest income of HK\$133,000 (2022: HK\$87,000))	609	105
Administrative and other operating expenses (including depreciation of HK\$16,378,000 (2022: HK\$4,829,000))	(54,960)	(36,342)
Interest expenses	(2,422)	(926)
Loss and total comprehensive loss for the year	(10,920)	(32,925)
The Group's share of total comprehensive loss for the year	(5,460)	(16,462)

NOTES TO FINANCIAL STATEMENTS

31 July 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

Emperor Cinemas Plus (TW) Limited (“**ECPTW**”), a 50%-owned joint venture, is incorporated and engages in cinema operation in Hong Kong, and is accounted for using the equity method. The following table illustrates the summarised financial information of ECPTW reconciled to the carrying amount in the financial statements:

	2023 HK\$'000
Non-current assets	197,778
Cash and cash equivalents	5,139
Other current assets	792
Current liabilities	(49,992)
Non-current liabilities	(164,798)
Net liabilities	(11,081)
Reconciliation to the Group's interest in ECPTW:	
The Group's 50% share of net liabilities of ECPTW	(5,540)
Capital contribution to ECPTW	20,000
Amounts due from ECPTW	231
Carrying amount of the Group's investment in ECPTW	14,691
Turnover	2,580
Other income (including interest income of HK\$145,000 (2022: Nil))	145
Administrative and other operating expenses (including depreciation of HK\$5,879,000 (2022: Nil))	(9,614)
Interest expenses	(4,192)
Loss and total comprehensive loss for the year	(11,081)
The Group's share of total comprehensive loss for the year	(5,540)

Aggregate financial information of the joint ventures that are not individually material is as follows:

	2023 HK\$'000	2022 HK\$'000
The Group's share of profits and losses	(799)	(1,390)
The Group's share of other comprehensive loss	(239)	(153)
The Group's share of total comprehensive loss	(1,038)	(1,543)
Aggregate carrying amount of the Group's investments in joint ventures	13,944	18,039

20. INVESTMENTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Share of net assets	—	—
Amounts due from associates	14,842	15,489
Provision for impairment	(14,842)	(15,489)
	—	—
Total investments in associates	—	—

The amounts due from the associates are unsecured, interest-free and repayable on demand but are not expected to be repayable within the next 12 months from the end of the reporting period. In the opinion of the directors, these amounts due from associates are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates.

Loss allowance for impairment of the amounts due from associates represented lifetime ECLs made for the credit-impaired balance.

Movements in loss allowance for impairment of amounts due from associates are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	15,489	15,543
Write-back of impairment loss recognised	(647)	(54)
At the end of the reporting period	14,842	15,489

As at 31 July 2023 and 31 July 2022, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 HK\$'000	2022 HK\$'000
Unlisted investments, at fair value	(i)	136,430	111,878
Listed investments, at fair value	(ii)	20,540	6,822
		156,970	118,700
Less: Portion classified as current		(92,073)	(6,822)
Non-current portion		64,897	111,878

Notes:

- (i) The unlisted investments were mainly fund investments and equity investments which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not SPPI.
- (ii) The listed investments were classified as financial assets at fair value through profit or loss as they were held for trading.

22. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 HK\$'000	2022 HK\$'000
Deposits, prepayments and advances for artiste management, music production and film and TV program production	134,298	134,561
Other deposits, prepayments, other receivables and other assets	181,207	154,590
	315,505	289,151
Less: Portion classified as current	(156,705)	(157,753)
Non-current portion	158,800	131,398

Included in deposits, prepayments, other receivables and other assets as at 31 July 2023 were investments in entertainment events of HK\$1,845,000 (2022: HK\$4,425,000) and club debentures of HK\$9,858,000 (2022: HK\$9,858,000), which are classified as financial assets at fair value through profit or loss and intangible assets, respectively. The intangible assets are regarded to have indefinite useful lives and are stated at cost less any impairment losses.

22. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

(continued)

Movements in the loss allowance for impairment of deposits, prepayments and other receivables are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	101,237	103,291
Impairment loss recognised	4,671	5,507
Write-back of impairment loss recognised	(1,410)	(6,460)
Write-off	(15,799)	(550)
Exchange realignment	(1,214)	(551)
At the end of the reporting period	87,485	101,237

Loss allowance for impairment of deposits, prepayments and other receivables as at 31 July 2023 includes impairment of other receivables of HK\$40,309,000 (2022: HK\$43,335,000). The ECLs as at 31 July 2023 and 31 July 2022 were estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2023 and 31 July 2022. The loss allowance for impairment of other receivables is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

23. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	2023 HK\$'000	2022 HK\$'000
Films and TV programs under production	(a)	267,598	245,389
Film investments, at fair value	(b)	38,544	71,720
		306,142	317,109

Notes:

(a) *Films and TV programs under production*

	Note	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period		245,389	192,110
Additions		64,199	204,177
Transfer to film and TV program products	16	(35,473)	(108,681)
Impairment [#]		(2,472)	(39,977)
Exchange realignment		(4,045)	(2,240)
At the end of the reporting period		267,598	245,389

[#] *The impairment of films and TV programs under production was made based on management's estimation of the recoverable amount against the carrying amount.*

NOTES TO FINANCIAL STATEMENTS

31 July 2023

23. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

(continued)

Notes: (continued)

(b) *Film investments, at fair value*

	2023 HK\$'000	2022 HK\$'000
Film investments classified as financial assets at fair value through profit or loss:		
At the beginning of the reporting period	71,720	43,734
Additions	6,247	40,069
Changes in fair value	(4,614)	1,656
Settlement	(31,504)	(11,493)
Exchange realignment	(3,305)	(2,246)
At the end of the reporting period	38,544	71,720

24. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Work in progress	532	392
Finished goods	27,145	16,219
	27,677	16,611

25. DEBTORS

	2023 HK\$'000	2022 HK\$'000
Trade debtors	166,579	167,115
Impairment	(30,873)	(31,185)
	135,706	135,930

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

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

	2023 HK\$'000	2022 HK\$'000
Trade debtors:		
Unbilled or neither past due nor impaired	68,945	66,227
1 to 90 days past due	51,635	62,607
Over 90 days past due	15,126	7,096
	135,706	135,930

As at 31 July 2023, unbilled trade debtors amounted to HK\$2,052,000 (2022: HK\$8,612,000).

NOTES TO FINANCIAL STATEMENTS

31 July 2023

25. DEBTORS (continued)

Movements in the loss allowance for impairment of trade debtors are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	31,185	26,344
Impairment loss recognised	284	7,100
Write-back of impairment loss recognised	—	(223)
Write-off	(593)	(2,034)
Exchange realignment	(3)	(2)
At the end of the reporting period	30,873	31,185

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for grouping of various customer segments with shared risk characteristics. The provision matrix reflects the probability weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade debtors using a provision matrix analysed by the payment due date:

As at 31 July 2023

	Current	Past due		Total
		1 to 90 days	Over 90 days	
Expected credit loss rate	0.6%	0.4%	66.7%	18.5%
Gross carrying amount (HK\$'000)	69,337	51,851	45,391	166,579
Expected credit losses (HK\$'000)	392	216	30,265	30,873

As at 31 July 2022

	Current	Past due		Total
		1 to 90 days	Over 90 days	
Expected credit loss rate	0.6%	0.0%	81.3%	18.7%
Gross carrying amount (HK\$'000)	66,595	62,628	37,892	167,115
Expected credit losses (HK\$'000)	368	21	30,796	31,185

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Note	2023 HK\$'000	2022 HK\$'000
Non-pledged and non-restricted cash and bank balances		578,567	585,705
Time deposits		81,752	617,182
Less: Pledged time deposits			
— Pledged for banking facilities		(1,000)	(2,300)
— Pledged for bank loans	29	—	(144,000)
— Pledged for a forward contract arrangement		(8,307)	—
		(9,307)	(146,300)
Non-pledged and non-restricted time deposits		72,445	470,882
Cash and cash equivalents		651,012	1,056,587

The conversion of Renminbi (“RMB”) denominated time deposits and 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. As at 31 July 2023, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK\$110,374,000 (2022: HK\$94,466,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

27. 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 the end of the reporting period, is as follows:

	2023 HK\$'000	2022 HK\$'000
Trade creditors:		
Less than 30 days	40,922	63,791
31 to 60 days	6,442	595
61 to 90 days	1,048	93
Over 90 days	1,872	1,783
	50,284	66,262
Other creditors and accruals	478,816	367,673
	529,100	433,935
Less: Portion classified as current	(520,782)	(425,772)
Non-current portion	8,318	8,163

Trade creditors and other creditors are interest-free and have an average credit term of three months.

28. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

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

	2023 HK\$'000	2022 HK\$'000
Deposits received	10,884	6,815
Contract liabilities	166,228	133,056
	177,112	139,871

As at 1 August 2021, 31 July 2022 and 31 July 2023, the Group's total contract liabilities of HK\$129,437,000, HK\$133,056,000 and HK\$166,228,000, respectively, mainly represented consideration received in advance from customers and deferred revenue. The increases in total contract liabilities during the years ended 31 July 2023 and 2022 were mainly due to the deposits received from customers.

29. INTEREST-BEARING BANK LOANS

Bank loans of the Group as at 31 July 2022 were secured by charges over certain time deposits of the Group with an aggregate carrying amount of HK\$144,000,000 (note 26). As at 31 July 2022, the bank loans with effective interest rates ranging from 2.00% to 2.58% were repayable within one year.

30. OTHER BORROWINGS

	2023		2022	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Non-current:				
Interest-bearing other borrowings				
— unsecured	5.88	233,053	5.00	226,864
Maturity profile:				
In the second year		233,053		226,864

The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at the HSBC prime rate per annum except for the accrued interest portion with an amount of HK\$120,115,000 (2022: HK\$113,926,000) which is interest-free.

At the request of the Group, the joint executrixes of the estate of the late Mr. Lim Por Yen confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the end of the respective reporting periods.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

31. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	79	517
Deferred tax liabilities	(45)	(87)
	34	430

The movements of deferred tax assets/(liabilities) during the year are as follows:

	Note	Accelerated tax depreciation HK\$'000	Withholding tax HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
At 1 August 2021		(127)	(2,499)	513	(2,113)
Deferred tax credited to the income statement during the year	11	44	2,499	—	2,543
At 31 July 2022 and 1 August 2022		(83)	—	513	430
Deferred tax credited/(charged) to the income statement during the year	11	38	—	(434)	(396)
At 31 July 2023		(45)	—	79	34

31. DEFERRED TAX (continued)

At 31 July 2023, the Group had tax losses arising in Hong Kong of HK\$2,629,417,000 (2022: HK\$2,543,585,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2023, the Group had tax losses arising in Mainland China of HK\$310,007,000 (2022: HK\$257,893,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is either 5% or 10%. The Group is therefore liable for withholding taxes on dividends to be distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that were subject to withholding taxes of certain subsidiaries established in Mainland China. In the opinion of the directors, it was not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$14,806,000 as at 31 July 2023 (2022: HK\$15,546,000).

32. DERIVATIVE FINANCIAL INSTRUMENTS

The movements in the financial assets arising from the derivative financial instruments during the year are as follows:

	Foreign currency forward contract HK\$'000
At 1 August 2021, 31 July 2022 and 1 August 2022	—
Fair value gains recognised in the income statement	17
Settlement upon maturity	731
At 31 July 2023	748

NOTES TO FINANCIAL STATEMENTS

31 July 2023

33. SHARE CAPITAL

Shares

	2023		2022	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	4,000,000	2,000,000	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	1,755,877	877,938	1,491,855	745,927

The movement in issued share capital of the Company during the year are as follows:

	Number of shares '000	Nominal value HK\$'000
At 1 August 2021, 31 July 2022 and 1 August 2022	1,491,855	745,927
Allotment and issue of new shares	264,022	132,011
At 31 July 2023	1,755,877	877,938

Pursuant to the ordinary resolution passed at the special general meeting of the Company on 13 February 2023, among other things, the terms of the proposed merger of Media Asia Group Holdings Limited (“**MAGHL**”) by the Company and Perfect Sky Holdings Limited (a wholly-owned subsidiary of the Company, “**Offeror**”) (“**Proposal**”) involving a share exchange offer with partial cash alternative to the duly registered holders of the Scheme Shares (as defined below) (“**Scheme Shareholders**”) by way of a scheme of arrangement (“**Scheme**”), including:

- (i) the indirect acquisition by the Company of the new ordinary shares of MAGHL which were allotted and issued to the Offeror upon the cancellation of the ordinary shares of MAGHL other than those held by the Offeror (“**Scheme Shares**”);
- (ii) the grant of the specific mandate for the allotment and issue of the new ordinary shares of the Company as consideration for the cancellation of the Scheme Shares pursuant to the Proposal; and
- (iii) the increase in the Company’s authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 ordinary shares to HK\$2,000,000,000 divided into 4,000,000,000 ordinary shares by an addition of 1,500,000,000 ordinary shares.

33. SHARE CAPITAL (continued)

Shares (continued)

On 16 March 2023, all the conditions to the Proposal and the Scheme were fulfilled and the Scheme became effective. Since then, the equity interest of the Group in MAGHL has increased from 67.70% to 100% and MAGHL became a wholly-owned subsidiary of the Group. 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 received the share alternative. Accordingly, an aggregate of 264,022,268 new ordinary shares of the Company were allotted and issued to the Scheme Shareholders on 27 March 2023, and a total cash consideration of approximately HK\$194.3 million was paid to the Scheme Shareholders.

Details are set out in the joint announcements of the Company, LSG, Lai Sun Development Company Limited (“**LSD**”), MAGHL and the Offeror dated 10 November 2022 and 17 March 2023, the circular issued by the Company dated 12 January 2023 and the scheme document and the joint announcement issued by the Company, MAGHL and the Offeror dated 12 January 2023 and 13 February 2023, respectively.

Share options

Details of the share option schemes of the Company and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

2015 Share Option Scheme

On 11 December 2015 (“**2015 Adoption Date**”), the Company adopted a new share option scheme (“**2015 Scheme**”). The purpose of the 2015 Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the 2015 Scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate the Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the 2015 Scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Upon the termination of the 2015 Scheme at the annual general meeting of the Company held on 16 December 2022, no further share options can be granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2015 Scheme.

The principal terms of the 2015 Scheme are:

- (i) The maximum number of shares in respect of which share options may be granted under the 2015 Scheme and any other share option schemes of the Company (i) shall not in aggregate exceed 10% of the total issued shares of the Company on the 2015 Adoption Date; (ii) shall not exceed 30% of the total issued shares of the Company from time to time; and (iii) to each Eligible Participant in the 2015 Scheme and within any 12-month period, is limited to 1% of the total issued shares of the Company at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) must be subject to the approval of the shareholders of the Company and the shareholders of LSD (so long as the Company is a subsidiary of LSD under the Listing Rules) in the respective general meetings.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

34. SHARE OPTION SCHEMES (continued)

2015 Share Option Scheme (continued)

The principal terms of the 2015 Scheme are: (continued)

- (ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval by the independent non-executive directors of the Company and LSD (so long as the Company is a subsidiary of LSD under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the total issued shares of the Company at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to the approval by the shareholders of the Company and the shareholders of LSD (so long as the Company is a subsidiary of LSD under the Listing Rules) in the respective general meetings.
- (iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK\$1 per share option by the grantee.
- (iv) The exercise period of the share options granted is determined by the directors of the Company provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the 2015 Scheme.
- (v) The subscription (or exercise) price of any share options is determinable by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Company's shares in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Company's share on the date of the offer of grant.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

Details of the movement of the share options outstanding under the 2015 Scheme during the year are as follows:

	Number of underlying shares comprised in share options	Weighted average exercise price per share* HK\$
Outstanding as at 1 August 2021	—	—
Granted during the year	1,500,000	0.50
Outstanding as at 31 July 2022, 1 August 2022 and 31 July 2023	1,500,000	0.50

34. SHARE OPTION SCHEMES (continued)**2015 Share Option Scheme** (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2023

Number of underlying shares comprised in share options	Exercise price per share* HK\$	Exercise period (dd/mm/yyyy)
1,500,000	0.50	21/01/2022 to 20/01/2032

2022

Number of underlying shares comprised in share options	Exercise price per share* HK\$	Exercise period (dd/mm/yyyy)
1,500,000	0.50	21/01/2022 to 20/01/2032

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

The closing price of the Company's share immediately before the date of grant of share options during the year ended 31 July 2022 was HK\$0.37. The fair value of the share options granted was approximately HK\$243,000, which was recognised as share option expense during the year ended 31 July 2022.

The fair value of the equity-settled share options granted during the year ended 31 July 2022 was estimated as at the date of grant using the Binomial Model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Date of valuation	21 January 2022
Closing share price (HK\$ per share)	0.360
Exercise price (HK\$ per share)	0.500
Share option life (years)	10
Risk-free interest rate (%)	1.737
Dividend yield (%)	0.0
Expected volatility (%)	52.626
Historical volatility (%)	52.626
Forfeiture rate (%)	2.200

NOTES TO FINANCIAL STATEMENTS

31 July 2023

34. SHARE OPTION SCHEMES (continued)

2015 Share Option Scheme (continued)

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binomial Model. Therefore, the value may be subjective and would change should any of the assumption change.

Other than the movements of the share options as detailed above, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2015 Scheme during the years ended 31 July 2023 and 2022.

As at 31 July 2023, a total of 1,500,000 (2022: 1,500,000) underlying shares relating to share options granted under the 2015 Scheme were outstanding and they represented approximately 0.09% (2022: 0.10%) of the total issued shares of the Company as at that date.

2022 Share Option Scheme

At the annual general meeting of the Company held on 16 December 2022 (“**2022 Adoption Date**”), the shareholders of the Company approved the adoption of a new share option scheme (“**2022 Scheme**”) which became effective on 19 December 2022 (“**Effective Date**”). Unless otherwise cancelled or amended, the 2022 Scheme will remain in force for 10 years from the Effective Date, which will expire on 19 December 2032.

The purpose of the 2022 Scheme is to recognise the contribution or future contribution of the Eligible Participants including but not limited to the directors, chief executives, employees and service providers of the Group as well as the related entity participants (as defined in the 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.

The principal terms of the 2022 Scheme are:

- (i) The maximum number of shares in respect of which share options may be granted under the 2022 Scheme and any other share option schemes and share award schemes of the Company (i) shall not in aggregate exceed 10% of the number of the total issued shares of the Company on the 2022 Adoption Date (i.e. 149,185,459 shares); (ii) to the Service Provider(s) (as defined in the 2022 Scheme), shall not exceed 1% of the number of the total issued shares of the Company on the 2022 Adoption Date (i.e. 14,918,545 shares); and (iii) to each Eligible Participant in the 2022 Scheme and within any 12-month period, is limited to 1% of the total issued shares of the Company at any time. Any further grant of share options in excess of the limits set out in (i) and (ii) must be subject to the approval of the shareholders of the Company and the shareholders of LSD and/or LSG (so long as the Company is a subsidiary of LSD and/or LSG under the Listing Rules) in the respective general meetings after 3 years of the 2022 Adoption Date or the last refreshment.

34. SHARE OPTION SCHEMES (continued)

2022 Share Option Scheme (continued)

The principal terms of the 2022 Scheme are: (continued)

- (ii) Share options granted to a Eligible Participants (as defined in the 2022 Scheme), including a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval by the independent non-executive directors of the Company and LSD and/or LSG (so long as the Company is a subsidiary of LSD and/or LSG under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the relevant class of shares of the Company, within any 12-month period up to and including the date of grant, are subject to the approval by the shareholders of the Company and the shareholders of LSD and/or LSG (so long as the Company is a subsidiary of LSD and/or LSG under the Listing Rules) in the respective general meetings.
- (iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK\$1 per share option by the grantee.
- (iv) The exercise period of the share options granted is determined by the directors of the Company provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the 2022 Scheme.
- (v) A share option must be held by the option holder for at least 12 months before the share option can be exercised. A shorter vesting period may be granted to the Employee Participants (as defined in the 2022 Scheme) at the discretion of the board of directors of the Company in the circumstances as set out in the 2022 Scheme.
- (vi) The exercise price of any share options is determinable by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average of the closing price of the Company's share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share on the date of the offer of grant.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

During the year, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2022 Scheme.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2023 and 2022 are presented in the consolidated statement of changes in equity.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC, the subsidiaries and the joint ventures of the Company, which are registered in the PRC, are required to transfer a certain percentage of their net profit after tax (after offsetting any prior years' losses, if any) to the statutory reserve funds which are restricted as to use, until the balance of the statutory reserve funds reaches 50% of the entity's registered capital.

Other reserve

Other reserve mainly arose from change in ownership interest in the existing subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

MAGHL

	2022 HK\$'000
Current assets	657,093
Non-current assets	72,903
Total assets	729,996
Current liabilities	(331,054)
Non-current liabilities	(141,852)
Total liabilities	(472,906)
Equity attributable to non-controlling interests of the Group	71,386
Turnover	222,466
Other income	6,086
Share of profits and losses of joint ventures	(1,390)
Expenses, net	(336,646)
Loss for the year	(109,484)
Other comprehensive loss for the year	(1,436)
Total comprehensive loss for the year	(110,920)
Loss attributable to the non-controlling interests	(36,793)
Other comprehensive loss attributable to the non-controlling interests	(197)
Total comprehensive loss attributable to the non-controlling interests	(36,990)
Net cash flows used in operating activities	(293,794)
Net cash flows from investing activities	1,904
Net cash flows from financing activities	172,768
Net cash outflows	(119,122)

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 July 2023, the Group had non-cash additions and modifications to right-of-use assets of HK\$111,931,000 (2022: HK\$82,521,000) and lease liabilities of HK\$111,931,000 (2022: HK\$82,434,000), in respect of lease arrangements for cinema related properties, other properties and equipment and reclassified rental prepayment of nil (2022: HK\$87,000) to right-of-use assets.

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank loans HK\$'000	Lease liabilities HK\$'000	Other borrowings HK\$'000
At 1 August 2021	161,781	1,267,933	221,217
Changes from financing cash flows	(18,000)	(189,112)	—
Interest expense	175	44,817	5,647
Rent concessions related to COVID-19	—	(57,923)	—
Additions	—	1,279	—
Lease modification	—	81,155	—
Termination	—	(674)	—
Exchange realignment	—	(2,757)	—
At 31 July 2022 and 1 August 2022	143,956	1,144,718	226,864
Changes from financing cash flows	(144,000)	(157,017)	—
Interest expense	44	37,052	6,189
Rent concessions related to COVID-19	—	(786)	—
Additions	—	88,962	—
Lease modification	—	(102,661)	—
Termination	—	(26,834)	—
Exchange realignment	—	(4,110)	—
At 31 July 2023	—	979,324	233,053

38. COMMITMENTS

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

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for:		
Acquisition of items of property, plant and equipment	39,934	3,150

NOTES TO FINANCIAL STATEMENTS

31 July 2023

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 July 2023

Financial assets

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Due from joint ventures	—	15,289	15,289
Financial assets at fair value through profit or loss	156,970	—	156,970
Film investments	38,544	—	38,544
Debtors	—	135,706	135,706
Financial assets included in deposits, prepayments and other receivables	1,845	132,629	134,474
Derivative financial instruments	748	—	748
Pledged time deposits	—	9,307	9,307
Cash and cash equivalents	—	651,012	651,012
	198,107	943,943	1,142,050

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade creditors	50,284
Financial liabilities included in other creditors and accruals	384,931
Financial liabilities included in deposits received	10,884
Lease liabilities	979,324
Other borrowings	233,053
	1,658,476

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 July 2022

Financial assets

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Due from joint ventures	—	19,214	19,214
Financial assets at fair value through profit or loss	118,700	—	118,700
Film investments	71,720	—	71,720
Debtors	—	135,930	135,930
Financial assets included in deposits, prepayments and other receivables	4,425	117,289	121,714
Pledged time deposits	—	146,300	146,300
Cash and cash equivalents	—	1,056,587	1,056,587
	194,845	1,475,320	1,670,165

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade creditors	66,262
Financial liabilities included in other creditors and accruals	313,749
Financial liabilities included in deposits received	6,815
Lease liabilities	1,144,718
Interest-bearing bank loans	143,956
Other borrowings	226,864
	1,902,364

NOTES TO FINANCIAL STATEMENTS

31 July 2023

40. 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 July 2023	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	20,540	83,806	52,624	156,970
Film investments	—	—	38,544	38,544
Financial assets included in deposits, prepayments and other receivables	—	—	1,845	1,845
Derivative financial instruments	—	748	—	748
	20,540	84,554	93,013	198,107

As at 31 July 2022	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) 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 and other receivables	—	—	4,425	4,425
	6,822	95,853	92,170	194,845

Other than the above financial assets, 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 July 2023 and 31 July 2022.

40. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Financial instruments measured at fair value:** (continued)

During the years ended 31 July 2023 and 2022, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities.

During the year ended 31 July 2023, there were no transfers into or out of Level 3 for both financial assets and financial liabilities. During the year ended 31 July 2022, fair value measurement of a financial asset at fair value through profit or loss had been transferred from Level 2 to Level 3 and the transfer was primarily attributable to changes in observable valuation inputs in valuing this investment.

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	92,170	53,992
Increase in investment amount, net	44,825	41,084
Changes in fair value	(789)	10,579
Transfer from Level 2	—	2,840
Settlement	(39,887)	(13,925)
Exchange realignment	(3,306)	(2,400)
At the end of the reporting period	93,013	92,170

Valuation techniques

The fair value of financial assets at fair value through profit or loss in Level 2 is estimated based on quoted prices/values from the fund manager.

For the derivative financial instruments in Level 2, the Group relies on bank valuations to determine the fair value of the instruments. 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 Group has estimated the fair value of the above unlisted investments, except for an equity investment, in Level 3 using the net asset value or the discounted cash flow method or the latest available transaction prices.

For the equity investment in Level 3, the Group's management appoints an external valuer to be responsible for the valuation of the Group's equity investment. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the external valuer on the valuation assumptions when the valuation is performed.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

40. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques (continued)

The fair values of the financial assets 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. The fair value of the equity investment has been determined using equity value allocation model with the Black-Scholes option pricing formula. Under this valuation methodology, the underlying total equity values have been determined based on the most recent transactions of share subscriptions by the independent third-party investors in the investee companies.

Information about the fair value measurement of the equity investment in Level 3 using significant unobservable input is as follows:

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
31 July 2023				
Equity investment at fair value through profit or loss	Market approach	Expected volatility	59.925%	1
		Expected time to exit	2.003 years	2
31 July 2022				
Equity investment at fair value through profit or loss	Market approach	Expected volatility	57.503%	1
		Expected time to exit	3.001 years	2

Notes:

1. The higher the expected volatility, the lower the fair value
2. The longer the expected time to exit, the lower the fair value

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, other borrowings, pledged time deposits, and cash and cash equivalents. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and financial assets which are held by the Group for investment purposes.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces relatively conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings and other borrowings at prime rate) and the equity of the Group.

	Change in interest rate %	Impact on post-tax profit HK\$'000	Impact on equity* HK\$'000
2023	+0.25	(282)	(282)
	-0.25	282	282
2022	+0.25	(603)	(587)
	-0.25	479	469

* excluding amounts attributable to non-controlling interests

NOTES TO FINANCIAL STATEMENTS

31 July 2023

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk

RMB

Certain subsidiaries of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK\$.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group.

	Change in exchange rate %	Impact on post-tax profit HK\$'000	Impact on equity* HK\$'000
2023			
If HK\$ weakens against RMB	5	8,128	8,128
If HK\$ strengthens against RMB	5	(8,128)	(8,128)
2022			
If HK\$ weakens against RMB	5	14,803	10,263
If HK\$ strengthens against RMB	5	(14,779)	(10,247)

* excluding amounts attributable to non-controlling interests

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 July. The amounts presented are gross carrying amounts for financial assets.

As at 31 July 2023

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	HK\$'000
Due from joint ventures					
Normal**	5,223	—	—	—	5,223
Doubtful**	—	—	67,501	—	67,501
Due from associates					
Doubtful**	—	—	14,842	—	14,842
Debtors*	—	—	—	166,579	166,579
Financial assets included in					
deposits, prepayments and					
other receivables					
Normal**	132,629	—	—	—	132,629
Doubtful**	—	—	40,309	—	40,309
Pledged time deposits	9,307	—	—	—	9,307
Cash and cash equivalents	651,012	—	—	—	651,012
	798,171	—	122,652	166,579	1,087,402

NOTES TO FINANCIAL STATEMENTS

31 July 2023

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 July 2022

	12-month	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 1	Stage 2	Stage 3		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from joint ventures						
Normal**	6,029	—	—	—	—	6,029
Doubtful**	—	—	66,605	—	—	66,605
Due from associates						
Doubtful**	—	—	15,489	—	—	15,489
Debtors*	—	—	—	167,115	167,115	167,115
Financial assets included in deposits, prepayments and other receivables						
Normal**	117,289	—	—	—	—	117,289
Doubtful**	—	—	43,335	—	—	43,335
Pledged time deposits	146,300	—	—	—	—	146,300
Cash and cash equivalents	1,056,587	—	—	—	—	1,056,587
	1,326,205	—	125,429	167,115	—	1,618,749

* For debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 to the financial statements.

** The credit quality of the amounts due from joint ventures and associates, and financial assets included in deposits, prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 22 and 25 to the financial statements, respectively.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
31 July 2023				
Trade creditors	50,284	—	—	50,284
Financial liabilities included in other creditors and accruals	384,931	—	—	384,931
Financial liabilities included in deposits received	10,884	—	—	10,884
Lease liabilities	205,078	538,381	364,567	1,108,026
Other borrowings	—	239,688	—	239,688
	651,177	778,069	364,567	1,793,813
31 July 2022				
Trade creditors	66,262	—	—	66,262
Financial liabilities included in other creditors and accruals	313,749	—	—	313,749
Financial liabilities included in deposits received	6,815	—	—	6,815
Lease liabilities	239,726	773,062	264,252	1,277,040
Interest-bearing bank loans	144,962	—	—	144,962
Other borrowings	—	232,511	—	232,511
	771,514	1,005,573	264,252	2,041,339

NOTES TO FINANCIAL STATEMENTS

31 July 2023

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of interest-bearing bank loans, other borrowings, cash and cash equivalents, pledged time deposits and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is the total borrowings to net assets attributable to the owners of the Company was approximately 36.7% (2022: 38.4%).

42. CONTINGENT LIABILITIES

The Group had pledged certain time deposits to certain banks in connection with the banking facilities granted to certain subsidiaries. As at 31 July 2023, the respective letter of credit and letter of guarantee facilities of approximately HK\$440,000 (2022: HK\$2,246,000) were utilised.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries		637,353	1,406,615
Deposits, prepayments and other receivables		10,143	10,180
Total non-current assets		647,496	1,416,795
CURRENT ASSETS			
Deposits, prepayments and other receivables		271	930
Cash and cash equivalents		98,090	418,090
Total current assets		98,361	419,020
CURRENT LIABILITIES			
Creditors and accruals		2,798	2,984
Lease liabilities		539	688
Total current liabilities		3,337	3,672
NET CURRENT ASSETS		95,024	415,348
TOTAL ASSETS LESS CURRENT LIABILITIES		742,520	1,832,143
NON-CURRENT LIABILITIES			
Other borrowings		233,053	226,864
Lease liabilities		12	290
Total non-current liabilities		233,065	227,154
Net assets		509,455	1,604,989
EQUITY			
Issued capital	33	877,938	745,927
Reserves ^(note)		(368,483)	859,062
Total equity		509,455	1,604,989

NOTES TO FINANCIAL STATEMENTS

31 July 2023

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2021	4,257,351	845,455	—	(4,033,609)	1,069,197
Loss for the year and total comprehensive loss for the year	—	—	—	(210,378)	(210,378)
Equity-settled share option arrangements	—	—	243	—	243
At 31 July 2022 and 1 August 2022	4,257,351	845,455	243	(4,243,987)	859,062
Loss for the year and total comprehensive loss for the year	—	—	—	(1,227,545)	(1,227,545)
At 31 July 2023	4,257,351	845,455	243	(5,471,532)	(368,483)

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2023 are as follows:

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Artists Limited	Hong Kong	HK\$44,394,500	—	100	Music production and distribution and film investment
East Asia Music (Holdings) Limited	Hong Kong	HK\$10,000	—	100	Music production and distribution and film investment
eSun High-Tech Limited	Hong Kong	HK\$2	—	100	Investment in and licensing of film rights
Fascinating Screens Limited	Hong Kong	HK\$1,000,001	—	100	Cinema operation
Fortunate Sound Limited	Hong Kong	HK\$1	—	100	Music production and distribution
Fortune Spark Limited	Hong Kong	HK\$10,000,000	—	100	Cinema operation
Glynhill International Limited	Hong Kong	HK\$915,631,997	100	—	Investment holding and provision of management service
Intercontinental Film Distributors (H.K.) Limited	Hong Kong	HK\$700,400	—	95	Film distribution
Intercontinental Group Holdings Limited	Cayman Islands/ Hong Kong	US\$50,000	—	95	Investment holding
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US\$1	100	—	Property holding
Lauro Game Entertainment Limited	Hong Kong	HK\$100,000	—	95	Trading of gaming products
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US\$80	—	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK\$2	—	100	Film distribution and film library management
Media Asia Entertainment Group Limited	Bermuda/Hong Kong	HK\$100	—	100	Investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US\$7	—	100	Film production, licensing of films and investment holding

NOTES TO FINANCIAL STATEMENTS

31 July 2023

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2023 are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Media Asia Group Limited	Hong Kong	HK\$2	—	100	Investment holding and provision of management services
Media Asia Holdings Ltd.	British Virgin Islands/ Hong Kong	US\$6,831	—	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK\$2	—	100	Licensing of film rights and sale of video products
Multiplex Cinema Limited	Hong Kong	HK\$71,000,000	—	95	Cinema operation
Perfect Advertising & Production Company Limited	Hong Kong	HK\$10,000	—	95	Provision of advertising services, video duplication services, and translating and subtitling of TV programs
Perfect Sky Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100	—	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK\$100	—	75	Provision of artiste management services
Style International Management Group Limited	Hong Kong	HK\$1	—	58.2	Provision of artiste management services
廣東五月花電影城有限公司 ("廣東五月花") [^]	PRC/Mainland China	RMB120,000,000 [#]	—	100	Cinema operation
東亞豐麗演出經紀(北京) 有限公司 [^]	PRC/Mainland China	RMB25,000,000 [#]	—	100	Provision of artiste management and performance agency services
MAGHL ^(note a)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK\$29,863	—	100	Investment holding
Champ Universe Limited	Hong Kong	HK\$1	—	100	Provision of management services

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2023 are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lam & Lamb Entertainment Limited	Hong Kong	HK\$1	—	100	Provision of artiste management services and entertainment activity production
Media Asia Distribution (Beijing) Co., Ltd. [^]	PRC/Mainland China	RMB130,000,000 [#]	—	100	Film distribution
Media Asia Entertainment Limited	Hong Kong	HK\$100	—	100	Entertainment activity production, and event and film investments
Media Asia Film International Limited	British Virgin Islands/ Hong Kong	US\$100	—	100	Film investment and production and event investments
Media Asia Film Production Limited	Hong Kong	HK\$100	—	100	Investment holding and film production
Media Asia Music Limited	Hong Kong	HK\$1	—	100	Music production and distribution and event investments
Media Asia Talent Management Limited	Hong Kong	HK\$1	—	100	Provision of artiste management services
Media Asia TV Program Distribution Limited	Hong Kong	HK\$1	—	100	Licensing of television dramas
Media Asia TV Program Production (HK) Limited	Hong Kong	HK\$1	—	70	TV program production
寰亞文化傳播(中國)有限公司 [^]	PRC/Mainland China	HK\$38,000,000 [#]	—	100	Entertainment activity production

[#] The registered capital of these subsidiaries was fully paid up, except for 廣東五月花 of which the capital of RMB20,000,000 (equivalent to approximately HK\$21,820,000) and Media Asia Distribution (Beijing) Co., Ltd. of which the capital of RMB29,480,000 (equivalent to approximately HK\$32,163,000) were unpaid as at 31 July 2023.

[^] Registered as wholly-foreign-owned enterprises under the laws of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 July 2023

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2023 are as follows: (continued)

As at 31 July 2023, the Group had unpaid capital contributions of approximately HK\$107,573,000 to two wholly-owned subsidiaries (2022: HK\$126,218,000 to one wholly-owned subsidiary and two non-wholly-owned subsidiaries) which are not included in the above table.

Note:

(a) *Interests in MAGHL*

For the year ended 31 July 2023

As disclosed in note 33 to the financial statements, the equity interest of the Group in MAGHL increased from 67.70% to 100% on 16 March 2023. The cash consideration and the related transaction costs paid by the Group were approximately HK\$202,698,000 and the share consideration allotted and issued by the Company was approximately HK\$132,011,000. The change in the Group's equity interest in MAGHL resulted in a decrease in other reserve of HK\$263,426,000 and a decrease in non-controlling interests of HK\$71,283,000.

For the year ended 31 July 2022

On 3 August 2021, MAGHL allotted and issued a total of 40,612,197 ordinary shares to THL G Limited at HK\$1.2 per share. The equity interest of the Group in MAGHL decreased from 68.64% to 67.70%. The net proceeds received by the Group were approximately 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 the non-controlling interests of HK\$18,665,000.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 October 2023.



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