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 2021

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爆丸
維斯托亞之冠
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CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

U Po Chu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lui Siu Tsuen, Richard

COMPANY SECRETARY

Wong Lai Chun

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

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

LISTING INFORMATION

Shares

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

Stock Code/Board Lot

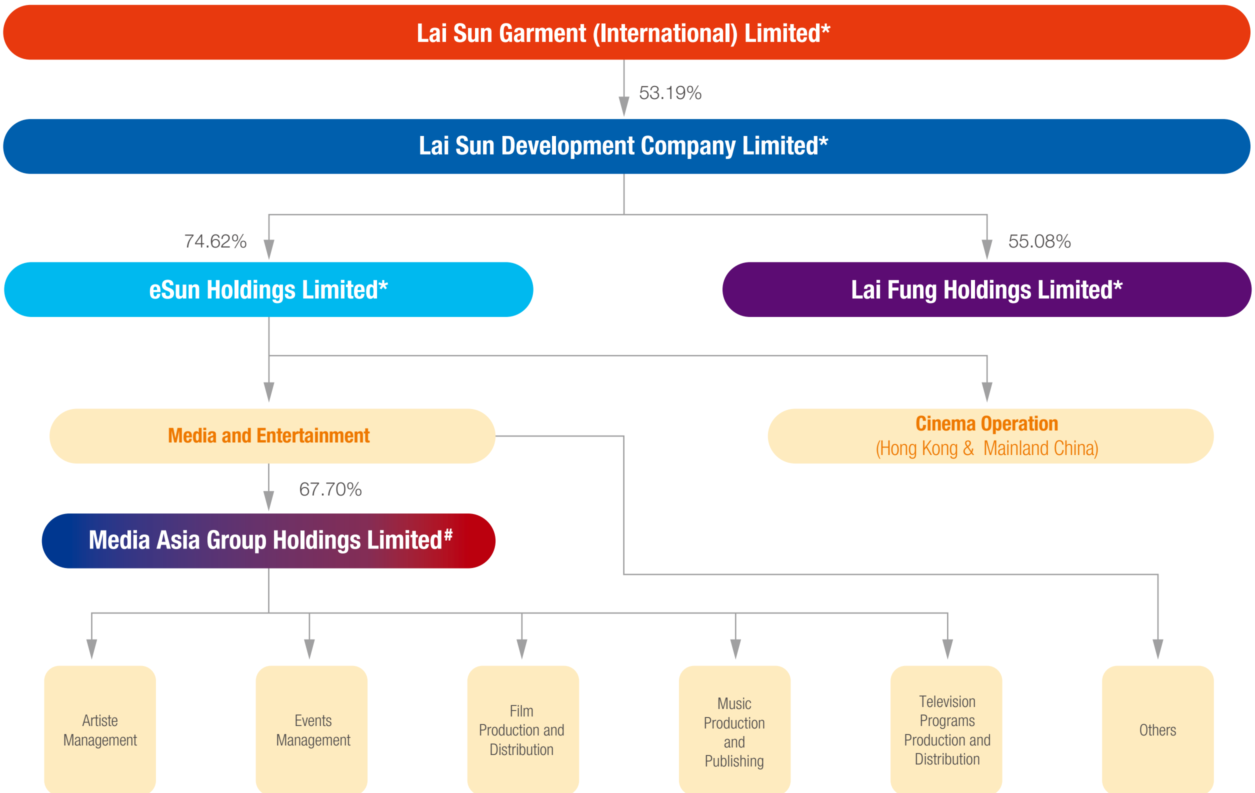
571/2,000 shares

WEBSITE

www.esun.com

INVESTOR RELATIONS

Tel: (852) 2853 6116
Fax: (852) 2853 6651
E-mail: ir@esun.com



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

Corporate Structure as at 19 October 2021

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 development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation.

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company, the issued shares of which are traded and listed on GEM of The Stock Exchange of Hong Kong Limited (Stock Code: 8075). The Company currently holds about 67.70% of the total issued shares in MAGHL and the principal activities of MAGHL and its subsidiaries include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

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 and video distribution companies in Hong Kong, releasing around 30 films every year and distributing a variety of video products. IGHL is also one of the leading multiplex cinema operators in Hong Kong, operating a total of 17 cinemas in Hong Kong and Mainland China.

CHAIRMAN'S STATEMENT

Low Chee Keong
Chairman

I am pleased to present the audited consolidated results of eSun Holdings Limited ("**Company**") and its subsidiaries (together, "**Group**") for the year ended 31 July 2021.

OVERVIEW OF ANNUAL RESULTS

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

For the year ended 31 July 2021, the continuing operations of the Group recorded a turnover of HK$835.3 million, representing a decrease of approximately 10.1% from that of HK$929.2 million last year, primarily due to the decrease in revenue from film and TV program segment of the Group during the year under review. The gross profit dropped by approximately 39.0% to HK$184.1 million (2020: HK$301.9 million).

The net loss attributable to owners of the Company from continuing operations of the Group for the year ended 31 July 2021 was approximately HK$351.1 million (2020: HK$926.4 million). The decrease in consolidated loss is primarily due to (i) the reduction in the impairment of right-of-use assets and property, plant and equipment; and (ii) the absence of impairment of goodwill during the year under review as compared to last year. Net loss per share attributable to owners of the Company from continuing operations of the Group was HK$0.235 (2020: net loss of HK$0.621).

Net loss attributable to owners of the Company for the year ended 31 July 2021 was approximately HK$351.1 million (2020: HK$8,585.4 million). The significant decrease is primarily due to (i) the non-recurrence of the loss on disposal and the operating results of Lai Fung Group after the completion of the LF Disposal in May 2020; and (ii) the reduction in the net loss attributable to owners of the Company from continuing operations of the Group for the year under review. Net loss per share attributable to owners of the Company was HK$0.235 (2020: net loss of HK$5.755).

Equity attributable to owners of the Company as at 31 July 2021 amounted to HK$1,263.4 million (2020: HK$1,597.4 million). Net asset value per share attributable to owners of the Company as at 31 July 2021 was HK$0.847 (2020: HK$1.071).

FINAL DIVIDEND

The board of directors of the Company ("**Board**") does not recommend the payment of a dividend for the year ended 31 July 2021 (2020: Nil).

BUSINESS REVIEW AND OUTLOOK

This financial year has been one of the toughest years in the history of the entertainment industry marked by the global coronavirus (COVID-19) pandemic. Although vaccination programs have been launched on massive scales by various governments, the sector remains at the mercy of the coronavirus, with the recent rising prevalence of the Delta variant affecting business confidence and the risks of future outbreaks ever present.

The disruption of cinema operation of the Group continued during the year ended 31 July 2021. The Group's cinemas in Hong Kong have been requested to close twice for a total of 105 days during the year under review. The latest mandatory closure occurred when the fourth wave of COVID-19 emerged from 2 December 2020 to 17 February 2021 throughout the holiday season and has inevitably impacted the Group's box office performance. Cinemas in Mainland China re-opened in late July 2020 after being closed for over 5 months and the box office has shown a sign of recovery. The recent resurgence of Delta variant cases in Mainland China halted people's plan to go to cinemas. The May Flower Cinema in Guangzhou was forced to close for 28 days in response to the Delta variant outbreak in Guangdong province in June 2021. The business performance of cinemas in Hong Kong and Mainland China, that are allowed to re-open, are still suffering from the delay in releases of blockbuster movies and the social distancing measures such as restrictions on the seating capacity and bans on eating and drinking in the cinema houses. Despite the challenging operating environment under the COVID-19 pandemic, the Group remains cautiously optimistic about the fundamental demand for entertainment in long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong.

During the year under review, the Group took over three sites that were previously operated by U A Cinema Circuit Limited, including one at K11 MUSEA in Tsim Sha Tsui, Kowloon, one at Citygate, Tung Chung and the other one at Amoy Plaza, Kowloon. The K11 Art House with 12 houses and a total of 1,708 seats started the business on 6 March 2021 and is the first cinema in Hong Kong that uses IMAX laser, equipped with all the latest audiovisual technology, such as IMAX 12-channel IMMERSIVE Sound system and 4K RGB Laser for an extraordinary theatrical effect. The MCL Citygate Cinema and the MCL Amoy Cinema opened on 17 June 2021 and 15 July 2021, respectively. Another new cinema of the Group in Kai Tak, Kowloon, is expected to commence business in the fourth quarter of 2022. The Group also secured the cinema site at The ONE in Tsim Sha Tsui, Kowloon and the operation is expected to commence in April 2023. The Group is closely monitoring the market conditions in Hong Kong and Mainland China and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

The outbreak of novel COVID-19 also posted unprecedented challenges to the media and entertainment industry, with entertainment spending affected severely by the accompanying economic recession and social distancing measures. The entertainment consumption of the PRC and local markets started to recover amid the novel coronavirus epidemic. Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company, together with its subsidiaries, "**MAGHL Group**"), being the media and entertainment arm of the Group, continues focusing on producing high quality and commercially viable products to rise the challenge and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture related market opportunities.

MAGHL Group continues to invest in original production of quality films with Chinese themes. "*Tales from the Occult*", a psychological thriller made up of three short stories produced by John Chong and Mathew Tang, and directed by Wesley Hoi, Fung Chih Chiang and Fruit Chan is in post-production stage. "*Septet: the Story of Hong Kong*", an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam, was selected as the opening film of the 45th Hong Kong International Film Festival. This film is scheduled for theatrical release soon.

A 30 episode modern-day drama series "*Modern Dynasty*", featuring Cheung Chi Lam and Tavia Yeung, tailor-made for Alibaba's Youku platforms, is in post-production stage. Projects under development include "*Twin Shadows*", a 24 episode modern-day drama featuring Bosco Wong, which will commence shooting in December 2021. The 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 continues to provide stable income contribution to the Group. MAGHL Group will keep looking for new talent in Greater China and further cooperation with Asian artistes with an aim to build up a strong artiste roster for the Group.

The recent "*Leon Lai Talk & Sing 2021 Concert*" and "*C AllStar in Concert 2021*" have earned good reports/feedback and public praises. MAGHL Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Eman Lam, Yoga Lin and Tsai Chin.

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

The clawback offer ("**Clawback Offer**") and the placing ("**Placing**") in relation to the loan capitalisation proposal jointly announced by the Company together with MAGHL, Lai Sun Development Company Limited and Lai Sun Garment (International) Limited on 6 November 2020 were completed on 18 January 2021. The net proceeds received by the Company from the Clawback Offer and the Placing are approximately HK$126.3 million after deducting the direct transaction costs incurred in the Clawback Offer and the Placing, and the Group placed the net proceeds together with the net proceeds of HK$1,515.9 million from the LF Disposal as disclosed in the circular of the Company dated 24 April 2020. Up to 31 July 2021, approximately HK$637.0 million have been used, including approximately HK$264.0 million used for the development and enhancement of cinema operation; HK$250.0 million used for repayment of shareholder's loans; approximately HK$80.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK$43.0 million for general corporate uses. In light of the uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Group will continue to adopt a cautious approach and evaluate its business objectives from time to time and may make modifications against the changing market conditions.

As at 31 July 2021, the Group's consolidated cash position of HK$1,640.9 million (HK$1,345.4 million excluding MAGHL Group) (2020: HK$1,819.1 million (HK$1,501.4 million excluding MAGHL Group)) and the debt to equity ratio as at 31 July 2021 amounted to approximately 30.3% (2020: 24.7%). The Group will continue its prudent and flexible approach in managing its financial position.

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 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
19 October 2021

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS:					
TURNOVER	**835,303**	929,156	1,450,189	2,183,863	2,677,388
PROFIT/(LOSS) BEFORE TAX AND TAX INDEMNITY	**(399,845)**	(922,949)	(344,634)	915,651	1,106,540
Tax and tax indemnity	**(8,398)**	(79,262)	(3,077)	(242,234)	(79,326)
PROFIT/(LOSS) FOR THE YEAR	**(408,243)**	(1,002,211)	(347,711)	673,417	1,027,214
DISCONTINUED OPERATIONS:					
Profit/(loss) for the year from discontinued operations	**–**	(8,150,401)	365,816	–	–
	(408,243)	(9,152,612)	18,105	673,417	1,027,214
Attributable to:					
Owners of the Company	**(351,126)**	(8,585,404)	(77,645)	263,840	514,233
Non-controlling interests	**(57,117)**	(567,208)	95,750	409,577	512,981
	(408,243)	(9,152,612)	18,105	673,417	1,027,214

Note: The results of discontinued operations prior to 2019 have not been restated or reclassified. Therefore, the results prior to 2019 may not be comparable to 2019, 2020 and 2021.

Assets, Liabilities and Non-controlling Interests

	As at 31 July				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**266,715**	257,425	4,931,149	3,790,965	3,041,562
Right-of-use assets	**883,505**	786,397	–	–	–
Properties under development (classified as non-current assets)	**–**	–	713,590	410,157	1,346,220
Investment properties	**–**	–	20,424,800	18,601,100	16,903,419
Film rights	**15,109**	7,055	24,608	11,205	20,960
Film and TV program products	**54,838**	65,121	75,022	80,217	125,921
Music catalogs	**3,124**	8,584	15,629	9,657	11,438
Goodwill	**10,000**	10,000	82,440	82,440	82,440
Other intangible assets	**–**	–	–	586	16,557
Investments in joint ventures	**20,461**	15,979	22,993	1,868,316	1,438,287
Investments in associates	**–**	–	5,804	16,278	28,587
Financial assets at fair value through profit or loss (classified as non-current assets)	**35,308**	37,793	75,815	–	–
Available-for-sale investments	**–**	–	–	114,361	123,435
Long-term deposits, prepayment, other receivables and other assets	**119,037**	98,663	96,237	120,116	124,362
Deferred tax assets	**516**	2,121	9,108	4,189	6,050
Derivative financial instruments	**–**	–	20,581	2,531	–
Current assets	**2,308,488**	2,580,584	8,115,601	6,937,701	5,973,510
TOTAL ASSETS	**3,717,101**	3,869,722	34,613,377	32,049,819	29,242,748
Current liabilities	**(1,057,216)**	(1,026,294)	(5,100,557)	(3,311,059)	(4,968,225)
Non-current liabilities – Long-term creditors, accruals and deposits received, lease liabilities, bank and other borrowings, derivative financial instruments, loans from a joint venture, loans from a fellow subsidiary, loans from a related company, guaranteed notes and fixed rate senior notes	**(1,333,890)**	(1,273,094)	(8,735,777)	(7,774,859)	(3,947,369)
Deferred tax liabilities	**(2,629)**	(101)	(3,351,747)	(3,318,953)	(3,104,284)
TOTAL LIABILITIES	**(2,393,735)**	(2,299,489)	(17,188,081)	(14,404,871)	(12,019,878)
NON-CONTROLLING INTERESTS	**(59,986)**	27,200	(8,326,675)	(8,385,483)	(8,104,670)
Equity attributable to owners of the Company	**1,263,380**	1,597,433	9,098,621	9,259,465	9,118,200

FINANCIAL HIGHLIGHTS

Financial Highlights on Continuing Operations

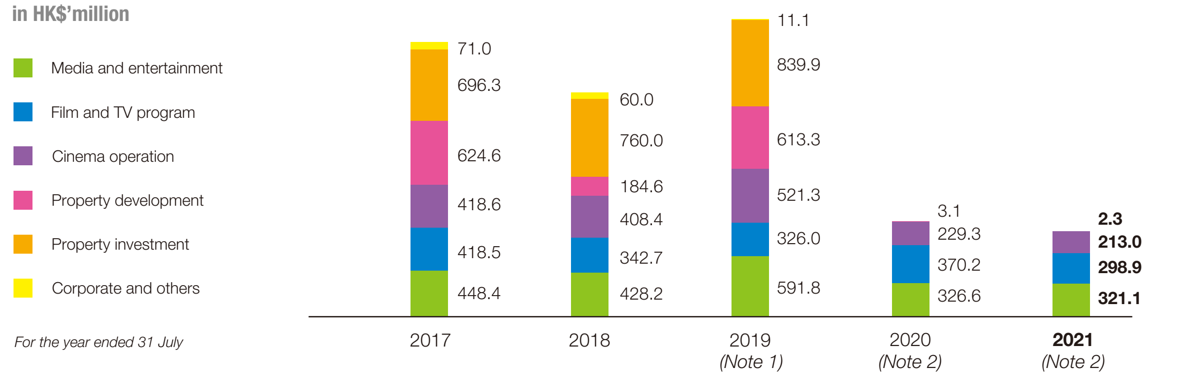
		Year ended 31 July 2021	Year ended 31 July 2020
Turnover	(HK$'M)	**835.3**	929.2
Gross profit	(HK$'M)	**184.1**	301.9
Gross profit margin	(%)	**22.0%**	32.5%
Operating loss	(HK$'M)	**(339.3)**	(840.7)
Loss attributable to owners of the Company	(HK$'M)	**(351.1)**	(926.4)
Basic loss per share *(Note 1)*	(HK$)	**(0.235)**	(0.621)
Net assets attributable to owners of the Company	(HK$'M)	**1,263.4**	1,597.4
Total borrowings	(HK$'M)	**383.0**	395.2
Net asset value per share *(Note 2)*	(HK$)	**0.847**	1.071
Gearing — debt to equity ratio	(%)	**30.3%**	24.7%
Current ratio	(times)	**2.2**	2.5
Discount to net asset value	(%)	**17.4%**	24.4%

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*

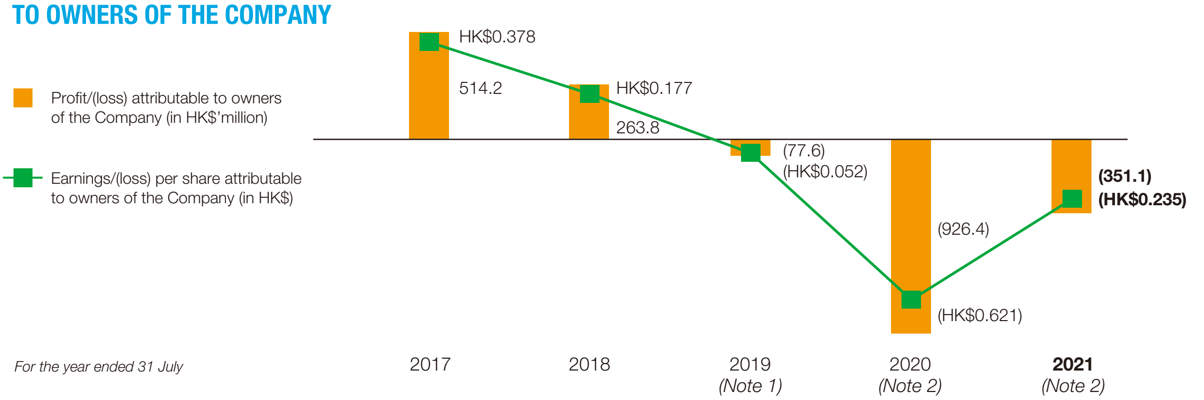
TURNOVER BY SEGMENT



Notes:

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

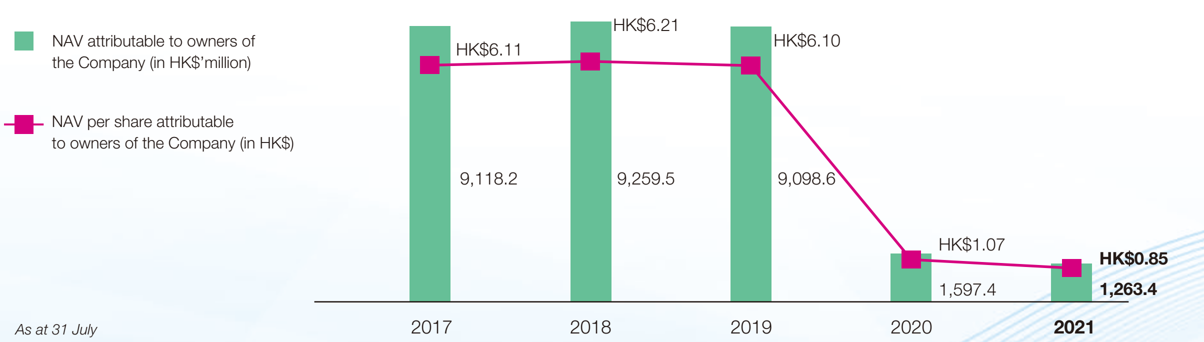
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



Notes:

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Cinema Operation

For the year ended 31 July 2021, this segment recorded a turnover of HK$213.0 million (2020: HK$229.3 million) and segment results showed a loss of HK$151.0 million (2020: HK$535.0 million). Decrease in segment loss is primarily due to decrease in the impairment of right-of-use assets and property, plant and equipment during the year under review as compared to last year. As at the date of this Annual Report, the Group operates 14 cinemas in Hong Kong and 3 cinemas in Mainland China and details on the number of screens and seats of each cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens *(Note)*	No. of seats *(Note)*
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		**22**	**2,951**
Hong Kong			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		**74**	**11,011**
Total		**96**	**13,962**

Note: *On 100% basis*

Media and Entertainment

For the year ended 31 July 2021, this segment recorded a turnover of HK$321.1 million (2020: HK$326.6 million) and segment results showed a loss of HK$17.4 million (2020: HK$5.8 million).

Live Entertainment

During the year under review, the Group organised and invested in 14 (2020: 39) shows by popular local, Asian and internationally renowned artistes, including Leon Lai, C AllStar and Eman Lam.

Music Production, Distribution and Publishing

For the year ended 31 July 2021, the Group released 19 (2020: 15) albums, including titles by Sammi Cheng, C AllStar, Andy Leung, Chan Kin On, Jay Fung, Nowhere Boys and Joyce Cheng.

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.

Film and TV Program Production and Distribution

For the year ended 31 July 2021, this segment recorded a turnover of HK$298.9 million (2020: HK$370.2 million) and segment showed a loss of HK$94.9 million (2020: HK$80.1 million).

During the year under review, a total of 6 (2020: 5) films produced/invested by the Group were theatrically released, namely "*I'm Livin' It*", "*The Calling Of A Bus Driver*", "*All U Need Is Love*", "*The Legend of the Condor Heroes: The Cadaverous Claws*", "*The Legend of the Condor Heroes: The Dragon Tamer*" and "*1921*". The Group also distributed 27 (2020: 25) films and 165 (2020: 468) videos with high profile titles including "*1921*", "*Stand By Me Doraemon 2*", "*77 Heartwarmings*" and "*Snake Eyes*".

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2021, cash and bank balances held by the Group amounted to HK$1,640.9 million (31 July 2020: HK$1,819.1 million) of which around 83.8% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 15.6% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group as at 31 July 2021 was HK$1,345.4 million (31 July 2020 (excluding MAGHL Group): HK$1,501.4 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. The Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2021, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$383.0 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2021, the Group had secured general banking facilities granted by a bank. As at 31 July 2021, the Group had outstanding bank loans of HK$161.8 million and utilised letter of credit and letter of guarantee facilities of HK$1.7 million. The maturity profile of the Group's bank loans is spread with HK$108.0 million repayable within one year and HK$53.8 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD. The Group has undrawn facilities of HK$23.3 million.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$108.2 million for the said unsecured other borrowings as at 31 July 2021. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2021.

MAGHL

MAGHL had no outstanding loans as at 31 July 2021.

Charge on Assets and Gearing

As at 31 July 2021, time deposits of approximately HK$164.1 million of the Group have been pledged to secure banking facilities of the Group.

As at 31 July 2021, the consolidated net assets attributable to the owners of the Company amounted to HK$1,263.4 million (31 July 2020: HK$1,597.4 million). As at 31 July 2021, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company, was approximately 30.3%.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2021 are set out in note 45 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2021, the Group employed a total of around 580 (2020: 540) 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

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 ("**Group**") in accordance with the ESG Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). This report follows the four reporting principles listed in the HKEX ESG Reporting Guide, including materiality, quantitative, balance and consistency for report disclosure and historical data comparison. Unless otherwise specified, this report covers the ESG management and performance of the Group from 1 August 2020 to 31 July 2021.

The reporting boundary of this report covers properties under the Group's cinema, media and entertainment businesses in Hong Kong and Mainland China. For more details of the specific properties included 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 significance of ESG issues to build long-lasting business success. The Board endorses the ESG report, oversees key ESG issues including material ESG risks associated with the business operations and their integration with the Group's ESG strategies, policies, procedures and initiatives.

During the reporting year, the Executive Committee of the Company ("**Committee**") has been delegated by the Board to review and monitor the management and implementation effectiveness of relevant ESG-associated issues including implementation of goals and targets. The Group's environmental targets are being approved by the Board and will be reviewed by the Committee annually. With the Group's diverse business portfolio, management from different business report regularly to the Committee on relevant ESG-associated issues and their progress. Regular briefings to the Board are arranged by the Committee to assist the Board in monitoring and reviewing material ESG-related issues, associated business risk and progress and implementation of ESG policies, procedures and initiatives.

Material ESG issues are being identified and prioritised through our stakeholder engagement exercise. This year, we have conducted an extensive stakeholder engagement exercise to further understand and update the ESG issues deemed important by our stakeholders. The list of material ESG issues was reviewed and validated by the Board and incorporated into the Group's planning for business strategies and ESG initiatives. Going forward, the list of material ESG issues will be reviewed annually by the Board, the Committee and the management. For more details on materiality analysis of ESG issues, please refer to the Stakeholder Engagement section.

Stakeholder Engagement

The Group strives to maintain a long-term relationship with stakeholders and highly values their issues of concern through different communication channels including but not limited to hotline services, online surveys, customer feedback collection box and email. During the reporting year, an independent consultant was commissioned to conduct an extensive stakeholder engagement exercise through the means of online survey to understand stakeholders' perception on material ESG issues and risks. Responses were collected from a range of stakeholder groups, including management, general employees, customers, business partners and media. The Group takes into account insightful feedback from both internal and external stakeholder groups which enables the Group to refine its ESG strategies and management practices to better meet stakeholders' expectations.

Materiality Analysis

During the reporting year, we adopted a four-step process to identify material issues that are most relevant to our business and stakeholders.

Identification	A total of 22 ESG issues were identified and considered as relevant to the Group with reference to peer benchmarking results.
Prioritisation	Stakeholders were invited to rank the materiality of ESG issues through online surveys. The result of peer benchmarking and stakeholder engagement exercise were analysed and consolidated in terms of their importance to stakeholders and to the Group's business development to derive the overall materiality level of each ESG issue.
Validation	Based on the survey results and validation from the Board, 17 ESG issues are deemed material to the ultimate holding company of the Company, Lai Sun Garment (International) Limited, of which, a total of 10 ESG issues relevant to the Company's business operations are identified to be material.
Review	An annual review on the ESG issues is conducted to ensure their relevance and materiality to the Group's business development.

ESG issues that are considered material to our stakeholders and the Group are listed in the following table:

<table>
<tr><th colspan="2">Aspects</th><th>ESG issues</th><th>Cinema</th><th>Entertainment</th></tr>
<tr><td colspan="2" rowspan="3">Environment</td><td>Energy</td><td></td><td></td></tr>
<tr><td>Waste management</td><td></td><td></td></tr>
<tr><td>Water resources</td><td></td><td></td></tr>
<tr><td rowspan="14">Social</td><td rowspan="5">People</td><td>Employee relationship</td><td></td><td></td></tr>
<tr><td>Recruitment and retention</td><td>✔</td><td>✔</td></tr>
<tr><td>Occupational health and safety</td><td>✔</td><td>✔</td></tr>
<tr><td>Training and development</td><td>✔</td><td>✔</td></tr>
<tr><td>Equal opportunities</td><td>✔</td><td>✔</td></tr>
<tr><td rowspan="8">Operating practices</td><td>Supply chain management</td><td>✔</td><td>✔</td></tr>
<tr><td>Customer satisfaction</td><td></td><td></td></tr>
<tr><td>Product/service quality and safety</td><td>✔</td><td>✔</td></tr>
<tr><td>Intellectual property</td><td></td><td></td></tr>
<tr><td>Marketing and labelling</td><td></td><td></td></tr>
<tr><td>Customer/tenant privacy</td><td>✔</td><td>✔</td></tr>
<tr><td>Anti-corruption</td><td>✔</td><td>✔</td></tr>
<tr><td>Legal compliance</td><td>✔</td><td>✔</td></tr>
<tr><td>Community</td><td>Community investment</td><td>✔</td><td>✔</td></tr>
</table>

ENVIRONMENT

Integrating Environmental Sustainability into Our Operations

The Group endeavours to minimise our environmental impacts and conduct our businesses in an environmentally sustainable manner. Along with our commitment to incorporate environmental considerations into our business planning and decision-making processes, we have adopted an effective management of the Group's emissions, energy and water consumption, waste generation and resource use.

The Group monitors and evaluates our environmental performance and the effectiveness of environmental measures on a regular basis to ensure full compliance with applicable laws and regulations. During the reporting year, there were no recorded incidents of non-compliance with environmental legislations as listed in the List of Significant Laws and Regulations section.

Responding to Climate Change

Recognising climate change poses significant threats across the globe, the Group has optimised our management approaches to build up our climate resilience and enhance our adaptive capacity. A climate risk assessment exercise is conducted to identify and assess the potential risks in our operations, thereby facilitating the formulation of our climate risk mitigation measures.

We commissioned a third-party consultant to conduct a climate risk assessment exercise to identify and analyse the risks across our operational regions. Regarding our physical risk exposure, tropical cyclones are identified as the most significant climate-related risk to our operations, with the potential to cause massive property damages and economic losses. Our climate risk assessment results suggested that businesses in Hong Kong could potentially be materially impacted by flooding due to the proximity to coastal areas. However, since all of our cinemas and offices are located indoor of shopping malls and office buildings, the physical risk exposure is relatively low for our business. Meanwhile, policy and legal risks are also considered as a material transition risk to the Hong Kong's operations. Additionally, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet carbon emission reduction targets and net zero ambitions, thus higher operating costs and replacement of equipment with higher efficiency models are expected to ensure future compliance to the regulations.

A range of mitigation measures are carried out to avoid and reduce the climate-related impacts on our business operations. To increase our preparedness under extreme weather conditions, the Group has formulated a typhoon and extreme weather condition work arrangement guideline to standardise the operating procedures under tropical cyclone warnings and bad weather condition. In an attempt to reduce energy consumption and greenhouse gas ("**GHG**") emission, we have also procured energy-saving equipment for our operations.

Emissions to the Environment

The Group is aware of the environmental impacts associated with our businesses and makes every endeavour to minimise the amount of air pollutants, GHG emissions and waste generations in our operations. We have introduced a host of group-wide and business unit-specific abatement procedures and control measures to manage our emissions to the environment.

The Group's current waste management has always aligned with the key principles of waste reduction, reuse, sorting and recycling. For example, waste is classified into recyclables or non-recyclables in our operations. Recycling bins are placed at office areas and properties to facilitate the collection of recyclable waste. Regarding the collection, treatment and disposal of electronic waste and other hazardous waste, we would appoint qualified waste management companies or take part in relevant recycling schemes to handle the waste disposal in a safe, responsible and legal manner.

Managing Waste in Cinema Operation

In light of the COVID-19 pandemic, cinemas were closed for much of this reporting year. Eating and drinking are also prohibited in cinema houses according to the Hong Kong government's Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F) policy. Hence, the Group has reduced the purchase volume and the types of food and drink offered in the concession counters and suspended the sale of products with shorter shelf life to minimise the food waste in our operations.

Use of Resources

Conscious management of energy is well advocated across the Group. Our efforts in resources management are strengthened through the introduction of green policies and environmental initiatives to reduce our energy and water consumption, as well as GHG emissions.

Cinema Operation

As energy remains the major resource consumed in our cinema operation, we have formulated a range of management strategies in effectively managing our electricity usage. The electricity consumption of cinemas would be monitored on a regular basis to ensure our high standards were maintained and fulfilled in the cinemas. Other energy-saving initiatives such as the installation of energy-efficient lighting and automatic induction devices are also implemented in some of the Group's cinemas.

PEOPLE

Employment Practices

The Group recognises the value of its employees as a key factor to its success. In order to show the Group's determination to attract and retain talent, and offer an equal, appealing and harmonious working environment, the Group strictly complies with the applicable employment laws and regulations in Hong Kong and Mainland China. Outlined in its staff handbook are relevant terms and conditions of employment, together with employee benefits, compensation and dismissal, anti-discrimination, working hours, leave entitlement and the Group's expectations on employees' conduct and behaviour.

The Group's policy and grievance mechanisms reaffirm its commitment in creating an inclusive and non-discriminating workplace. We encourage employees who encounter or observe any issues in employment practices to report those issues according to the procedures stipulated in the staff handbook. To ensure the rights of victims are protected, all complaints regarding workplace harassment will be addressed and handled in a confidential and professional manner. In addition, the Group endeavours to improve employee engagement and maintain good employee relationship via effective communication channels, including daily emails, meetings, internal newsletters and social media platforms.

During the reporting year, there were no non-compliance cases with the employment laws and regulations listed in the List of Significant Laws and Regulations section.

Employee Welfare

Beyond compliance with employment laws and regulations, the Group has signed the Good Employer Charter of the Labour Department in Hong Kong as a commitment to providing not only a supportive working environment for the employees, but also other aspects such as employee care, benefits, communications and work-life balance. Attractive welfare packages including mandatory provident fund ("**MPF**"), medical or commercial insurance, social security and housing fund are offered to employees in respective regions.

The Group also proactively offers value-added employee benefits and wellbeing programs to its employees. The Group provides employees with a variety of fringe benefits, including additional holidays, vaccination leave, annual health check-up and allowances. In Hong Kong, the Group arranges film screenings, monthly "Lunch Talk" on variety of topics such as MPF and health-related knowledge and gives out festival gifts such as mooncake and Chinese New Year puddings to our employees for festival celebrations. All events taken place during the reporting year strictly followed the government's restrictions and guidance on group gathering to prevent the spread of COVID-19. Through the abovementioned, the Group strives to develop a good sense of belonging and strong team bonding among employees.

Health and Safety

Safeguarding the health and safety of our employees is the Group's top priority and it is dedicated to minimising potential occupational health and safety risks in its operations. In Hong Kong, the Group refers to the guideline and information stipulated by the Labour Department on occupational health and safety. The management teams of various business units are responsible for managing and implementing health and safety preventive and control measures. Relevant trainings, reminders and protective equipment are provided to protect employees in the Group's premises from health and safety hazards.

During the reporting year, COVID-19 has been one of the major health and safety concerns at workplace. In response to this, the Group provides masks and sanitisers at all operations. All employees are required to wear masks and measure body temperature before work. Beyond the compliance of preventive measures required by government, the Group continues to provide updates to all employees to keep them informed on the latest development of the pandemic, and introduced vaccination leave to encourage employees and cleaning workers to either receive the COVID-19 vaccine or conduct COVID-19 testing every 14 days to prevent the spread of COVID-19.

Furthermore, we recognise the importance of promoting good physical and mental wellness of the employees. During the reporting year, the Group organised wellness activities such as "Lunch Talk" on health awareness to promote employee care and work-life balance. All activities held during the reporting year strictly followed local government's restriction and guidance on group gathering to prevent the spread of COVID-19.

During the reporting year, there were no non-compliance cases with occupational health and safety laws and regulations listed in the List of Significant Laws and Regulations section.

Development and Training

Employee competencies are important to the Group's long-term business growth. The Group offers training and education subsidy schemes for employees as stipulated in the staff handbook. To equip employees with necessary skills and knowledge, the Group provides on-the-job training along with career development opportunities to employees.

To encourage continuous competence building, employees from all business units who have worked over 12 months in the Group are entitled to apply for tuition schemes, in which the Group will provide sponsorship for them to pursue further training and development courses in relation to their positions and scope of work. Various subsidised courses are also offered to further support our employees to achieve professional qualifications.

Employee performance evaluation is an essential part of sustainable development of the talent pool. Annual performance assessment is conducted at year end to review employees' performance. For employees who have outstanding performance during the year, promotion opportunity will be taken into consideration.

Labour Standards

The Group is committed to safeguard the labour rights of its employees and has stipulated the related policy in the staff handbook. The Human Resources Department is responsible for monitoring the employment practices and ensures that the Group can protect employees' interest and complies with the employment related ordinance including regulation in prohibiting the use of child labour and forced labour in all business operations. The Human Resources Department will check the suitability of potential candidates and ensure he/she can be legally employed under the employment or relevant ordinances. Each employee will sign an employment contract with the Company, which states the employment and labour related terms. This would allow the employee to understand their terms and help the Company in prohibiting the use of child labour and forced labour in all business operations.

In addition, the Group is in full compliance with the laws and regulations related to forced overtime work in Mainland China. Workers will be paid according to relevant legal requirements in case of required overtime work, which also applies to contractors of the Group across all regions.

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

OPERATING PRACTICES

The Group builds the foundation of its success on offering high quality services and products. The Group works closely with its suppliers and puts great emphasis on maintaining the product delivery standards to its customers, including the quality of its films, TV programs and music productions, as well as the food offered at its cinema outlets.

Responsible and Ethical Practices

The Group takes necessary measures to avoid providing any misleading information to its customers. We ensure that all of our products and services comply with the product responsibility laws and regulations listed in the List of Significant Laws and Regulations section.

Service Excellence

Ensuring Customer Experience for Cinema Operation

The Group collects feedbacks from cinema customers through different channels, such as hotlines and emails. All comments and complaints are handled by our customer service representatives. We also ensure that customers' queries 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 complies with the Standard Operating Procedure to provide quality customer service, and regularly provides monthly customer service training for both full-time and part-time employees. Apart from a centralised hotline, on-site customer feedback will be handled by our operation manager promptly, and when needed, be diverted to the head office for further follow-up. During the reporting year, the Group received around 120 complaint cases, most of which were related to issues such as ticketing, membership scheme and the special closure arrangement during the COVID-19 pandemic.

Customer Health and Safety

Since the end of 2019, the COVID-19 pandemic has brought challenges to the Group's operations and customers. To this end, the Group has implemented a series of measures covering all business units to safeguard the health of customers and employees. The Group operates in strict accordance with the crowd control and social distancing rules issued by the government, and proactively took additional disinfection steps to maintain a safe and hygienic environment.

Preventive Measures against COVID-19 at Cinemas

During the COVID-19 pandemic, the Group is responsible for following the government's recommendations and operation instructions related to social distancing measures. Upon the relaxation of the government instruction and despite the decreasing coronavirus cases, the Group continued to adopt infection prevention and control measures to protect the customers' health. For instance, customers and staff are required to take temperature checks and wear masks before entering the cinemas. Antiseptic coatings were applied to different places within the cinema area and longer time between each scheduled show was arranged to allow more frequent disinfection of individual theatres. Number of seats to be sold were also limited to 85% (as of the date of this report) of the normal seating capacity to maximise physical distancing. Hand sanitisers were also provided at the ticketing kiosk, snack bar and entrance for customers.

Safety and Hygiene at Cinemas

Maintaining of food safety is important to the Group's cinema operation. For better food source traceability and control, the Group only purchases food from authorised suppliers. The Group will keep abreast of government regulations and announcements, such as the Notice of Centre for Food Safety, and take immediate countermeasures in response to related matters. During the reporting year, there were no non-compliance cases related to food safety and hygiene.

Data Protection and Privacy

Protecting customer privacy is critical to maintaining customer relationship and confidence. The Group strictly complies with Chapter 486 Personal Data (Privacy) Ordinance while handling the personal and confidential data of our clients. Only personal data from employees, suppliers and artistes are collected when deemed necessary, and the access to personal data is carefully managed. Personal Information Collection Statement will be provided to data providers to obtain their consent when or before personal particulars are collected. The practices have been communicated with business partners and clients to ensure they are aware of the measures as well.

During the reporting year, there were no non-compliance cases in the aforementioned laws and regulations in Hong Kong.

Cinema Operation

The Group is committed to maintaining information security while providing tailored and high-quality services to customers. The Group has adopted various data handling measures including the Information Protection & Cyber Security Policy, the Information Protection Awareness Guide and compliance with the Payment Card Industry Data Security Standard.

For cinema operation, the Group collects customers' personal data and information only for necessary use to manage customer memberships, including members' name, birthday, email and telephone number. When customers enroll in the loyalty program, the Group has included the Personal Information Collection Statement and Privacy Policy Statement ("**Statements**") in the application form. All data are handled in accordance with the Statements, which clearly lays out the appropriate steps and procedures of data collection and disposal for all relevant staff to protect personal data privacy. Any marketing materials will not be sent to unsubscribed individuals without consents.

Regarding the online ticketing system, access rights are strictly controlled and regular reviews are conducted to ensure that only authorised personnel have access to the database. The online ticketing data is stored in the head office's database to minimise the points of access. Whenever feasible, the Group only collects basic personal information of customers for potential refunds and ticket redemption. Any personally identifiable information will be destroyed in a safe manner as soon as possible after the completion of the relevant service.

Supply Chain Management

The Group recognises the importance of transparency and fairness in its tendering process and supply chain operation and management. The Group has established a solid cooperative relationship with many business partners that maintain strict quality control and high service standards. All suppliers are carefully selected based on their quality, strength and experience.

The Group's major type of suppliers are service providers including film distributors, concession suppliers, landlords and POS system vendor, where material environmental impact is not generated.

Responsible Food Sourcing in Food and Beverage

We take healthiness, organic and fair trade into consideration when purchasing concession products for our cinema operation.

Integrity and Discipline

The Group is committed to maintaining a high standard of integrity, fairness and discipline in its business operations. Employees are required to demonstrate ethics and integrity in their daily duties and adhere to rules and procedures in accordance with relevant laws and regulations. The Group is determined to prevent any business segment from involving in fraud and corruption cases.

In the staff handbook, the Group has clearly defined "advantages" and outlined relevant procedures to guide employees to prevent the possible violation of bribery, corruption and conflicts of interest. When handling any presents or gifts involved in business settings, employees should make declarations on any potential "advantages". For violation of any policy and procedure, employees shall be subject to penalties, while those who violate relevant government ordinances will also be subject to legal consequences.

To maintain integrity and discipline in all levels of the Group, a whistleblowing procedure is in place as a monitoring and control system. Any personnel who discovers any inappropriate act is encouraged to report to our management level for an immediate investigation into the case. 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 Company or its employees during the reporting year.

Intellectual Property Rights

The Group respects all intellectual property rights and has adopted appropriate security measures and confidentiality agreements accordingly. To minimise the chance of infringement, the Group's legal team is responsible for reviewing the agreements on collaboration with third parties in all business segments and within the Group.

Respecting Creations in our Entertainment Business

The Group understands that intellectual property is vitally important to the development of the entertainment business. The Group complies 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. As part of the production process, the Group will ensure that the producers and their teams of films, TV programs and music productions are familiar and have clarified the rights before using or referencing any other creative works. If there is any behaviour that is deemed to be a violation of relevant regulations and infringement, the Group will take immediate action to clear the rights or deal with related matters.

During the reporting year, there were no non-compliance cases in the aforementioned laws and regulations.

COMMUNITY

The Group recognises the importance of creating positive impacts in the community and strives to take a proactive approach in corporate social responsibility. We direct a majority of our community engagement resources towards the focus areas of local employment and youth education, as well as targets groups of aided family and people with disabilities.

During the reporting year, the Group supported Konica Minolta Green Concert, which aimed to promote environmental awareness in the community and raise funds for the Children's Heart Foundation. We also collaborated with ICBC (Asia) and Caritas Hong Kong to organise "Step for Love" virtual charity walk fund-raising event to provide economic assistance to families facing financial hardship. The Group donated gift sets containing daily necessities and worked with Holy Café to distribute meal boxes to the elderly and people who need assistance, aiming to deliver love to the needy and build a caring community in Hong Kong.

SUMMARY OF ENVIRONMENTAL PERFORMANCE *Note 1*

Cinema *Notes 2, 3 & 4*	**Unit**	**2021**	**2020**
A1.2 Greenhouse gas emissions in total and intensity			
Indirect GHG emissions (Scope 2)	tonnes CO_2e	1,601	1,773
GHG emissions intensity	**tonnes CO_2e/m^2**	**0.06**	**0.08**
A1.3 Total hazardous waste produced and intensity			
Fluorescent lamp waste	kg	116	95
Hazardous waste disposed intensity	**kg/m^2**	**0.0044**	**0.0041**
A1.4 Total non-hazardous waste produced and intensity			
General waste	kg	27,977	38,058
Non-hazardous waste disposed intensity	**kg/m^2**	**1.06**	**1.62**
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	3,419,451	3,095,432
Energy consumption intensity	**kWh/m^2**	**129.90**	**131.93**
A2.2 Water consumption in total and intensity *Notes 5 & 6*			
Water consumption	m^3	3,724	4,131
Water consumption intensity	**m^3/m^2**	**0.14**	**0.18**

Notes:

1. *Calculation 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 28 May 2021)" by HKEX 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. *The reporting scope of the summary of environmental performance includes the cinemas in Hong Kong held by the Group (namely Festival Grand Cinema, MCL Cheung Sha Wan Cinema, MCL Metro City Cinema, MCL Telford Cinema, STAR Cinema, Grand Kornhill Cinema, MCL South Horizons Cinema, MCL Green Code Cinema, Grand Windsor Cinema, Movie Town and MCL Cyberport Cinema). Compared with the year ended 31 July 2020, MCL Cyberport Cinema was newly added.*

3. *Air emissions and direct GHG emissions (Scope 1) are not significant for the cinema operation and thus not reported. Packaging material used for finished products is not a material issue for the cinema business and thus not reported.*

4. *Closure of cinemas for certain periods due to COVID-19 outbreak in both financial years and social unrest during the year ended 31 July 2020 have led to lower environmental footprint.*

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. *Subject to different billing cut-off date for different cinemas, water consumption from the period of 1 June 2020 to 1 June 2021 is reported for STAR Cinema, the period of 17 June 2020 to 21 June 2021 is reported for MCL South Horizons Cinema and the period of 2 July 2020 to 3 July 2021 is reported for Grand Windsor Cinema. For Movie Town, Festival Grand Cinema, MCL Metro City Cinema and MCL Telford Cinema, their water consumption for the reporting period of 1 August 2020 to 31 July 2021 are estimated based on their average daily water consumption during the reporting year. Water consumption data for the year ended 31 July 2020 is restated upon the receipt of water bills from the Hong Kong Water Supplies Department in 2021.*

Entertainment Notes 7 & 8	**Unit**	**2021**	**2020**
A1.1 Types of emissions and respective emissions data Note 9			
Sulphur oxides (“SOx”)	**kg**	**0.13**	**0.13**
A1.2 GHG emissions in total and intensity Note 10			
Direct GHG emissions (Scope 1)	tonnes CO_2e	24	24
Indirect GHG emissions (Scope 2)	tonnes CO_2e	91	139
Total GHG emissions	**tonnes CO_2e**	**115**	**162**
GHG emissions intensity	**tonnes CO_2e/m^2**	**0.05**	**0.07**
A1.4 Total non-hazardous waste produced			
Non-hazardous waste Note 11	**kg**	**2,880**	**/**
Total non-hazardous waste produced intensity	**kg/m²**	**1.21**	**/**
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	245,940	277,130
Gasoline consumption for transportation	L	9,026	8,810
Total energy consumption	**kWh**	**333,418**	**362,512**
Total energy consumption intensity	**kWh/m²**	**140.08**	**152.30**

Notes:

7. *The reporting scope of the summary of environmental performance includes the Group’s major office of the entertainment business in Wyler Centre, Kwai Chung, New Territories, Hong Kong.*

8. *Water consumption are managed by the central property management of the office building, and thus they are not available for this report. Packaging material used for finished products is not a material issue for the entertainment business and thus not reported. Hazardous wastes are not significant for entertainment operations and thus not reported.*

9. *It refers to air emission from fuel consumption of company vehicles. For data comparability, respective data for the year ended 31 July 2020 were also calculated according to the same method. Subject to data availability, only SOx emission is disclosed.*

10. *Direct GHG emission (Scope 1) refers to gasoline combustion of company vehicles. Indirect GHG emission (Scope 2) refers to electricity consumed.*

11. *Non-hazardous waste includes general waste produced from the office operation.*

SUMMARY OF SOCIAL PERFORMANCE

The Group *Note 12*	**Unit**	**2021**
B1.1 Total workforce by gender, employment type, age group and geographical region (excluding contractors and subcontractors)		
Number of employees	No. of people	1,009
By gender		
Male	No. of people	471
Female	No. of people	538
By age group		
Below 30	No. of people	528
30-50	No. of people	362
Above 50	No. of people	119
By employment type		
Full time - Male	No. of people	280
Full time - Female	No. of people	299
Part time - Male	No. of people	191
Part time - Female	No. of people	239
By geographical region		
Hong Kong	No. of people	862
Mainland China	No. of people	138
Other	No. of people	9
B1.2 Employee turnover rate by gender, age group and geographical region *Note 13*		
Total employee turnover rate	%	12
By gender		
Male	%	17
Female	%	9
By age group		
Below 30	%	13
30-50	%	10
Above 50	%	13
By geographical region		
Hong Kong	%	10
Mainland China	%	30
Other	%	11

Notes:

12. *The reporting scope of Summary of Social Performance includes the Company and its subsidiaries.*

13. *Turnover rate (in percentage) = Total number of full time employees leaving employment in the category/Total number of employees in the category × 100%*

The Group Note 12	Unit	2021
B2.1 Number and rate of work-related fatalities Note 14		
Number of work-related fatalities	No. of fatalities	0
Rate of work-related fatalities	%	0
B2.2 Lost days due to work injury		
Number of lost days	No. of lost days	157 Note 15
Number of attendance by employees attended training by gender and employee category		
By employee category		
Senior management	No. of attendance	13
Middle management	No. of attendance	15
General staff	No. of attendance	131
By gender		
Male	No. of attendance	58
Female	No. of attendance	102
B3.2 The average training hours completed per employee by gender and employee category Note 16		
By employee category		
Senior management	No. of hours	0.2
Middle management	No. of hours	0.3
General staff	No. of hours	0.5
By gender		
Male	No. of hours	0.4
Female	No. of hours	1
B5.1 Number of suppliers by geographical region		
Hong Kong	No. of suppliers	640
Mainland China	No. of suppliers	50
Other	No. of suppliers	26
B8.2 Resources contributed to community investment		
Cash Donations/Sponsorships	HKD	15,958
Volunteering Hours	Hours	199

Notes:

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

15. *Resulted from two injuries relevant to accidental slip and fall within the cinemas*

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

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 People's Republic of China ("**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
- Law of the PRC on the Prevention and Control of Occupational Diseases

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

Aspect B7: Anti-corruption

Hong Kong:
- Chapter 201 Prevention of Bribery Ordinance

REFERENCES TO HKEX 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.	Emissions to the Environment; Integrating Environmental Sustainability into Our Operations
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.	Emissions are not considered as material in relation to the Group's businesses, therefore no emission targets are in place during the reporting year.
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.	Emissions to the Environment; Waste management is not considered as material in relation to the Group's businesses, therefore no reduction targets are in place during the reporting year.
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Integrating Environmental Sustainability into Our Operations; Use of Resources
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
A2.2	Water consumption in total 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.	Energy use is not considered as material in relation to the Group's businesses, therefore no energy use efficiency targets are in place during the reporting year.
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.
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 the Group's business.
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.	Emissions to the Environment; Use of Resources

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).	Breakdown of the number of employees trained by gender and employee category are not fully recorded during the reporting year, however the number of attendance are being disclosed.
B3.2	The average training hours completed per employee by gender and employee category.	Summary of Social Performance
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.

Subject Areas, Aspects, General Disclosure and KPIs		Sections/Remarks
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 are 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
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.	To date, no anti-corruption training session has been provided to our employees with the cinema operation but such concern has been raised and consideration of arranging such training will be considered.
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

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 throughout the year ended 31 July 2021 ("**Year**") save for the deviations from code provisions A.4.1, A.5.1 and E.1.2 as follows:

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

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

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

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

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

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

(2) BOARD OF DIRECTORS

(2.1) 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 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 Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

The Board has delegated the day-to-day management of the Company's businesses to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries (together, "**Group**") 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. Since a new reporting requirement under the Listing Rules for the Board to have a clear mechanism to oversee the environmental, social and governance ("**ESG**") management became effective for the Year, the Board has delegated the 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.

(2.2) Composition of the Board

The Board currently comprises nine members, of whom four are Executive Directors, one is NED and the remaining four are INEDs, exceeding the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A of the Listing Rules with INEDs 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. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester *(also alternate director to Madam U Po Chu)*
Mr. Yip Chai Tuck

Non-executive Director
Madam U Po Chu

Independent Non-executive Directors
Mr. Low Chee Keong *(Chairman)*
Mr. Lo Kwok Kwei, David
Dr. Ng Lai Man, Carmen
Mr. Alfred Donald Yap

An update list of Directors and their respective roles and functions can also be found on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.esun.com. The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report.

Mr. Lam Hau Yin, Lester, an Executive Director, is a grandson of Madam U Po Chu, 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.

(2.3) 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 *(Chief Executive Officer)*	4/4
Mr. Chew Fook Aun	4/4
Mr. Lam Hau Yin, Lester *(also alternate director to Madam U Po Chu)*	4/4
Mr. Yip Chai Tuck	4/4
Non-executive Director	
Madam U Po Chu	4/4
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	4/4
Mr. Lo Kwok Kwei, David	4/4
Dr. Ng Lai Man, Carmen	4/4
Mr. Alfred Donald Yap	4/4

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. The Chairman met all INEDs without the presence of the Executive Directors after the Board meeting held on 22 January 2021 in compliance with code provision A.2.7 of the CG Code.

(2.4) Independent Non-executive Directors

The Company has complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs a written annual confirmation of his/her independence for the Year pursuant to Rule 3.13 of the Listing Rules. The Board considers 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.

Mr. Lo Kwok Kwei, David ("**Mr. Lo**") and Dr. Ng Lai Man, Carmen ("**Dr. Ng**") (both INEDs) will retire by rotation as Directors at the forthcoming AGM and, being eligible, offer themselves for re-election. Both Mr. Lo and Dr. Ng have served on the Board over 12 years since March 2009. Being long-serving Directors, both of them have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long services of Mr. Lo and Dr. Ng would impair their independent judgements. The Board is satisfied that each of Mr. Lo and Dr. Ng will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of each of Mr. Lo and Dr. Ng as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

(2.5) Directors' and Officers' Liabilities Insurance

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

(3) 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.

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 enroll 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.

From time to time, Directors are provided with written training materials to develop and refresh their 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 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 current 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:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**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	✔	✔	✔	✔
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	✔	✔	✔	✔

(4) BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the Executive Directors 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:

(4.1) 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. Alfred Donald Yap ("**Mr. Yap**"), and two Executive Directors, namely Mr. Chew Fook Aun and Mr. Lui (also the Chief Executive Officer of the Company).

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. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of the Stock Exchange and the Company.

(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 a meeting during the Year to review the Company's remuneration-related matters.

(c) Attendance Record at Remuneration Committee Meeting

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

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

(4.2) 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 independent non-executive director) 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.

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.

In compliance with code provision C.3.2 of the CG Code which came into effect on 1 January 2019, the terms of reference of the Audit Committee were revised by the Board on 22 January 2019 by extending the cooling-off period from one year to two years for appointing a former partner of the issuer's existing external auditor as a member of its audit committee. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Stock Exchange and the Company.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year and has reviewed, among other things, the audited consolidated financial statements of the Company for the year ended 31 July 2020; the unaudited interim results of the Company for the six months ended 31 January 2021; the Group's budget for the ensuing year; the Company's internal control review reports and enterprise risk management report prepared by Deloitte Advisory (Hong Kong) Limited (an independent advisor of the Company ("**Independent Advisor**")) as well as the Group's internal audit plan for the three years ending 31 July 2023; and put forward relevant recommendations to the Board for approval.

On 18 October 2021, 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 Company's independent auditor ("**Independent Auditor**", i.e. Ernst & Young, Certified Public Accountants ("**Ernst & Young**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by the Independent Advisor.

(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 *(Chairwoman)*	3/3
Mr. Low Chee Keong	3/3
Mr. Alfred Donald Yap	3/3

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

(5) 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 (an Executive Director) is the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

(6) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing NED (including INEDs) was appointed for a specific term.

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Board adopted the Nomination Policy to set out the procedures and 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 Executive Directors 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) which may be relevant to the businesses of the Company, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board with reference to the Board Diversity Policy (as defined below), and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc.

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. No candidate has been proposed for appointment as a Director during the Year.

(8) BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy ("**Board Diversity Policy**") in July 2013 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 Executive Directors, 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 Executive Directors will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

A copy of the Board Diversity Policy is available on the Company's website for public information.

In compliance with code provision A.5.2(a) of the CG Code, the Board had, at its Board meeting held in July 2021, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, media and entertainment businesses, corporate advisory, business development and investment banking, laws, accounting and auditing services and corporate finance, etc.

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(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

At the AGM held on 18 December 2020, 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$6,360,000 and HK$4,279,000, respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	Non-audit service HK$'000
The Group (excluding Media Asia Group Holdings Limited ("**MAGHL**") and its subsidiaries)	4,138	2,195
MAGHL and its subsidiaries	2,222	2,084
Total	**6,360**	**4,279**

(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.

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 for improvement. The Independent Advisor reports to the Audit Committee for identified weakness and proposed recommendation on a timely basis to ensure prompt remediation actions are taken.

The Company's enterprise risk management report and internal control review report are prepared by the Independent Advisor and submitted to the Audit Committee and the Board at least once a year. The Board 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 Board considers that the Group's risk management and internal control systems are 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

During the Year, the Company Secretary 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 repaid 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

On 29 March 2012, the Board adopted a 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. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange'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 the Stock Exchange and the Company;

(iv) corporate information is made available on the Company's website and the Memorandum of Association and Bye-laws of the Company is made available on the respective websites of the Stock Exchange 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.

(16.2) Directors' Attendance at General Meeting

During the Year, the Company held an AGM and the attendance record of each Director is set out below:

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

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2020 ("**2020 AGM**"), was held on Friday, 18 December 2020 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. At the 2020 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2020 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Mr. Yip Chai Tuck as an Executive Director, Mr. Low and Mr. Yap as INEDs as well as the authorisation of the Board to fix the remuneration of the Directors; (iii) the re-appointment of Ernst & Young as the Independent Auditor for the Year and the authorisation for the Board to fix their remuneration; and (iv) the granting to the Directors a general mandate to allot, issue and deal with additional Shares not exceeding 20% of the total issued shares of the Company ("**Shares**") and to buy back Shares not exceeding 10% of the total issued Shares; and the extension of the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

The notice of the 2020 AGM and the poll results announcement in respect of the 2020 AGM were published on the respective websites of the Stock Exchange and the Company on 18 November 2020 and 18 December 2020, respectively.

(17) DIVIDEND POLICY

In compliance with code provision E.1.5 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, 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 Executive Directors and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

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

Month	Event	Organiser	Investor Base
October 2020	Post results non-deal roadshow	DBS	Hong Kong/Singapore
March 2021	Post results non-deal roadshow	DBS	Hong Kong/Singapore
March 2021	Post results non-deal roadshow	Daiwa	United States
April 2021	Post results non-deal roadshow	Daiwa	Europe
June 2021	DBS Vickers HK Property Conference Calls	DBS	Hong Kong/Singapore/ United States

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

(19) CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in the Memorandum of Association and Bye-laws of the Company which are available on the respective websites of the Stock Exchange at www.hkexnews.hk and the Company at www.esun.com.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Each of the executive directors of the Company ("**Directors**" and "**Executive Directors**", respectively) named below holds directorships in a number of subsidiaries of the Company and certain of its listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**") (collectively, "**Lai Sun Group**"). 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**") and MAGHL's issued shares are listed and traded on GEM of the Stock Exchange. LSG is the ultimate holding company of the Company, LSD is a subsidiary of LSG and the intermediate holding company of the Company, Lai Fung is the fellow subsidiary of the Company and MAGHL is a subsidiary of the Company.

Mr. Lui Siu Tsuen, Richard, aged 65, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company ("**Executive Committee**" and "**Remuneration Committee**", respectively). He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director since July 2010. Mr. Lui is also an executive director of MAGHL and he was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

Mr. Lui has over 35 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom ("**UK**") and holds a Master of Business Administration Degree from The University of Adelaide in Australia.

Mr. Chew Fook Aun, aged 59, was appointed an Executive Director on 5 June 2012 and is presently a member of both the Executive Committee and the Remuneration Committee. He is also the deputy chairman and an executive director of both LSG and LSD as well as the chairman and an executive director of Lai Fung.

Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, and an executive director and the chief financial officer of The Link Management Limited (currently known as Link Asset Management Limited), acting as manager of The Link Real Estate Investment Trust (currently known as Link Real Estate Investment Trust ("**Link REIT**")) from February 2007 to January 2009. He was also the chief financial officer of Kerry Properties Limited ("**Kerry Properties**") from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and an executive director of Kyard Limited in charge of the property portfolio of a private family office from 2004 to 2007. The issued shares of Esprit and Kerry Properties and the issued units of the Link REIT are listed and traded on the Main Board of the Stock Exchange.

Mr. Chew has over 30 years of experience in accounting, auditing and finance in the UK and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the HKICPA and The Institute of Chartered Accountants in England and Wales ("**ICAEW**"). He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a board member of the Hong Kong Sports Institute Limited and has been appointed as a vice chairman for a term of two years with effect from 1 April 2021. In addition, he was re-appointed as a member of the Barristers Disciplinary Tribunal Panel for a further term of five years with effect from 1 September 2020. Mr. Chew was a member of the Advisory Committee of the Securities and Futures Commission, the Corruption Prevention Advisory Committee and the Operations Review Committee of the Independent Commission Against Corruption, the Standing Committee on Company Law Reform of the Companies Registry and a council member of the Financial Reporting Council ("**FRC**"). He was a member of the Investigation and Compliance Committee of the FRC until 30 September 2021.

Mr. Lam Hau Yin, Lester, aged 40, was appointed an Executive Director on 1 November 2012 and is currently 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**") 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 47, was appointed an Executive Director on 14 February 2014 and is currently a member of the Executive Committee. He is also the chief executive officer of LSG and an executive director of MAGHL. He has extensive experience in corporate advisory, business development and investment banking.

Mr. Yip has been appointed as a member of the Securities and Futures Appeals Tribunal for a term of two years with effect from 1 April 2021. 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 96, is a non-executive director of the Company ("**NED**") and was first appointed as Director in October 1996. She is also an executive director of both 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 in 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 61, has been the Chairman of the board of Directors ("**Board**") since June 2010 and is currently an independent non-executive director of the Company ("**INED**"), a member of the Audit Committee of the Company ("**Audit Committee**") and the chairman of the 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 26 years' experience in the property development and maintenance industry in Singapore.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lo Kwok Kwei, David, aged 61, 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. 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 practicing as a solicitor in Hong Kong for over 32 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 57, 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 30 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 the Hong Kong Securities and Futures Commission. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the UK, and an associate member of the ICAEW. 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 Business School of New York University and The Hong Kong University of Science & Technology.

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

Mr. Alfred Donald Yap, J.P., aged 82, is an INED and a member of both the Audit Committee and the 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, Solicitors and Notaries, 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). He 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 Hung Hing Printing Group Limited and Wong's International Holdings Limited (the issued shares of both 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 2021 ("**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 development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation.

Particulars of the Company's principal subsidiaries as at 31 July 2021 are set out in note 47 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 44 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 34 and pages 35 to 51 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 2021 are set out in the Financial Statements and their accompanying notes on pages 78 to 184.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2020: Nil). No interim dividend was paid or declared in respect of the Year (2020: Nil).

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

Non-executive Director ("NED")
Madam U Po Chu

Independent Non-executive Directors ("INEDs")
Mr. Low Chee Keong *(Chairman)*
Mr. Lo Kwok Kwei, David
Dr. Ng Lai Man, Carmen
Mr. Alfred Donald Yap

In accordance with Bye-law 87 of the Bye-laws of the Company ("**Bye-laws**"), Directors shall retire from office by rotation once every three years since their last election. Mr. Chew Fook Aun ("**Mr. FA Chew**"), Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**") (both EDs), Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man Carmen (both INEDs) (collectively "**Retiring Directors**") will retire from office as Directors by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

Details of the Retiring Directors proposed for 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 18 November 2021.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its INEDs in writing an annual confirmation of his/her independence for the Year pursuant to 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 52 to 54 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for 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 the 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, 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 35 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.

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:

Four EDs, namely Messrs. Lui Siu Tsuen, Richard ("**Mr. Lui**"), FA Chew, Lester Lam (also alternate director to Madam U Po Chu ("**Madam U**")) and Yip Chai Tuck ("**Mr. CT Yip**") 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 cinema operation, media and entertainment, music production and distribution as well as film and TV program production and distribution.

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 new share option scheme ("**2015 Scheme**") and terminated its share option scheme previously adopted on 23 December 2005 ("**2005 Scheme**"). The 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The details of the 2015 Scheme are set out in the circular of the Company dated 12 November 2015. The maximum number of the Company's ordinary shares ("**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 under the 2005 Scheme and the 2015 Scheme had lapsed or had been cancelled. Since then and as at 31 July 2021, no share options have been granted under the 2015 Scheme. Further details of the said Schemes are disclosed in note 35(a) to the Financial Statements.

2. Media Asia Group Holdings Limited ("MAGHL")

On 18 December 2012, MAGHL, a company listed on GEM of the Stock Exchange and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a share option scheme ("**MAGHL Scheme**") which was also approved by the Shareholders at a special general meeting of the Company held on 18 December 2012. The MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date.

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**"), MAGHL's shareholders passed a resolution at its annual general meeting held on 11 December 2015 to refresh scheme limit under the MAGHL Scheme, allowing MAGHL to grant options to subscribe for up to a total of 213,605,682 MAGHL's shares ("**Refreshment**"), representing 10% of its total issued shares as at the date of passing the relevant resolution. The Refreshment was also approved by the Shareholders at the AGM held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules. As a result of the share consolidation of MAGHL becoming effective on 22 December 2020, MAGHL may grant options under the MAGHL Scheme to subscribe for a maximum of 21,360,568 MAGHL's shares (after adjustment for the said share consolidation), representing approximately 0.73% of its total issued shares as at 31 July 2021 (i.e. 2,945,701,818 MAGHL's shares).

No share options have been granted under the MAGHL Scheme since its adoption on 18 December 2012. Further details of the MAGHL Scheme are disclosed in note 35(b) to the Financial Statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2021 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

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

Note: The total number of issued Shares as at 31 July 2021 (that is, 1,491,854,598 Shares) has been used for the calculation of the approximate percentage.

(II) Interests in the Associated Corporations

(a) LSG

Name of Directors	Capacity	Long positions in ordinary shares of LSG ("LSG Shares") and underlying LSG Shares				
		Number of LSG Shares		Number of underlying LSG Shares		
		Personal interests	Corporate interests	Personal interests *(Note 1)*	Total	Approximate percentage of total issued LSG Shares *(Note 2)*
Chew Fook Aun	Beneficial owner	Nil	Nil	3,819,204	3,819,204	0.97%
Lam Hau Yin, Lester	Beneficial owner	12,459,208 *(Note 4)*	Nil	3,819,204	16,278,412	4.15%
Lui Siu Tsuen, Richard	Beneficial owner	600 *(Notes 3 & 4)*	Nil	Nil	600	0.0001%
U Po Chu	Beneficial owner	825,525 *(Note 4)*	Nil	Nil	825,525	0.21%

Notes:

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

Name of Directors	*Date of grant (dd/mm/yyyy)*	*Number of underlying LSG Shares comprised in share options*	*Option period (dd/mm/yyyy)*	*Exercise price per LSG Share (HK$)*
Chew Fook Aun	*19/06/2017*	*3,819,204 (Note 5)*	*19/06/2017–18/06/2027*	*15.00 (Note 5)*
Lam Hau Yin, Lester	*19/06/2017*	*3,819,204 (Note 5)*	*19/06/2017–18/06/2027*	*15.00 (Note 5)*

2. *The total number of issued LSG Shares as at 31 July 2021 (that is, 392,610,623 LSG Shares) has been used for the calculation of the approximate percentage.*

   *As at the date of this Report, the total number of issued LSG Shares was 588,915,934 due to the allotment and issue of 196,305,311 rights shares by LSG ("**LSG Rights Shares**") following the completion of the rights issue of LSG ("**LSG Rights Issue**", on the basis of one LSG Rights Share for every two existing LSG Shares) on 2 August 2021.*

3. *On 29 July 2021, Mr. Lui has completed a sale of 185,000 LSG Shares, decreasing his personal interests in LSG from 185,600 LSG Shares to 600 LSG Shares.*

4. *On 2 August 2021, (i) the personal interests of Mr. Lester Lam in LSG increased from 12,459,208 LSG Shares to 18,688,812 LSG Shares due to the allotment and issue of 6,229,604 LSG Rights Shares; (ii) the personal interests of Mr. Lui in LSG increased from 600 LSG Shares to 93,400 LSG Shares due to the allotment and issue of 92,800 LSG Rights Shares; and (iii) the personal interests of Madam U in LSG increased from 825,525 LSG Shares to 1,238,287 LSG Shares due to the allotment and issue of 412,762 LSG Rights Shares.*

5. *Upon the completion of the LSG Rights Issue on 2 August 2021, the share option comprising 3,819,204 underlying LSG Shares at the exercise price of HK$15.00 per LSG Share granted to each of Mr. FA Chew and Mr. Lester Lam has been adjusted to 4,869,867 underlying LSG Shares at the exercise price of HK$11.763 per LSG Share respectively.*

(b) LSD

		Long positions in ordinary shares of LSD ("LSD Shares") and underlying LSD Shares				
		Number of LSD Shares		Number of underlying LSD Shares		
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests *(Note 1)*	Total	Approximate percentage of total issued LSD Shares *(Note 2)*
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	1,221,000 *(Note 3)*	1,952,081	3,173,081	0.52%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.68%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	104,000	104,000	0.02%
U Po Chu	Beneficial owner	26,919 *(Note 4)*	Nil	Nil	26,919	0.004%

Notes:

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

Name of Directors	*Date of grant (dd/mm/yyyy)*	*Number of underlying LSD Shares comprised in share options*	*Option period (dd/mm/yyyy)*	*Exercise price per LSD Share (HK$)*
Chew Fook Aun	*05/06/2012*	*1,952,081 (Note 5)*	*05/06/2012–04/06/2022*	*5.35 (Note 5)*
Lam Hau Yin, Lester	*18/01/2013*	*4,173,081 (Note 5)*	*18/01/2013–17/01/2023*	*16.10 (Note 5)*
Lui Siu Tsuen, Richard	*18/01/2013*	*104,000 (Note 5)*	*18/01/2013–17/01/2023*	*16.10 (Note 5)*

2. *The total number of issued LSD Shares as at 31 July 2021 (that is, 612,089,025 LSD Shares) has been used for the calculation of the approximate percentage.*

   *As at the date of this Report, the total number of issued LSD Shares increased to 968,885,887 due to (a) the completion of the subscription of 33,834,900 LSD Shares by Jinlong Road Limited on 30 August 2021; and (b) the allotment and issue of 322,961,962 rights shares by LSD (“**LSD Rights Shares**”) following the completion of the rights issue of LSD (“**LSD Rights Issue**”, on the basis of one LSD Rights Share for every two existing LSD Shares) on 6 October 2021.*

3. *Mr. FA Chew was deemed to be interested in the same 1,221,000 LSD Shares owned by The Orchid Growers Association Limited (“**Orchid**”) by virtue of his 100% shareholding interest in the said company.*

   On 6 October 2021, the corporate interests of Mr. FA Chew in LSD increased from 1,221,000 LSD Shares to 1,831,500 LSD Shares due to the allotment and issue of 610,500 LSD Rights Shares.

4. *On 6 October 2021, the personal interests of Madam U in LSD increased from 26,919 LSD Shares to 40,378 LSD Shares due to the allotment and issue of 13,459 LSD Rights Shares.*

5. *Upon the completion of the LSD Rights Issue on 6 October 2021, the share option comprising (i) 1,952,081 underlying LSD Shares at the exercise price of HK$5.35 per LSD Share granted to Mr. FA Chew has been adjusted to 2,275,301 underlying LSD Shares at the exercise price of HK$4.59 per LSD Share; (ii) 4,173,081 underlying LSD Shares at the exercise price of HK$16.10 per LSD Share granted to Mr. Lester Lam has been adjusted to 4,864,519 underlying LSD Shares at the exercise price of HK$13.811 per LSD Share; and (iii) 104,000 underlying LSD Shares at the exercise price of HK$16.10 per LSD Share granted to Mr. Lui has been adjusted to 121,232 underlying LSD Shares at the exercise price of HK$13.811 per LSD Share.*

(c) Lai Fung Holdings Limited ("Lai Fung")

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

Notes:

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

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

2. *The total number of issued Lai Fung Shares as at 31 July 2021 (that is, 331,033,443 Lai Fung Shares) has been used for the calculation of the approximate percentage.*

Save as disclosed above, as at 31 July 2021, none of the Directors and the chief executive of the Company and their respective close associates had, or was deemed to have, any interest in the long or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executive, or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2021, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long positions in the Shares and underlying Shares		
Name	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued Shares** *(Note 1)*
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 2)*	Owner of controlled corporation	1,113,260,072	74.62% *(Note 4)*
Lai Sun Garment (International) Limited *(Note 3)*	Owner of controlled corporations	1,113,260,072	74.62% *(Note 4)*
Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**")	Beneficial owner and owner of controlled corporations	1,116,054,515	74.81% *(Note 4)*
Other Persons			
Mr. Yu Cheuk Yi	Beneficial Owner	148,982,000	9.99% *(Note 5)*
Ms. Yu Siu Yuk	Beneficial Owner	148,982,000	9.99% *(Note 5)*

Notes:

1. *The total number of issued Shares as at 31 July 2021 (that is, 1,491,854,598 Shares) has been used for the calculation of the approximate percentage.*

2. *As at 31 July 2021, Mr. FA Chew and Mr. Lester Lam, both EDs, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

3. *As at 31 July 2021, Mr. FA Chew, Mr. Lester Lam and Madam U were also executive directors of LSG. Mr. CT Yip, an ED, 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 2021, LSG and Dr. Peter Lam were deemed to be interested in the same 1,113,260,072 Shares (approximately 74.62% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.86% (excluding share option) of the total issued LSG Shares; and LSD was approximately 56.13% directly and indirectly owned by LSG; and LSG was approximately 12.63% (excluding share option) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited, which in turn 100% beneficially owned by Dr. Peter Lam. As at the date of this Report, LSD was approximately 53.19% directly and indirectly owned by LSG.*

   As at 31 July 2021, 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 2021, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 148,982,000 Shares (approximately 9.99% 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 2021, 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*" of 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 Agreement

On 31 July 2020, the Company, 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 (together with its subsidiaries, "**MAGHL Group**") (collectively, "**Lai Sun Group**") entered into the commercial letting framework agreement ("**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 ("**Transactions**") for a period of three years commenced on 1 August 2020 and expiring on 31 July 2023.

Pursuant to the Commercial Letting Framework Agreement, each 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**"), which became effective for the Lai Sun Group from 1 August 2019, 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 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 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 Transactions of HK$20,500,000, HK$5,600,000 and HK$24,400,000 for the Year and the respective financial years ending 31 July 2022 and 2023, respectively; and

(ii) the annual cap amount for licensing and other fees other than the fixed rental payments in respect of the Transactions is HK$1,900,000 for each of the Year and the respective financial years ending 31 July 2022 and 2023, 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 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) constituted the CCTs of the Company.

Details of the 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 Transactions amounted to approximately HK$16,628,000 including right-of-use assets as at 1 August 2020 and 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 the LSD Group) and LSD Group by the Group amounted to approximately HK$577,000 during the Year.

2. May Flower Cinema Leases

On 31 October 2015, 廣東五月花電影城有限公司 (Guangdong May Flower Cinema City Company Limited*) ("**Guangdong Cinema City**", an indirect wholly-owned subsidiary of the Company), as lessee, entered into an agreement with 中山市寶麗房地產發展有限公司 (Zhongshan Baoli Property Development Company Limited*), an indirect wholly-owned subsidiary of Lai Fung, as lessor, for extension of the lease of certain premises in Zhongshan Palm Spring (a multi-phase development project wholly owned by Lai Fung) for operation of Zhongshan May Flower Cinema for a term of 15 years from 1 November 2015 to 31 October 2030 ("**Zhongshan May Flower Cinema Lease**").

On 1 November 2015, Guangdong Cinema City, as lessee, entered into an agreement with 廣州捷麗置業有限公司 (Guangzhou Jieli Real Estate Company Limited*), an indirect wholly-owned subsidiary of Lai Fung, as lessor, for extension of the lease of certain premises in Guangzhou May Flower Plaza (a commercial property wholly owned by Lai Fung) for operation of Guangzhou May Flower Cinema for a further term of 15 years from 1 November 2015 to 31 October 2030 ("**Guangzhou May Flower Cinema Lease**", together with Zhongshan May Flower Cinema Lease (collectively, "**May Flower Cinema Leases**")).

* *For identification purposes only*

The Company has ceased to be a substantial shareholder of Lai Fung on 14 May 2020, Lai Fung has become a connected person of the Company because it is a subsidiary of LSD, which is the intermediate holding company of the Company. Hence, the May Flower Cinema Leases have become the CCTs of the Company. The May Flower Cinema Leases were entered into pursuant to memorandum of agreement dated 24 May 2013 entered into between the members of the Lai Sun Group ("**Memorandum of Agreement**"), the term of which expired on 31 July 2020. Notwithstanding the expiry of the term of the Memorandum of Agreement, each May Flower Cinema Lease will continue for the remainder of its term.

According to HKFRS 16, (a) the aggregate amount of the right-of-use assets in respect of the May Flower Cinema Leases recognised by the Company as at 1 August 2020 was approximately HK$37,300,000; and (b) the amounts payable by the Company other than the base rent (such as the property management fees and any additional turnover rent) under each May Flower Cinema Lease are recorded as expenses incurred over the remainder of the term of that May Flower Cinema Lease subject to an annual cap of RMB6,000,000 for each of the ten financial years ending 31 July 2030 and an annual cap of RMB1,500,000 for the financial year ending 31 July 2031.

Details of the May Flower Cinema Leases are set out in the joint announcement dated 31 July 2020 published by the Company, LSG, LSD and Lai Fung.

For the Year, the total value of licensing and other fees other than the base rent paid or payable by the Group to Lai Fung Group amounted to approximately RMB2,121,000 (equivalent to approximately HK$2,510,000).

3. 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 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**").

Notwithstanding the expiry of the term of the Memorandum of Agreement, the Cinema Lease will continue for the remainder of its term.

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.

According to HKFRS 16, (a) the amount of the right-of-use asset in respect of the Cheung Sha Wan Cinema Lease recognised by the Company as at 1 August 2020 was approximately HK$48,300,000; and (b) 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 reminder 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 year ending 31 July 2028 and an annual cap of HK$1,000,000 for financial year ending 31 July 2029.

Details of the Cheung Sha Wan Cinema Lease are set out in the Company's announcement dated 31 July 2020.

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$1,337,000.

4. 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 ("**Cafe**") 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**"). Details of the Shareholders Agreement are set out in the Company's announcement dated 6 December 2017 ("**CT Announcement**").

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

Love Grubers is an investment holding company which owns all the shares of GTL, and GTL is operating the Cafe within the Telford Premises. Marvel Day had obtained consent from MCL to use a space of approximately 1,250 square feet exclusively for the Cafe 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 Cafe's monthly gross revenue from 6 December 2017 to 30 September 2019 and 12% of the Cafe'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 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 "*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 unqualified 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 the Company's share capital are set out in note 34 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2021, 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

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 sufficient public float exceeding 25% of its issued share capital throughout the Year and up to the date of this report.

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 which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

DONATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest customers accounted for approximately 31% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 18%. Purchases from the Group's five largest suppliers accounted for approximately 40% of the Group's total purchases, the largest supplier accounted for approximately 17% 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 2021 are set out in notes 31 and 32 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 35 to 51.

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' 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
19 October 2021

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 2020/2021
Annual results announcement for the year ended 31 July 2021	19 October 2021
Latest time and date to lodge transfer documents with the branch share registrar in Hong Kong for entitlement to attending and voting at the 2021 annual general meeting ("**AGM**")	4:30 p.m. on 13 December 2021
2021 AGM	10:00 a.m. on 17 December 2021

	For Financial Year 2021/2022
Interim results announcement for the six months ending 31 January 2022	on or before 31 March 2022
Annual results announcement for the year ending 31 July 2022	on or before 31 October 2022
2022 AGM	December 2022

安永

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 78 to 184, which comprise the consolidated statement of financial position as at 31 July 2021, 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 2021, 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 ("**HKSAs**") 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.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets	
As at 31 July 2021, the Group had property, plant and equipment ("**PPE**") and right-of-use assets ("**ROU assets**") of approximately HK$267 million and HK$884 million, respectively. Management performs impairment assessments on the Group's PPE and ROU assets where an indicator of impairment of these assets exists. Impairment losses of approximately HK$9 million and HK$33 million have been recognised during the year to reduce the carrying amounts of certain PPE and ROU assets, respectively, to their recoverable amounts. Management determined the recoverable amounts of the relevant cash-generating units ("**CGUs**") or groups of CGUs as at 31 July 2021 based on the value in use calculations using the discounted cash flow method. 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, e.g. the impact of Covid-19, recovery of economy, etc., and the actual performance of the CGUs or groups of CGUs. The related disclosures are included in notes 2, 3, 14 and 15 to the financial statements.	Our audit procedures included, among others, evaluating the Group's policies and procedures in identifying impairment indicators and determining the relevant CGUs or groups of CGUs. In evaluating management's impairment assessments, we also assessed (i) the value in use calculation methodologies adopted by management in determining the 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: — 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. 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 calculation. We also assessed the disclosures relating to the assumptions used in the impairment assessments of PPE and ROU assets.

KEY AUDIT MATTERS (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of film rights, film and TV program products and films and TV programs under production</td></tr>
<tr><td>As at 31 July 2021, the Group had films and TV programs under production, film rights and film and TV program products of approximately HK$192 million, HK$15 million and HK$55 million, respectively.

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, projected revenues and related future cash flows of the relevant assets, as appropriate. Further details are included in note 3 to the financial statements.

The related disclosures are included in notes 2, 3, 16, 17 and 24 to the financial statements.</td><td>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:

— 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 identifying impairment indicators 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 plans 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 from films and TV programs and estimated costs to be incurred to complete the production by comparing with the production plan, agreements for future licensing and historical cash flows.

— Involved our internal valuation specialists to assist us in evaluating the assumptions, discount rates and methodologies used by the Group in the discounted cash flow projections.</td></tr>
</table>

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 HKSAs 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 HKSAs, 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 Chung Yuk Man.

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

19 October 2021

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
CONTINUING OPERATIONS			
TURNOVER	6	**835,303**	929,156
Cost of sales		**(651,209)**	(627,262)
Gross profit		**184,094**	301,894
Other revenue	7	**133,511**	94,987
Selling and marketing expenses		**(24,525)**	(31,686)
Administrative expenses		**(282,837)**	(328,689)
Other operating expenses, net		**(349,521)**	(877,234)
LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		**(339,278)**	(840,728)
Finance costs	9	**(60,987)**	(79,984)
Share of profits and losses of joint ventures		**420**	(2,237)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(399,845)**	(922,949)
Tax	11	**(8,398)**	(79,262)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(408,243)**	(1,002,211)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12	**–**	(8,150,401)
LOSS FOR THE YEAR		**(408,243)**	(9,152,612)
Attributable to:			
Owners of the Company		**(351,126)**	(8,585,404)
Non-controlling interests		**(57,117)**	(567,208)
		(408,243)	(9,152,612)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic			
— For loss for the year		**(HK$0.235)**	(HK$5.755)
— For loss for the year from continuing operations		**(HK$0.235)**	(HK$0.621)
Diluted			
— For loss for the year		**(HK$0.235)**	(HK$5.755)
— For loss for the year from continuing operations		**(HK$0.235)**	(HK$0.621)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(408,243)**	(9,152,612)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Items that may be subsequently reclassified to the income statement:		
Exchange realignment on translation of foreign operations	**(9,789)**	(764,209)
Share of other comprehensive income/(loss) of joint ventures	**235**	(41)
Share of other comprehensive loss of associates	**–**	(13)
Release of exchange reserve upon deregistration and disposal of subsidiaries	**(265)**	1,150,216
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(9,819)**	385,953
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(418,062)**	(8,766,659)
Attributable to:		
Owners of the Company	**(357,790)**	(7,832,163)
Non-controlling interests	**(60,272)**	(934,496)
	(418,062)	(8,766,659)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**266,715**	257,425
Right-of-use assets	15(a)	**883,505**	786,397
Film rights	16	**15,109**	7,055
Film and TV program products	17	**54,838**	65,121
Music catalogs	18	**3,124**	8,584
Goodwill	19	**10,000**	10,000
Investments in joint ventures	20	**20,461**	15,979
Financial assets at fair value through profit or loss	22	**35,308**	37,793
Deposits, prepayments, other receivables and other assets	23	**119,037**	98,663
Deferred tax assets	33	**516**	2,121
Total non-current assets		**1,408,613**	1,289,138
CURRENT ASSETS			
Films and TV programs under production and film investments	24	**235,844**	313,384
Inventories	25	**5,203**	14,280
Debtors	26	**106,919**	94,682
Financial assets at fair value through profit or loss	22	**145,113**	153,083
Deposits, prepayments, other receivables and other assets	23	**174,493**	177,922
Prepaid tax		**–**	77
Pledged and restricted time deposits	27	**164,120**	205,120
Cash and cash equivalents	27	**1,476,796**	1,613,979
		2,308,488	2,572,527
Assets classified as held for sale	28	**–**	8,057
Total current assets		**2,308,488**	2,580,584
CURRENT LIABILITIES			
Creditors and accruals	29	**405,960**	351,919
Deposits received and contract liabilities	30	**205,067**	261,044
Interest-bearing bank loans	31	**107,950**	107,910
Lease liabilities	15(b)	**217,110**	192,576
Tax payable		**121,129**	112,845
Total current liabilities		**1,057,216**	1,026,294
NET CURRENT ASSETS		**1,251,272**	1,554,290
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,659,885**	2,843,428

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Creditors and accruals	29	**8,019**	—
Interest-bearing bank loans	31	**53,831**	71,696
Lease liabilities	15(b)	**1,050,823**	985,821
Other borrowings	32	**221,217**	215,577
Deferred tax liabilities	33	**2,629**	101
Total non-current liabilities		**1,336,519**	1,273,195
Net assets		**1,323,366**	1,570,233
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**745,927**	745,927
Reserves	36	**517,453**	851,506
		1,263,380	1,597,433
Non-controlling interests		**59,986**	(27,200)
Total equity		**1,323,366**	1,570,233

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2021

	Note	Attributable to owners of the Company								Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note (i))*	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000		
At 1 August 2020		745,927	4,257,351	891,289	(10,260)	127,736	370	(4,414,980)	1,597,433	(27,200)	1,570,233
Loss for the year		–	–	–	–	–	–	(351,126)	(351,126)	(57,117)	(408,243)
Other comprehensive income/(loss) for the year, net of tax:											
Exchange realignment on translation of foreign operations		–	–	–	(6,620)	–	–	–	(6,620)	(3,169)	(9,789)
Share of other comprehensive income of joint ventures		–	–	–	162	–	–	–	162	73	235
Release of exchange reserve upon deregistration of subsidiaries		–	–	–	(206)	–	–	–	(206)	(59)	(265)
Total comprehensive loss for the year		–	–	–	(6,664)	–	–	(351,126)	(357,790)	(60,272)	(418,062)
Acquisition of additional equity interest in a subsidiary, net	47(a)	–	–	–	–	(7,881)	–	–	(7,881)	129,040	121,159
Equity-settled share-based payment of a subsidiary	47(a)	–	–	–	–	128	–	–	128	172	300
Shares issued by a subsidiary to a non-controlling shareholder of a subsidiary, net	47(a)	–	–	–	–	31,490	–	–	31,490	19,041	50,531
Deregistration of subsidiaries		–	–	–	–	–	–	–	–	(795)	(795)
At 31 July 2021		**745,927**	**4,257,351***	**891,289***	**(16,924)***	**151,473***	**370***	**(4,766,106)***	**1,263,380**	**59,986**	**1,323,366**

* *These reserve accounts comprise the consolidated reserves of HK$517,453,000 (2020: HK$851,506,000) 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 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note (i))*	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company									
At 1 August 2019		745,927	4,257,351	891,289	(822,077)	503,457	71,824	3,450,850	9,098,621	8,326,675	17,425,296
Loss for the year		–	–	–	–	–	–	(8,585,404)	(8,585,404)	(567,208)	(9,152,612)
Other comprehensive income/(loss) for the year, net of tax:											
Exchange realignment on translation of foreign operations		–	–	–	(396,940)	–	–	–	(396,940)	(367,269)	(764,209)
Share of other comprehensive loss of joint ventures		–	–	–	(28)	–	–	–	(28)	(13)	(41)
Share of other comprehensive loss of associates		–	–	–	(7)	–	–	–	(7)	(6)	(13)
Release of exchange reserve upon disposal of subsidiaries	12	–	–	–	1,150,216	–	–	–	1,150,216	–	1,150,216
Total comprehensive income/(loss) for the year		–	–	–	753,241	–	–	(8,585,404)	(7,832,163)	(934,496)	(8,766,659)
Capital contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	5,423	5,423
Shares issued by a subsidiary in lieu of cash dividend *(note (iii))*		–	–	–	–	56,530	–	–	56,530	(54,230)	2,300
Shares issued by a subsidiary upon exercise of share options		–	–	–	–	(3,298)	–	–	(3,298)	4,027	729
Release of reserve upon lapse of share options of a subsidiary		–	–	–	–	–	–	115	115	(115)	–
Equity-settled share option arrangements of a subsidiary		–	–	–	–	–	–	–	–	674	674
Transfer to statutory reserve		–	–	–	–	–	6,416	(6,416)	–	–	–
Disposal of partial interest in a subsidiary without losing control *(note (iv))*		–	–	–	58,576	219,052	–	–	277,628	247,532	525,160
Disposal of subsidiaries	12	–	–	–	–	(648,005)	(77,870)	725,875	–	(7,590,288)	(7,590,288)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	(32,402)	(32,402)
At 31 July 2020		745,927	4,257,351*	891,289*	(10,260)*	127,736*	370*	(4,414,980)*	1,597,433	(27,200)	1,570,233

Notes:

(iii) *During the year ended 31 July 2020, Lai Fung Holdings Limited ("**Lai Fung**") issued new shares to certain non-controlling shareholders and certain wholly-owned subsidiaries of the Company who had elected to receive scrip shares in lieu of a cash dividend under the scrip dividend scheme. The change in the Group's shareholding interest in Lai Fung resulted in an increase in other reserve of HK$56,530,000 and a decrease in the non-controlling interests of HK$54,230,000.*

(iv) *The amounts arose from the disposal of a 20% equity interest in Rosy Commerce Holdings Limited to Bravo Heart Limited, a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**"), during the year ended 31 July 2020. Net proceeds after deducting the transaction costs and related tax were HK$525,160,000 and tax of HK$30,847,000 was charged to other reserve.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
— from continuing operations		**(399,845)**	(922,949)
— from discontinued operations		**–**	(8,036,425)
		(399,845)	(8,959,374)
Adjustments for:			
Fair value losses on investment properties		**–**	564,880
Fair value losses on cross currency swaps		**–**	2,688
Fair value losses on a foreign currency forward contract		**–**	5,156
Fair value changes from film investments	8	**12,702**	5,014
Fair value changes from entertainment events organised by co-investors	8	**1,280**	(2,962)
Fair value losses on financial assets at fair value through profit or loss	8	**6,552**	19,177
Finance costs		**60,987**	264,711
Rent concessions related to COVID-19	7	**(75,668)**	(40,857)
Other rent concessions	7	**–**	(8,324)
Share of profits and losses of joint ventures		**(420)**	2,382
Share of profits and losses of associates		**–**	317
Interest income		**(9,383)**	(23,774)
Loss/(gain) on disposal of items of property, plant and equipment		**(25)**	785
Gain on termination of a lease	8	**(163)**	–
Gain on disposal of assets classified as held for sale		**(22,323)**	(54,309)
Loss on disposal of subsidiaries	12	**–**	7,259,028
Gain on deregistration of subsidiaries	8	**(576)**	–
Loss on disposal of joint ventures	8	**142**	–
Depreciation of property, plant and equipment	14	**53,512**	237,142
Depreciation of right-of-use assets	15	**141,437**	218,095
Amortisation of film rights	8	**6,595**	29,689
Amortisation of film and TV program products	8	**176,388**	128,011
Amortisation of music catalogs	8	**5,460**	7,045
Write-off of items of property, plant and equipment	8	**40**	267
Write-down of completed properties for sale to net realisable value		**–**	99,548
Impairment of goodwill	8	**–**	72,440
Impairment of property, plant and equipment	8	**9,411**	97,250
Impairment of right-of-use assets	8	**32,767**	309,280
Impairment of films and TV programs under production	8	**2,553**	12,439
Write-back of impairment of film rights	8	**(12,803)**	(12,000)
Impairment of debtors	8	**9,892**	7,544
Impairment of advances and other receivables	8	**22,976**	22,073
Impairment of amounts due from joint ventures	8	**90**	1,468
Impairment/(write-back of impairment) of amounts due from associates	21	**(85)**	99
Impairment of inventories	8	**1,602**	2,545
Equity-settled share option expenses		**–**	674
Equity-settled share-based payment		**300**	–
Foreign exchange differences, net		**(36,325)**	(10,459)
		(12,930)	257,688

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in properties under development		**–**	(565,830)
Decrease in completed properties for sale		**–**	67,478
Decrease/(increase) in inventories		**7,475**	(4,304)
Additions of films and TV programs under production		**(177,193)**	(141,825)
Increase in film investments		**(37,825)**	(13,472)
Additions of film and TV program products		**(2,661)**	(1,655)
Decrease in film and TV program products		**132,684**	117,535
Additions of film rights		**(1,846)**	(136)
Increase in debtors		**(22,129)**	(17,415)
Increase in deposits, prepayments, other receivables and other assets		**(42,446)**	(73,014)
Proceeds from disposal of assets classified as held for sale		**–**	108,469
Increase/(decrease) in creditors and accruals		**68,793**	(132,238)
Increase/(decrease) in deposits received and contract liabilities		**(55,977)**	58,830
Decrease in long-term deposits received		**–**	(21,347)
Cash used in operations		**(144,055)**	(361,236)
Hong Kong profits tax paid, net		**(1,533)**	(1,350)
Mainland China taxes paid, net		**(2,809)**	(57,174)
Net cash flows used in operating activities		**(148,397)**	(419,760)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,383**	23,774
Additions of investment properties		**–**	(727,659)
Proceeds from disposal of an asset classified as held for sale		**30,380**	–
Proceeds from disposal of items of property, plant and equipment		**33**	32
Purchases of items of property, plant and equipment		**(78,142)**	(448,606)
Dividend income from joint ventures		**6,775**	–
Advances to joint ventures		**(13,195)**	(3,903)
Advances to associates		**–**	(128)
Repayment from joint ventures		**1,257**	5,854
Repayment from associates		**85**	4,666
Disposal of subsidiaries	12	**–**	348,179
Proceeds from disposal of joint ventures		**1,104**	–
Decrease in financial assets at fair value through profit or loss		**4,379**	10,698
Decrease/(increase) in pledged and restricted time deposits and bank balances		**41,000**	(395,227)
Decrease in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**–**	39,309
Net cash flows generated from/(used in) investing activities		**3,059**	(1,143,011)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options of a subsidiary		**–**	729
Proceeds from the clawback offer and placing of shares of a subsidiary		**129,595**	–
Proceeds from issuance of shares of a subsidiary		**51,265**	–
Issue costs of issuance of shares of a subsidiary		**(9,170)**	–
New bank loans, net of direct costs		**–**	1,531,103
Repayment of bank loans		**(18,000)**	(556,501)
Loans from fellow subsidiaries		**–**	389,909
Repayment of loans from a fellow subsidiary		**–**	(950,000)
Interest and bank financing charges paid		**(3,152)**	(344,219)
Interest paid to a fellow subsidiary		**–**	(19,747)
Capital contributions from non-controlling shareholders of a subsidiary		**–**	5,423
Proceeds from disposal of partial interests in a subsidiary		**–**	557,250
Dividend paid to non-controlling shareholders of subsidiaries		**–**	(30,102)
Lease payments	15	**(161,858)**	(126,394)
Amount received from a potential non-controlling shareholder of a subsidiary		**–**	221,508
Net cash flows generated from/(used in) financing activities		**(11,320)**	678,959
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(156,658)**	(883,812)
Cash and cash equivalents at beginning of year		**1,613,979**	2,558,711
Effect of foreign exchange rate changes, net		**19,475**	(60,920)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,476,796**	1,613,979
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	27	**1,028,394**	1,155,051
Non-pledged and non-restricted time deposits	27	**448,402**	458,928
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,476,796**	1,613,979

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:

- development and operation of and investment in media, entertainment, music production and distribution;
- investment in and production and distribution of television programs, films and video format products;
- cinema operation; and
- investment holding.

Details of the principal subsidiaries are set out in note 47 to the financial statements.

During the year ended 31 July 2020, the Group's operations of property development for sale and property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities were discontinued upon disposal of an entire equity interest in Lai Fung and its subsidiaries (the "**Lai Fung Group**"). The disposal of the Lai Fung Group was classified as discontinued operations and the details were disclosed in note 12.

The ultimate holding company of the Company as at 31 July 2021 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 which have been measured at fair value. The current assets classified as held for sale were stated at the lower of their carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

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 2021. 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).

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 retained profits/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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The Group has early adopted the amendment to HKFRS 16 in the current year's financial statements. Except for the amendment to HKFRS 16, the adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs has had no significant financial effect on the financial performance or financial position of the Group.

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*

The Group has early adopted the amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with earlier application permitted. During the year ended 31 July 2021, certain lease payments for the leases of the Group's cinema related properties have been waived by the lessors as a result of the COVID-19 pandemic. The Group has early adopted the amendment on 1 August 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 July 2021. Accordingly, a reduction in lease payments arising from the rent concessions of HK$75,668,000 has been accounted for as other revenue and credited to the consolidated income statement for the year ended 31 July 2021.

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 3	*Reference to the Conceptual Framework* [2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKFRS 17	*Insurance Contracts* [3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* [3, 5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies* [3]
Amendments to HKAS 8	*Definition of Accounting Estimates* [3]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract* [2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 [2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, 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 in October 2020 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

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.

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.

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 net 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 completed investment properties, certain investment properties under construction, derivative financial instruments and 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 completed properties for sale, properties under development, inventories, assets classified as held for sale, investment properties, 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.

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.

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 including owner-operated serviced apartments and theme parks, other than investment properties, properties under development and construction in progress, 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, as further explained in the accounting policy for "Non-current assets (or disposal groups) held for sale and discontinued operations". 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%
Serviced apartments	Over the remaining lease terms of the land
Leasehold improvements	Over the terms of the related leases
Theme parks, excluding buildings	10% — 20%
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.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and properties which are constructed for future use as investment properties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

Properties under construction for future use as investment properties are accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amounts of the investment properties under construction. Investment properties under construction are measured at fair value as at the end of the reporting period. Any difference between the fair values of the investment properties under construction and their carrying amounts is recognised in the income statement in the period in which it arises.

If the fair value of an investment property under construction is at present not reliably determinable but is expected to be reliably determinable when construction is completed, such investment property under construction is stated at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

A transfer from investment property under construction to property under development/construction in progress shall be made when, and only when, there is a change in use, evidenced by commencement of development with a view to sale/owner-occupation.

Properties under development

Properties under development represent properties developed for sale and are stated at the lower of cost and net realisable value. Cost comprises the prepaid land lease payments, or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Once the development of these properties is completed, these properties are transferred to completed properties for sale.

If a property under development is intended to be redeveloped into an owner-occupied property, it is transferred to construction in progress at carrying amount.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less cost to be incurred in selling the property.

If an item of completed property for sale becomes owner-occupied, it is transferred to property, plant and equipment at carrying amount.

For a transfer from an item of completed property for sale to investment property that will be carried at fair value as its use has changed as evidenced by commencement of an operating lease, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in the income statement.

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 programs 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, fair value through other comprehensive income, 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 or fair value through other comprehensive income, 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, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. 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.

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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, 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 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.

Put option liabilities

Put options are financial instruments granted by the Group whereby counterparties may have the rights to request the Group to purchase their equity interests in the Group's subsidiaries for cash when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash under the put option, the Group has to recognise a financial liability at the present value of the estimated future cash outflows under the put potion. The financial liability is initially recognised at fair value.

Subsequently, if the Group revises its estimates of the payments, the Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. At the end of each reporting period, the Group recalculates the carrying amount by computing the present value of the revised estimated future cash outflows at the financial instrument's original effective interest rate and adjustment to its carrying amount is to be recognised as income or expenses in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, food, beverages and supplies used in theme parks 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 16 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.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development" and "Completed properties for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(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.

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.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(a) *Sale of completed properties*

Revenue from the sale of completed properties is recognised upon the signing of the property handover letter, which is taken to be the point in time when the control of the property is transferred to the purchaser.

(b) *Revenue from hotel and serviced apartment operation and building management operation*

Revenue from hotel and serviced apartment operation and building management operation services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Revenue from theme park operation*

Revenue from admission tickets sold is recognised over time when the theme park service is provided to the customer or at the point in time when the tickets expire.

(d) *Entertainment events*

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

(e) *Film distribution*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(f) *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.

(g) *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.

(h) *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.

(i) *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.

(j) *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.

(k) *Advertising, artiste management, producer and consultancy services*

Advertising income, artiste management fee income, producer fee income and consultancy service 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.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

Contract costs

Costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

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 as consideration 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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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.

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 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.

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 weighted average exchange rates for the year. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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**").

Mainland China Land Appreciation Tax ("LAT")

LAT is levied at prevailing progressive rates on the appreciation of land value, being the proceeds from the sale of properties less deductible costs.

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.

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 33 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Film rights and film and TV program products are stated at cost less accumulated amortisation and 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 each film and TV program under production and each film right, film and TV program product 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 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 16, 17 and 24 to the financial statements, respectively.

(ii) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iii) 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 19 to the financial statements.

(iv) 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.

(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 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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 23 to the financial statements.

(vi) 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).

(vii) Provision for corporate income tax ("CIT")

The Group is mainly subject to CIT in the PRC. As a result of the fact that certain matters relating to the CIT have not been confirmed by the tax authorities, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and related CIT provision in the period in which such taxes are finalised with the tax authorities.

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 investment in and the production of entertainment events 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.

During the year ended 31 July 2020, operating segments of property development and property investment were classified as discontinued operations because of the Group's disposal of the Lai Fung Group. The segment information reported does not include any amounts for the discontinued operations during the year ended 31 July 2020, which were described in more detail in note 12.

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 from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that interest income, finance costs, gain on disposal of an asset classified as held for sale, impairment of goodwill 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, assets classified as held for sale and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and 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.

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Continuing operations										
Segment revenue:										
Sales to external customers *(note 6)*	**321,126**	326,604	**298,892**	370,215	**213,003**	229,274	**2,282**	3,063	**835,303**	929,156
Intersegment sales	**4**	128	**8,597**	6,231	**478**	516	**1,869**	1,949	**10,948**	8,824
Other revenue	**4,584**	2,563	**4,308**	3,935	**107,253**	76,942	**7,983**	5,091	**124,128**	88,531
Total	**325,714**	329,295	**311,797**	380,381	**320,734**	306,732	**12,134**	10,103	**970,379**	1,026,511
Elimination of intersegment sales									**(10,948)**	(8,824)
Total revenue									**959,431**	1,017,687
Segment results	**(17,400)**	(5,770)	**(94,894)**	(80,068)	**(151,033)**	(534,984)	**(107,657)**	(153,922)	**(370,984)**	(774,744)
Unallocated interest income									**9,383**	6,456
Gain on disposal of an asset classified as held for sale	**–**	–	**–**	–	**–**	–	**22,323**	–	**22,323**	–
Impairment of goodwill	**–**	–	**–**	–	**–**	(72,440)	**–**	–	**–**	(72,440)
Loss from operating activities from continuing operations									**(339,278)**	(840,728)
Finance costs									**(60,987)**	(79,984)
Share of profits and losses of joint ventures	**1,309**	(155)	**(889)**	243	**–**	–	**–**	(2,325)	**420**	(2,237)
Loss before tax from continuing operations									**(399,845)**	(922,949)
Tax									**(8,398)**	(79,262)
Loss for the year from continuing operations									**(408,243)**	(1,002,211)

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Segment assets	**356,758**	337,944	**588,886**	763,534	**1,337,956**	1,168,707	**1,232,103**	1,382,427	**3,515,703**	3,652,612
Investments in joint ventures	**15,018**	11,599	**1,057**	1,947	**–**	–	**4,386**	2,433	**20,461**	15,979
Unallocated assets									**180,937**	193,074
Assets classified as held for sale									**–**	8,057
Total assets									**3,717,101**	3,869,722
Segment liabilities	**134,911**	119,289	**367,812**	382,044	**1,340,446**	1,234,088	**43,810**	55,939	**1,886,979**	1,791,360
Unallocated liabilities									**506,756**	508,129
Total liabilities									**2,393,735**	2,299,489

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Continuing operations										
Depreciation of property, plant and equipment	**1,081**	1,340	**155**	508	**51,684**	56,259	**592**	1,210	**53,512**	59,317
Depreciation of right-of-use assets	**1,795**	4,656	**2,693**	6,501	**133,676**	157,844	**3,273**	6,743	**141,437**	175,744
Impairment of property, plant and equipment	**493**	638	**125**	273	**8,149**	94,832	**644**	1,507	**9,411**	97,250
Impairment of right-of-use assets	**4,255**	2,954	**865**	5,292	**25,945**	294,703	**1,702**	6,331	**32,767**	309,280
Impairment of films and TV programs under production	**–**	–	**2,553**	12,439	**–**	–	**–**	–	**2,553**	12,439
Amortisation of film rights	**–**	–	**6,595**	29,689	**–**	–	**–**	–	**6,595**	29,689
Amortisation of film and TV program products	**–**	–	**176,388**	128,011	**–**	–	**–**	–	**176,388**	128,011
Amortisation of music catalogs	**5,460**	7,045	**–**	–	**–**	–	**–**	–	**5,460**	7,045
Write-back of impairment of film rights	**–**	–	**(12,803)**	(12,000)	**–**	–	**–**	–	**(12,803)**	(12,000)
Impairment of advances and other receivables	**19,788**	5,233	**3,188**	16,065	**–**	–	**–**	775	**22,976**	22,073
Impairment of debtors	**7,209**	7,416	**2,683**	128	**–**	–	**–**	–	**9,892**	7,544
Impairment/(write-back of impairment) of amounts due from joint ventures	**1,273**	703	**(1,183)**	765	**–**	–	**–**	–	**90**	1,468
Impairment of inventories	**821**	59	**777**	2,466	**4**	20	**–**	–	**1,602**	2,545
Additions of property, plant and equipment	**606**	491	**142**	142	**68,545**	59,723	**1,405**	359	**70,698**	60,715
Additions of film rights	**–**	–	**1,846**	136	**–**	–	**–**	–	**1,846**	136
Additions of film and TV program products	**–**	–	**2,661**	1,655	**–**	–	**–**	–	**2,661**	1,655
Additions of films and TV programs under production and film investments	**–**	–	**224,588**	155,297	**–**	–	**–**	–	**224,588**	155,297
Additions of right-of-use assets	**3,879**	1,656	**1,395**	2,563	**261,885**	123,180	**1,181**	10,297	**268,340**	137,696

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Revenue:								
Sales to external customers from continuing operations	**484,748**	479,224	**299,469**	402,731	**51,086**	47,201	**835,303**	929,156
Assets:								
Segment assets:								
– non-current assets	**1,323,674**	1,210,533	**48,853**	38,039	**262**	652	**1,372,789**	1,249,224
– current assets	**1,848,150**	1,884,411	**305,173**	524,559	**10,052**	10,397	**2,163,375**	2,419,367
Unallocated assets							**180,937**	193,074
Assets classified as held for sale							**–**	8,057
Total assets							**3,717,101**	3,869,722

Information about major customers:

Revenue from one (2020: one) customer which accounted for revenue exceeding 10% of the Group's total revenue from continuing operations amounted to approximately HK$147,881,000 for the year ended 31 July 2021 (2020: HK$116,690,000).

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	2021 HK$'000	2020 HK$'000
LSG and its subsidiaries, excluding the Group:			
Lease payments and building management fee paid or payable	(i)	**886**	5,628
Rental income and management fee income received or receivable	(ii)	**–**	1,114
Interest expense	9, (iii)	**–**	17,305
Sharing of corporate salaries on a cost basis allocated from		**25,924**	45,969
Sharing of administrative expenses on a cost basis allocated from		**2,269**	10,034
Sharing of corporate salaries on a cost basis allocated to		**7,288**	8,988
Sharing of administrative expenses on a cost basis allocated to		**2,463**	2,302
Joint ventures:			
Production fee	(iv)	**1,450**	1,170
Share of net gain from entertainment events organised by the Group to co-investors		**2,423**	–
Service fee income	(iv)	**1,656**	1,159
Interest income	(iv)	**–**	276
Management and other service fees paid or payable to a related company	(v)	**–**	5,754

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$52,792,000 and lease liabilities of HK$97,832,000 related to the leases were recognised in the consolidated statement of financial position as at 31 July 2021. During the year, depreciation of right-of-use assets of HK$10,975,000 (2020: HK$14,953,000) and finance costs on lease liabilities of HK$4,567,000 (2020: HK$3,435,000) were recognised in the consolidated income statement.

(ii) The terms of the rental income and management fee income were determined based on the agreements entered into between the Group and the related companies.

(iii) The terms of loans were determined based on agreements entered into between the Group and a fellow subsidiary. The loans were fully repaid during the year ended 31 July 2020.

(iv) The production fee was charged, and service fee income and interest income were recognised in accordance with contractual terms with respective parties.

(v) The management and other service fees were charged based on an agreement entered into between the Group and a subsidiary of CapitaLand Limited, a substantial shareholder of Lai Fung.

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

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

(b) Compensation of key management personnel of the Group

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**23,005**	35,264
Post-employment benefits	**58**	95
Total compensation paid to key management personnel	**23,063**	35,359

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

6. TURNOVER

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

	2021 HK$'000	2020 HK$'000
Turnover from contracts with customers		
Entertainment event income	**72,429**	68,922
Distribution commission income, licence income from and sales of film and TV program products and film rights	**297,562**	368,548
Album sales, licence income and distribution commission income from music publishing and licensing	**79,171**	89,197
Box-office takings, concessionary income and related income from cinemas	**213,003**	229,274
Artiste management fee income	**11,929**	11,965
Advertising income	**1,330**	1,667
Sale of game products	**157,597**	156,520
Sale of merchandising products	**2,282**	3,063
	835,303	929,156

6. TURNOVER (continued)

(a) Disaggregated revenue information

For the year ended 31 July 2021

	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	**243,899**	**52,582**	**185,985**	**2,282**	**484,748**
Mainland China and Macau	**49,915**	**222,536**	**27,018**	**–**	**299,469**
Others	**27,312**	**23,774**	**–**	**–**	**51,086**
Total turnover from contracts with customers	**321,126**	**298,892**	**213,003**	**2,282**	**835,303**
Timing of revenue recognition					
At a point in time	**264,212**	**298,442**	**213,003**	**2,282**	**777,939**
Over time	**56,914**	**450**	**–**	**–**	**57,364**
Total turnover from contracts with customers	**321,126**	**298,892**	**213,003**	**2,282**	**835,303**

For the year ended 31 July 2020

	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	205,370	57,778	213,013	3,063	479,224
Mainland China and Macau	87,916	298,554	16,261	–	402,731
Others	33,318	13,883	–	–	47,201
Total turnover from contracts with customers	326,604	370,215	229,274	3,063	929,156
Timing of revenue recognition					
At a point in time	256,004	370,215	229,274	3,063	858,556
Over time	70,600	–	–	–	70,600
Total turnover from contracts with customers	326,604	370,215	229,274	3,063	929,156

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$173,653,000 (2020: HK$186,214,000).

6. TURNOVER (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised 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 fee 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 which 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 when tickets are accepted and consumed by the customer. 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.

7. OTHER REVENUE

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

	Note	**2021** **HK$'000**	2020 HK$'000
Bank interest income		**7,940**	4,926
Other interest income		**1,443**	1,254
Rent concessions related to COVID-19	15(c)	**75,668**	40,857
Other rent concessions	15(c)	**–**	8,324
Interest income from an amount due from a joint venture, net		**–**	276
Government grants*		**23,757**	13,299
Others		**24,703**	26,051
		133,511	94,987

* *During the years ended 31 July 2021 and 2020, government grants mainly represented the amount received under the "Anti-epidemic Fund" of the Government of the Hong Kong Special Administrative Region. Government grants received for which related expenditure had not been incurred were included in "Deposits received and contract liabilities" of the consolidated statement of financial position as at 31 July 2020. There are no unfulfilled conditions or contingencies related to these grants.*

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of film rights, licence rights and film and TV program products		**346,297**	324,814
Cost of artiste management services and services for entertainment events provided		**84,108**	77,353
Cost of theatrical releasing and concessionary sales		**80,483**	83,250
Cost of inventories sold		**140,321**	141,845
Total cost of sales		**651,209**	627,262
Employee benefit expense (including directors' remuneration (note 10)):			
Wages and salaries		**231,415**	249,390
Pension scheme contributions##		**5,648**	6,139
		237,063	255,529
Auditor's remuneration		**6,360**	7,090
Depreciation of property, plant and equipment^		**53,512**	59,317
Depreciation of right-of-use assets^		**141,437**	175,744
Lease payments not included in the measurement of lease liabilities:			
Entertainment events#		**474**	1,347
Cinemas*		**264**	1,466
Others		**8,250**	10,376
		8,988	13,189
Contingent rents incurred for:			
Entertainment events#		**6,215**	2,821
Cinemas*		**625**	1,115
Total		**15,828**	17,125

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS (continued)

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

	Notes	2021 HK$'000	2020 HK$'000
Impairment of goodwill*	19	–	72,440
Impairment of property, plant and equipment*	14	9,411	97,250
Impairment of right-of-use assets*	15(a)	32,767	309,280
Write-off of items of property, plant and equipment*		40	267
Impairment of films and TV programs under production#	24	2,553	12,439
Fair value changes from film investments*	24	12,702	5,014
Fair value changes from entertainment events organised by co-investors*		1,280	(2,962)
Amortisation of film rights#	16	6,595	29,689
Amortisation of film and TV program products#	17	176,388	128,011
Amortisation of music catalogs#	18	5,460	7,045
Impairment of debtors*	26	9,892	7,544
Impairment of advances and other receivables*	23	22,976	22,073
Impairment of amounts due from joint ventures*		90	1,468
Write-back of impairment of film rights*	16	(12,803)	(12,000)
Gain on deregistration of subsidiaries*		(576)	–
Loss on disposal of joint ventures*		142	–
Fair value losses on financial assets at fair value through profit or loss*		6,552	19,177
Loss/(gain) on disposal of items of property, plant and equipment*		(25)	10
Gain on termination of a lease*		(163)	–
Impairment of inventories#		1,602	2,545
Gain on disposal of an asset classified as held for sale*	28	(22,323)	–
Share of net gain from entertainment events organised by the Group to co-investors*		3,242	–
Foreign exchange differences, net*		(36,325)	8,261

* *These items are included in "Other operating expenses, net" 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 "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.*

\## *As at 31 July 2021 and 31 July 2020, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.*

^ *Depreciation charge of HK$185,360,000 (2020: HK$214,103,000) related to cinema operation is included in "Other operating expenses, net" on the face of the consolidated income statement.*

9. FINANCE COSTS

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

	Note	2021 HK$'000	2020 HK$'000
Interest on:			
Lease liabilities		**50,572**	50,978
Bank loans		**3,091**	4,538
Other borrowings		**5,640**	5,689
Loans from a fellow subsidiary	5	**–**	17,305
Amortisation of transaction fee for bank loans		**175**	187
Other finance costs		**1,509**	1,287
Total finance costs		**60,987**	79,984

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:

	2021 HK$'000	2020 HK$'000
Fees	**2,055**	2,055
Other emoluments:		
Salaries, allowances and benefits in kind	**9,582**	19,055
Pension scheme contributions	**58**	95
	9,640	19,150
	11,695	21,205
Capitalised in properties under development/ investment properties under construction/ construction in progress	**–**	(4,261)
	11,695	16,944

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 2021				
Executive directors:				
Lui Siu Tsuen, Richard^	180	3,056	4	3,240*
Chew Fook Aun	–	4,005	18	4,023
Lam Hau Yin, Lester (also alternate director to U Po Chu)	–	–	–	–
Yip Chai Tuck	180	2,341	36	2,557#
	360	9,402	58	9,820
Non-executive director:				
U Po Chu	–	–	–	–
Independent non-executive directors:				
Low Chee Keong	725	45	–	770
Alfred Donald Yap	290	50	–	340
Ng Lai Man, Carmen	390	50	–	440
Lo Kwok Kwei, David	290	35	–	325
	1,695	180	–	1,875
	2,055	9,582	58	11,695

^ *Lui Siu Tsuen, Richard is also the chief executive officer of the Company.*

* *The amounts included fees of HK$180,000 paid by Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries, "**MAGHL Group**").*

The amounts included fees, salaries and pension scheme contributions of HK$1,369,000 paid by MAGHL.

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 2020				
Executive directors:				
Lui Siu Tsuen, Richard^	180	3,724	13	3,917*
Chew Fook Aun	–	7,827	32	7,859**
Lam Hau Yin, Lester (also alternate director to U Po Chu)	–	1,320	14	1,334##
Yip Chai Tuck	180	2,498	36	2,714#
	360	15,369	95	15,824
Non-executive director:				
U Po Chu	–	3,346	–	3,346##
Independent non-executive directors:				
Low Chee Keong	725	85	–	810
Alfred Donald Yap	290	90	–	380
Ng Lai Man, Carmen	390	90	–	480
Lo Kwok Kwei, David	290	75	–	365
	1,695	340	–	2,035
	2,055	19,055	95	21,205

^ *Lui Siu Tsuen, Richard is also the chief executive officer of the Company.*

* *The amounts included fees of HK$180,000 paid by MAGHL.*

** *The amounts included salaries and pension scheme contributions of HK$3,503,000 paid by Lai Fung for the period from 1 August 2019 to 14 May 2020 (i.e. Date of Disposal, as defined in note 12).*

The amounts included fees, salaries and pension scheme contributions of HK$1,447,000 paid by MAGHL.

The amounts were paid by Lai Fung for the period from 1 August 2019 to the Date of Disposal.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2021 and 2020.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' remuneration

The five highest paid employees during the year included three (2020: one) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining two (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**15,394**	29,016
Pension scheme contributions	**18**	32
	15,412	29,048
Capitalised in properties under development/investment properties under construction/construction in progress	**–**	(4,070)
	15,412	24,978

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

	Number of employees	
	2021	2020
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	1
HK$11,000,001 – HK$11,500,000	**1**	–
HK$14,000,001 – HK$14,500,000	**–**	1
	2	4

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

	2021 HK$'000	2020 HK$'000
Current		
— Hong Kong		
Charge for the year	**1,586**	2,083
Overprovision in prior years	**(91)**	(504)
	1,495	1,579
— Mainland China		
Charge for the year	**2,809**	70,656
Overprovision in prior years	**(39)**	(57)
	2,770	70,599
	4,265	72,178
Deferred tax	**4,133**	7,084
Total tax charge for the year from continuing operations	**8,398**	79,262
Total tax charge for the year from discontinued operations	**–**	113,976
	8,398	193,238

11. TAX (continued)

A reconciliation of the tax 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:

	2021 HK$'000	2020 HK$'000
Loss before tax from continuing operations	**(399,845)**	(922,949)
Loss before tax from discontinued operations	**–**	(8,036,425)
	(399,845)	(8,959,374)
Tax at the applicable tax rates	**(78,042)**	(1,537,773)
Provision for LAT	**–**	62,283
Tax effect of provision for LAT	**–**	(15,571)
Profits and losses attributable to joint ventures and associates	**37**	484
Income not subject to tax	**(13,452)**	(16,861)
Expenses and losses not deductible for tax	**11,904**	173,805
Disposal of subsidiaries, net	**–**	1,265,085
Other temporary differences	**(2,873)**	(801)
Estimated tax losses from prior years utilised	**(3,926)**	(2,417)
Estimated tax losses not recognised	**92,381**	148,148
Adjustments in respect of current tax of prior years	**(130)**	(561)
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**2,499**	9,854
Withholding tax on the interest income received from the subsidiaries established in Mainland China	**–**	1,355
Effect on deferred tax to reflect tax consequence of recovering the carrying amount of the relevant properties through sales	**–**	106,208
Tax charge at the Group's effective rate	**8,398**	193,238

12. DISCONTINUED OPERATIONS

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

On 14 May 2020 ("**Date of Disposal**"), all conditions to the Offer had been fulfilled or waived by the Offeror and the Offer had been declared unconditional in all respects. The Group disposed of its entire equity interest in Lai Fung ("**Disposal**") and since then, Lai Fung Group was no longer consolidated into the Group.

12. DISCONTINUED OPERATIONS (continued)

The principal business and activities of the Lai Fung Group consisted of property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. With the Lai Fung Group being classified as discontinued operations, the operating segment information of property development and property investment business were no longer included in note 4 to the financial statements.

The results of the Lai Fung Group after fair value adjustments and intragroup eliminations for the period from 1 August 2019 to 14 May 2020 and the effect of the Disposal were presented below:

	HK$'000
Turnover	820,042
Cost of sales	(399,243)
Gross profit	420,799
Other revenue	42,042
Selling and marketing expenses	(46,819)
Administrative expenses	(203,497)
Other operating expenses, net	(239,853)
Fair value losses on investment properties	(564,880)
Finance costs	(184,727)
Share of profits and losses of joint ventures	(145)
Share of profits and losses of associates	(317)
Loss before tax	(777,397)
Tax	(113,976)
Loss for the period	(891,373)
Loss on disposal of subsidiaries	(7,259,028)
Loss for the period from the discontinued operations	(8,150,401)
Attributable to:	
Owners of the Company	(7,658,961)
Non-controlling interests	(491,440)
	(8,150,401)

12. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of the Lai Fung Group disposed of as at the Date of Disposal are as follows:

	Notes	HK$'000
Assets		
Property, plant and equipment	14	3,498,528
Right-of-use assets	15(a)	1,308,460
Properties under development	37	2,632,673
Investment properties	38	18,469,056
Investments in joint ventures		1,172
Investments in associates		837
Derivative financial instruments		17,893
Completed properties for sale		2,743,065
Inventories		6,510
Debtors		147,696
Deposits, prepayments and other receivables		508,426
Prepaid tax		24,939
Pledged and restricted time deposits and bank balances		1,310,991
Cash and cash equivalents		1,167,728
Assets classified as held for sale		11,552
		31,849,526
Liabilities		
Creditors and accruals		2,419,357
Deposits received and contract liabilities		799,730
Lease liabilities	15(b)	7,562
Interest-bearing bank loans		6,788,307
Loans from a fellow subsidiary		389,909
Tax payable		202,190
Other borrowings		92,156
Guaranteed notes		2,698,745
Deferred tax liabilities	33	3,231,407
Derivative financial instruments		5,156
		16,634,519
Net assets disposed of		15,215,007
Non-controlling interests		(7,590,288)
Release of foreign exchange reserve		1,150,216
		8,774,935
Loss on disposal of subsidiaries		(7,259,028)
Consideration		1,515,907
Satisfied by:		
Cash		1,515,907

12. DISCONTINUED OPERATIONS (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries for the period from 1 August 2019 to 14 May 2020 is as follows:

	HK$'000
Cash consideration	1,515,907
Cash and cash equivalents disposed of	(1,167,728)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	348,179

The net cash flows incurred by the discontinued operations for the period from 1 August 2019 to 14 May 2020 are as follows:

	HK$'000
Net cash flows used in operating activities	(242,877)
Net cash flows used in investing activities	(1,235,528)
Net cash flows from financing activities	817,269
Net cash outflow	(661,136)

Loss per share from the discontinued operations for the period from 1 August 2019 to 14 May 2020:

Basic	(HK$5.134)
Diluted	(HK$5.134)

The calculations of basic and diluted loss per share from the discontinued operations for the period from 1 August 2019 to 14 May 2020 are based on:

	HK$'000
Loss attributable to owners of the Company from the discontinued operations (note 13)	
Basic	(7,658,961)
Diluted	(7,658,961)

Weighted average number of ordinary shares in issue during the year, used in the basic and diluted loss per share calculation (note 13)	1,491,854,598

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2020: 1,491,854,598) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 July 2021.

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

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

	2021 **HK$'000**	2020 HK$'000
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations:		
From continuing operations	**(351,126)**	(926,443)
From discontinued operations	**–**	(7,658,961)
Loss for the purpose of basic and diluted loss per share calculation	**(351,126)**	(8,585,404)

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Theme parks HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2019		175,823	622,088	672,840	250,729	35,326	32,726	1,488,321	1,161,842	4,439,695
Finance costs capitalised		–	–	–	–	–	–	–	32,858	32,858
Additions		–	–	45,870	22,241	2,333	9,080	48,855	484,335	612,714
Transfers in/(out)		–	1,468,093	–	–	–	–	173,549	(1,641,642)	–
Write-off		–	–	(24,100)	(10,413)	–	(1)	–	–	(34,514)
Disposals		(4,778)	–	(97)	(1,293)	(735)	(2,029)	–	–	(8,932)
Transfer to assets classified as held for sale		(4,979)	–	–	–	–	–	–	–	(4,979)
Disposal of subsidiaries	12	(91,746)	(2,078,214)	(254,335)	(59,561)	(23,134)	(28,628)	(1,659,870)	–	(4,195,488)
Exchange realignment		(3,469)	(11,967)	(12,087)	(2,739)	(528)	(689)	(50,855)	(37,393)	(119,727)
At 31 July 2020 and 1 August 2020		70,851	–	428,091	198,964	13,262	10,459	–	–	721,627
Additions		–	–	52,656	16,593	–	1,449	–	–	70,698
Write-off		–	–	(79)	(987)	–	(45)	–	–	(1,111)
Disposals		–	–	(138)	(817)	–	(66)	–	–	(1,021)
Exchange realignment		–	–	8,955	3,741	337	254	–	–	13,287
At 31 July 2021		**70,851**	**–**	**489,485**	**217,494**	**13,599**	**12,051**	**–**	**–**	**803,480**
Accumulated depreciation and impairment:										
At 1 August 2019		69,998	169,516	463,863	138,639	26,781	22,125	–	–	890,922
Depreciation provided during the year		4,546	40,410	41,935	18,164	2,023	3,729	126,335	–	237,142
Impairment provided during the year		–	–	84,513	11,966	97	674	–	–	97,250
Write-off		–	–	(24,100)	(10,146)	–	(1)	–	–	(34,247)
Disposals		(4,300)	–	(75)	(1,242)	(661)	(1,837)	–	–	(8,115)
Transfer to assets classified as held for sale		(2,117)	–	–	–	–	–	–	–	(2,117)
Disposal of subsidiaries	12	(38,255)	(206,934)	(249,347)	(45,726)	(17,195)	(14,651)	(124,852)	–	(696,960)
Exchange realignment		(1,665)	(2,992)	(11,101)	(1,734)	(307)	(391)	(1,483)	–	(19,673)
At 31 July 2020 and 1 August 2020		28,207	–	305,688	109,921	10,738	9,648	–	–	464,202
Depreciation provided during the year		2,170	–	24,752	25,063	838	689	–	–	53,512
Impairment provided during the year		–	–	7,820	767	–	824	–	–	9,411
Write-off		–	–	(79)	(950)	–	(42)	–	–	(1,071)
Disposals		–	–	(138)	(817)	–	(58)	–	–	(1,013)
Exchange realignment		–	–	8,704	2,679	132	209	–	–	11,724
At 31 July 2021		**30,377**	**–**	**346,747**	**136,663**	**11,708**	**11,270**	**–**	**–**	**536,765**
Net carrying amount:										
At 31 July 2021		**40,474**	**–**	**142,738**	**80,831**	**1,891**	**781**	**–**	**–**	**266,715**
At 31 July 2020		42,644	–	122,403	89,043	2,524	811	–	–	257,425

During the year ended 31 July 2021, the impairment loss of HK$9,411,000 (2020: HK$97,250,000) represented the write-down of the carrying amounts of certain leasehold improvements, furniture, fixtures, equipment, motor vehicles and computers to their recoverable amounts because the market conditions and the impact after the outbreak of COVID-19 were out of management's expectation. The estimated recoverable amounts as at 31 July 2021 were determined based on their value in use amounts estimated by using discount rates ranging from 9% to 11% (2020: 8.55% to 11%).

15. 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 16 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:

	Note	Leasehold land HK$'000	Cinema related properties HK$'000	Other properties HK$'000	Equipment HK$'000	Total HK$'000
At 1 August 2019		1,382,376	951,632	42,789	179	2,376,976
Additions		–	123,180	17,050	653	140,883
Lease modification		–	137,657	(2,308)	–	135,349
Termination		–	–	(701)	–	(701)
Depreciation charged		(39,179)	(157,178)	(21,545)	(193)	(218,095)
Disposal of subsidiaries	12	(1,301,023)	–	(7,437)	–	(1,308,460)
Impairment loss charged		–	(294,703)	(13,938)	(639)	(309,280)
Transfer to assets classified as held for sale		(5,195)	–	–	–	(5,195)
Exchange realignment		(23,884)	(670)	(526)	–	(25,080)
At 31 July 2020 and 1 August 2020		13,095	759,918	13,384	–	786,397
Additions		–	261,885	6,455	–	268,340
Lease modification		–	353	66	–	419
Depreciation charged		(666)	(133,010)	(7,761)	–	(141,437)
Impairment loss charged		–	(25,945)	(6,822)	–	(32,767)
Exchange realignment		–	2,496	57	–	2,553
At 31 July 2021		**12,429**	**865,697**	**5,379**	**–**	**883,505**

During the year ended 31 July 2021, the impairment loss of HK$32,767,000 (2020: HK$309,280,000) represented the write-down of the carrying amounts of right-of-use assets of certain cinema related properties, other properties and equipment to their recoverable amounts because the market conditions and the impact after the outbreak of COVID-19 were out of management's expectation. The estimated recoverable amounts as at 31 July 2021 were determined based on their value in use amounts estimated by using discount rates ranging from 9% to 11% (2020: 8.55% to 11%).

15. 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:

	Note	2021 HK$'000	2020 HK$'000
At beginning of the reporting period		**1,178,397**	1,033,101
Additions		**268,316**	143,562
Accretion of interest recognised during the year		**50,572**	51,325
Termination		**(163)**	(701)
Lease modification		**419**	135,349
Disposal of subsidiaries	12	**–**	(7,562)
Payments		**(161,858)**	(126,394)
Rent concessions related to COVID-19		**(75,668)**	(40,857)
Other rent concessions		**–**	(8,324)
Exchange realignment		**7,918**	(1,102)
At end of the reporting period		**1,267,933**	1,178,397
Less: Portion classified as current		**(217,110)**	(192,576)
Non-current portion		**1,050,823**	985,821

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors during the year.

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**50,572**	51,325
Depreciation charge of right-of-use assets	**141,437**	218,095
Impairment of right-of-use assets	**32,767**	309,280
Expense relating to short-term leases and other leases with remaining lease terms less than one year and leases of low-value assets	**8,988**	13,961
Variable lease payments not included in the measurement of lease liabilities	**6,840**	3,936
Rent concessions related to COVID-19	**(75,668)**	(40,857)
Other rent concessions	**–**	(8,324)
Gain on termination of a lease	**(163)**	–
Total	**164,773**	547,416

15. LEASES (continued)

The Group as a lessee (continued)

(d) The Group has lease contracts that have not yet commenced as at 31 July 2021. The future lease payments for these non-cancellable lease contracts are HK$118,600,000 (2020: HK$64,600,000) due in the second to fifth years, inclusive and HK$214,790,000 (2020: HK$131,000,000) due after five years.

(e) The total cash outflow for leases included in the statement of cash flows was HK$177,686,000 (2020: HK$144,291,000) during the year ended 31 July 2021.

16. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2019	277,987
Additions	136
Disposal	(620)
At 31 July 2020 and 1 August 2020	277,503
Additions	1,846
At 31 July 2021	**279,349**
Accumulated amortisation and impairment:	
At 1 August 2019	253,379
Amortisation provided during the year	29,689
Write-back of impairment during the year	(12,000)
Disposal	(620)
At 31 July 2020 and 1 August 2020	270,448
Amortisation provided during the year	6,595
Write-back of impairment during the year	(12,803)
At 31 July 2021	**264,240**
Net carrying amount:	
At 31 July 2021	**15,109**
At 31 July 2020	7,055

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 approximately 13.5% (2020: 15%) for the relevant assets. The impairment of HK$12,803,000 (2020: HK$12,000,000) was written back because the estimated recoverable amounts of the film rights were higher than their carrying amounts after taking into account the performance of the film rights during the year.

17. FILM AND TV PROGRAM PRODUCTS

	Note	HK$'000
Cost:		
At 1 August 2019		1,631,822
Additions		1,655
Transfer from films and TV programs under production	24	234,266
Sale of film and TV program products		(117,535)
Exchange realignment		(2,388)
At 31 July 2020 and 1 August 2020		1,747,820
Additions		2,661
Transfer from films and TV programs under production	24	296,128
Sale of film and TV program products		(132,684)
Exchange realignment		10,479
At 31 July 2021		**1,924,404**
Accumulated amortisation and impairment:		
At 1 August 2019		1,556,800
Amortisation provided during the year		128,011
Exchange realignment		(2,112)
At 31 July 2020 and 1 August 2020		1,682,699
Amortisation provided during the year		176,388
Exchange realignment		10,479
At 31 July 2021		**1,869,566**
Net carrying amount:		
At 31 July 2021		**54,838**
At 31 July 2020		65,121

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 film and TV program products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2021 and 31 July 2020 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 discount rates ranging from 13.5% to 15% (2020: 15%) for the relevant assets.

18. MUSIC CATALOGS

	HK$'000
Cost:	
At 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	**150,834**
Accumulated amortisation and impairment:	
At 1 August 2019	135,205
Amortisation provided during the year	7,045
At 31 July 2020 and 1 August 2020	142,250
Amortisation provided during the year	5,460
At 31 July 2021	**147,710**
Net carrying amount:	
At 31 July 2021	**3,124**
At 31 July 2020	8,584

In light of the specific circumstances of the music licensing industry, the Group undertakes a review of its library of music catalogs to assess the marketability/future economic benefits of respective music catalogs and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2021 and 31 July 2020 were determined based on the present value of expected future cash flows generated from the music catalogs, which were discounted using a discount rate of approximately 13% (2020: 13%).

19. GOODWILL

	HK$'000
Cost:	
At 1 August 2019, 31 July 2020 and 1 August 2020	126,917
Deregistration of a subsidiary	(849)
At 31 July 2021	**126,068**
Accumulated impairment:	
At 1 August 2019	44,477
Provided during the year	72,440
At 31 July 2020 and 1 August 2020	116,917
Deregistration of a subsidiary	(849)
At 31 July 2021	**116,068**
Net carrying amount:	
At 31 July 2021	**10,000**
At 31 July 2020	10,000

19. GOODWILL (continued)

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 is a group of IGHL CGU which generates cash inflows that are largely independent of the cash inflows from other assets.

As at 31 July 2021, 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% (2020: 8.55% to 14.5%). The growth rate used to extrapolate the cash flows of the IGHL CGU beyond the five-year period is 3% (2020: 1.8% to 3%).

Assumptions were used in the value in use calculation of the IGHL CGU for 31 July 2021 and 31 July 2020. 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 2020, the estimated recoverable amount of the IGHL CGU was below its carrying amount by HK$72,440,000 because the market conditions and the impact after the outbreak of COVID-19 were out of management's expectation and an impairment loss of HK$72,440,000 was recognised in the consolidated income statement.

20. INVESTMENTS IN JOINT VENTURES

	2021 **HK$'000**	2020 HK$'000
Share of net assets	**2,057**	9,580
Amounts due from joint ventures	**72,287**	58,531
Provision for impairment#	**(53,883)**	(52,132)
	18,404	6,399
Total investments in joint ventures	**20,461**	15,979

As at 31 July 2021, impairment of HK$53,883,000 (2020: HK$52,132,000) was recognised for amounts due from joint ventures with gross carrying amounts of HK$68,004,000 (2020: HK$56,607,000) because these joint ventures have been loss-making for some time.

20. INVESTMENTS IN JOINT VENTURES (continued)

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 investment in the joint ventures.

During the year ended 31 July 2021, the Group entered into sale and purchase agreements with a joint venture partner to sell 50% equity interests of certain joint ventures to the joint venture partner at the aggregate consideration of approximately HK$1,104,000. Loss on disposal of HK$142,000 (2020: Nil) was recognised for the year ended 31 July 2021.

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

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**52,132**	51,235
Impairment loss recognised	**90**	1,468
Exchange realignment	**1,661**	(571)
At the end of the reporting period	**53,883**	52,132

During the year ended 31 July 2021, the Group received dividend income amounting to HK$6,775,000 (2020: Nil) from certain joint ventures.

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

	2021 HK$'000	2020 HK$'000
The Group's share of profits and losses	**420**	(2,382)
The Group's share of other comprehensive income/(loss)	**235**	(41)
The Group's share of total comprehensive income/(loss)	**655**	(2,423)
Aggregate carrying amount of the Group's investments in joint ventures	**20,461**	15,979

21. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	–	–
Amounts due from associates	15,543	15,628
Provision for impairment	(15,543)	(15,628)
	–	–
Total investments in associates	–	–

The amounts due from 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 investment in the associates.

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

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	15,628	15,529
Impairment loss/(write-back of impairment loss) recognised	(85)	99
At the end of the reporting period	15,543	15,628

As at 31 July 2021 and 31 July 2020, 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.

Aggregate financial information of associates that are not individually material is as follows:

	2021 HK$'000	2020 HK$'000
The Group's share of profits and losses	–	(317)
The Group's share of other comprehensive loss	–	(13)
The Group's share of total comprehensive loss	–	(330)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Unlisted investments, at fair value	**180,421**	190,876
Less: Portion classified as current	**(145,113)**	(153,083)
Non-current portion	**35,308**	37,793

Included in the above unlisted investments were mainly fund investments and securities.

23. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Deposits, prepayments and advances for artiste management, music production and film and TV program production	**148,777**	157,077
Other deposits, prepayments, other receivables and other assets	**144,753**	119,508
	293,530	276,585
Less: Portion classified as current	**(174,493)**	(177,922)
Non-current portion	**119,037**	98,663

Included in deposits, prepayments, other receivables and other assets as at 31 July 2021 were advances of HK$7,820,000 (2020: HK$7,201,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable on demand and with a fixed guarantee return of 16.5% (2020: 16.5%) on the principal amount.

Included in deposits, prepayments, other receivables and other assets as at 31 July 2021 were investments in entertainment events of HK$5,687,000 (2020: HK$22,223,000) and club debentures of HK$9,858,000 (2020: 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.

23. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**92,807**	74,207
Impairment losses	**22,976**	22,073
Write-off	**(13,813)**	(3,241)
Exchange realignment	**1,321**	(232)
At the end of the reporting period	**103,291**	92,807

Loss allowance for impairment of deposits, prepayments and other receivables as at 31 July 2021 includes impairment of other receivables of HK$42,884,000 (2020: HK$55,537,000). The ECLs as at 31 July 2021 and 2020 are estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2021 and 2020. The loss allowance for impairment of other receivables is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

24. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	2021 HK$'000	2020 HK$'000
Films and TV programs under production	(a)	**192,110**	296,668
Film investments, at fair value	(b)	**43,734**	16,716
		235,844	313,384

Notes:

(a) *Films and TV programs under production*

	Note	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period		**296,668**	408,776
Additions		**177,193**	141,825
Transfer to film and TV program products	17	**(296,128)**	(234,266)
Impairment#		**(2,553)**	(12,439)
Exchange realignment		**16,930**	(7,228)
At the end of the reporting period		**192,110**	296,668

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

24. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS (continued)

Notes: (continued)

(b) *Film investments, at fair value*

	2021 HK$'000	2020 HK$'000
Film investments classified as financial assets at fair value through profit or loss:		
At the beginning of the reporting period	**16,716**	8,466
Additions	**47,395**	13,472
Changes in fair value	**(12,702)**	(5,014)
Settlement	**(9,570)**	—
Exchange realignment	**1,895**	(208)
At the end of the reporting period	**43,734**	16,716

25. INVENTORIES

	2021 HK$'000	2020 HK$'000
Work in progress	**89**	198
Finished goods	**5,114**	14,082
	5,203	14,280

26. DEBTORS

	2021 HK$'000	2020 HK$'000
Trade debtors	**133,263**	111,288
Impairment	**(26,344)**	(16,606)
	106,919	94,682

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 payment due date, as at the end of the reporting period, is as follows:

	2021 HK$'000	2020 HK$'000
Trade debtors:		
Unbilled or neither past due nor impaired	**72,671**	59,979
1 to 90 days past due	**29,019**	25,133
Over 90 days past due	**5,229**	9,570
	106,919	94,682

As at 31 July 2021, unbilled trade debtors amounted to HK$17,974,000 (2020: HK$42,438,000).

26. DEBTORS (continued)

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

	Note	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period		**16,606**	9,410
Impairment losses	8	**9,892**	7,544
Write-off		**(155)**	(348)
Exchange realignment		**1**	—
At the end of the reporting period		**26,344**	16,606

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 payment due date:

As at 31 July 2021

		Past due		
	Current	**1 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	**0%**	**2.5%**	**83.0%**	**19.8%**
Gross carrying amount (HK$'000)	**72,706**	**29,759**	**30,798**	**133,263**
Expected credit losses (HK$'000)	**35**	**740**	**25,569**	**26,344**

As at 31 July 2020

		Past due		
	Current	1 to 90 days	Over 90 days	Total
Expected credit loss rate	0.3%	0%	63.1%	14.9%
Gross carrying amount (HK$'000)	60,179	25,142	25,967	111,288
Expected credit losses (HK$'000)	200	9	16,397	16,606

27. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED TIME DEPOSITS

	Note	2021 HK$'000	2020 HK$'000
Non-pledged and non-restricted cash and bank balances		**1,028,394**	1,155,051
Time deposits		**612,522**	664,048
Less: Pledged and restricted time deposits			
— Pledged for banking facilities		**(2,120)**	(120)
— Pledged for bank loans	31	**(162,000)**	—
— Restricted*		**—**	(205,000)
		(164,120)	(205,120)
Non-pledged and non-restricted time deposits		**448,402**	458,928
Cash and cash equivalents		**1,476,796**	1,613,979

* *As at 31 July 2020, a cash balance of HK$205,000,000 was held by a bank for certain banking facilities of the Group. Such cash balance was restricted to be used by the Group and such restriction was uplifted upon the renewal of the banking facilities during the year ended 31 July 2021.*

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 2021, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$122,465,000 (2020: HK$246,930,000).

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.

28. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 July 2020, a provisional sale and purchase agreement was entered into between the Group and an independent third party in relation to the disposal of a property located in Macau for a cash consideration of HK$31,000,000. As a result, the property with an aggregate carrying amount of HK$8,057,000 previously classified as property, plant and equipment and right-of-use assets was transferred to assets classified as held for sale. During the year ended 31 July 2021, the disposal of the property was completed and a gain on disposal, net of direct related expense of HK$620,000, of HK$22,323,000 (2020: Nil) was recognised in the consolidated income statement.

29. CREDITORS AND ACCRUALS

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

	2021 HK$'000	2020 HK$'000
Trade creditors:		
Less than 30 days	**16,068**	12,493
31 to 60 days	**1,159**	434
61 to 90 days	**1,162**	248
Over 90 days	**960**	1,488
	19,349	14,663
Other creditors and accruals	**394,630**	337,256
	413,979	351,919
Less: Portion classified as non-current	**(8,019)**	—
Current portion	**405,960**	351,919

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

30. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

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

	2021 HK$'000	2020 HK$'000
Deposits received	**75,630**	52,746
Contract liabilities	**129,437**	208,298
	205,067	261,044

As at 1 August 2019, 31 July 2020 and 31 July 2021, the Group's total contract liabilities of HK$535,237,000, HK$208,298,000 and HK$129,437,000, respectively, mainly represented consideration received in advance from customers and deferred revenue. The decrease in total contract liabilities during the year ended 31 July 2020 was mainly due to the disposal of subsidiaries as detailed in note 12. The decrease in total contract liabilities during the year ended 31 July 2021 was mainly due to the recognition of revenue.

31. INTEREST-BEARING BANK LOANS

	2021		2020	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Current:				
Secured	**1.33-1.34**	**107,950**	–	–
Unsecured	**–**	**–**	2.19	107,910
		107,950		107,910
Non-current:				
Secured	**1.33**	**53,831**	–	–
Unsecured	**–**	**–**	2.39-2.43	71,696
		53,831		71,696
		161,781		179,606
Analysed into:				
Within one year		**107,950**		107,910
In the second year		**53,831**		17,877
In the third to fifth years, inclusive		**–**		53,819
		161,781		179,606

Bank loans of the Group as at 31 July 2021 were secured by charges over certain time deposits of the Group with an aggregate carrying amount of HK$162,000,000 (note 27).

As at 31 July 2020, save as disclosed elsewhere in these financial statements, the banking facilities of the Group were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

32. OTHER BORROWINGS

	2021		2020	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Non-current:				
Interest-bearing other borrowings				
– unsecured	**5.00**	**221,217**	5.00	215,577
Maturity profile:				
In the second year		**221,217**		215,577

The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$108,279,000 (2020: HK$102,639,000) which is interest-free.

At the request of the Group, the executor of Mr. Lim Por Yen's estate 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.

33. 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:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**516**	2,121
Deferred tax liabilities	**(2,629)**	(101)
	(2,113)	2,020

33. DEFERRED TAX (continued)

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

	Note	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2019		(638,103)	(525,281)	(2,097,710)	(92,958)	11,206	207	(3,342,639)
Deferred tax credited/(charged) to the income statement during the year		(36,660)	7,880	91,332	(9,854)	14,460	(70,028)	(2,870)
Deferred tax utilised during the year		–	–	–	3,489	–	–	3,489
Disposal of subsidiaries	12	650,546	509,920	1,924,999	99,323	(23,202)	69,821	3,231,407
Exchange realignment		23,484	7,481	81,379	–	289	–	112,633
At 31 July 2020 and 1 August 2020		(733)	–	–	–	2,753	–	2,020
Deferred tax credited/(charged) to the income statement during the year		606	–	–	(2,499)	(2,240)	–	(4,133)
At 31 July 2021		**(127)**	**–**	**–**	**(2,499)**	**513**	**–**	**(2,113)**

At 31 July 2021, the Group had tax losses arising in Hong Kong of HK$2,335,465,000 (2020: HK$2,049,996,000) 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 2021, the Group had tax losses arising in Mainland China of HK$327,225,000 (2020: HK$259,716,000) 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.

33. DEFERRED TAX (continued)

At 31 July 2021, 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$24,500,000 as at 31 July 2021 (2020: HK$20,536,000).

34. SHARE CAPITAL

Shares

	2021		2020	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,491,855**	**745,927**	1,491,855	745,927

Share options

Details of the share option schemes of the Company, MAGHL and Lai Fung and the share options issued under the respective schemes are included in note 35 to the financial statements.

35. SHARE OPTION SCHEMES

(a) The Company

2015 Share Option Scheme

On 11 December 2015 (the "**2015 Adoption Date**"), the Company adopted a new share option scheme (the "**2015 Share Option Scheme**") and terminated its share option scheme previously adopted on 23 December 2005. The purpose of the 2015 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the 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 scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from the 2015 Adoption Date.

35. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

The principal terms of the 2015 Share Option Scheme are:

(i) The maximum number of shares in respect of which options may be granted under the 2015 Share Option Scheme and any other share option schemes of the Company (i) shall not in aggregate exceed 10% of the total number of Company's shares in issue on the 2015 Adoption Date; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each Eligible Participant in the 2015 Share Option Scheme and within any 12-month period, is limited to 1% of the shares of the Company in issue 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.

(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 shares of the Company in issue 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 at 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. The exercise period of the share options granted is determined by the board of directors of the Company in its absolute discretion.

(iv) 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.

No share options have been granted under the 2015 Share Option Scheme during the years ended 31 July 2020 and 2021.

35. SHARE OPTION SCHEMES (continued)

(b) MAGHL

MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a share option scheme (the "**MAGHL Share Option Scheme**") which will remain in force for 10 years commencing from the adoption date. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of MAGHL Group.

The principal terms of the MAGHL Share Option Scheme are as follows:

(i) The total number of MAGHL's shares which may be issued upon the exercise of all share options to be granted under the MAGHL Share Option Scheme and all share options to be granted under any other share option schemes of any member of MAGHL Group (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of MAGHL's shares in issue as at 18 December 2012 (the "**MAGHL Scheme Limit**").

(ii) Subject to (i) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the Rules Governing the Listing of Securities on GEM of The Stock Exchange ("**GEM Listing Rules**")) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of MAGHL's shares in issue as at the date of approval of such refreshed limit.

(iii) Subject to (i) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the share options beyond the 10% limit, provided that the share options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(iv) The maximum number of MAGHL's shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the MAGHL Share Option Scheme and Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

(v) The maximum number of MAGHL's shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and Other Schemes (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of MAGHL's shares in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

35. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are as follows: (continued)

(vi) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules).

(vii) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, and to any of their respective associates, in excess of 0.1% of MAGHL's shares in issue at any time and with an aggregate value (based on the closing price of MAGHL'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, must be approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(viii) An offer of the grant of share options may be accepted within 30 days from the date of offer of grant, together with payment of a consideration of HK$1 per share option for the grant by the grantee.

(ix) The exercise period of the share options granted is determined by the directors of MAGHL 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 MAGHL Share Option Scheme.

(x) The exercise price of the share options is determined by the directors of MAGHL, but must be at least the highest of (i) the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of MAGHL's shares 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 MAGHL's shares 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 MAGHL.

No share options had been granted by MAGHL under the MAGHL Share Option Scheme during the years ended 31 July 2021 and 31 July 2020.

35. SHARE OPTION SCHEMES (continued)

(c) Lai Fung

2003 Lai Fung Share Option Scheme

On 21 August 2003, Lai Fung adopted a share option scheme (as amended on 8 August 2018) (the "**2003 Lai Fung Share Option Scheme**") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of Lai Fung Group's operations. Eligible Participants of the 2003 Lai Fung Share Option Scheme include the directors and any employees of the Lai Fung Group. Unless otherwise cancelled or amended, the 2003 Lai Fung Share Option Scheme will remain in force for 10 years from that date. The 2003 Lai Fung Share Option Scheme was terminated upon the adoption of the 2012 Lai Fung Share Option Scheme (as defined below) on 18 December 2012.

2012 Lai Fung Share Option Scheme

On 18 December 2012 (the "**2012 Adoption Date**"), Lai Fung adopted a new share option scheme (the "**2012 Lai Fung Share Option Scheme**") and terminated the 2003 Lai Fung Share Option Scheme. Subsisting options granted prior to the termination continued to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Lai Fung Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung Share Option Scheme will remain in force for 10 years from the 2012 Adoption Date.

The maximum number of shares of Lai Fung which may be issued upon the exercise of all options to be granted under the 2012 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the 2012 Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval by the shareholders of Lai Fung and the shareholders of Lai Fung's holding company in the respective general meetings.

Share options granted to a director, chief executive or substantial shareholder of Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of each of Lai Fung and the holding company of Lai Fung. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Lai Fung, or to any of their respective associates, in excess of 0.1% of the shares of Lai Fung in issue at any time or with an aggregate value (based on the closing price of Lai Fung's shares on the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the approval of shareholders of Lai Fung and the shareholders of Lai Fung's holding company in the respective general meetings.

35. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of Lai Fung, save that such period shall not be longer than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of Lai Fung, which shall be at least the highest of (i) the Stock Exchange closing price of Lai Fung's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of Lai Fung's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share on the date of grant.

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

The movement of share options under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the period from 1 August 2019 to the Date of Disposal ("**Period**") are as follows:

	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung Share* HK$
Outstanding as at 1 August 2019	10,814	10.88
Granted during the Period	500	6.78
Exercised during the Period	(110)	6.65
Lapsed during the Period	(80)	11.4
Outstanding as at 14 May 2020	11,124	10.74

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

35. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

Other than the grant of share options comprising 500,000 underlying Lai Fung shares, the exercise of share options comprising 109,591 underlying Lai Fung shares and the lapse of share options comprising 80,000 underlying Lai Fung shares, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the Period. The closing price of Lai Fung's shares immediately before the date of grant of share options granted was HK$6.76. The fair value of share options granted during the Period was approximately HK$674,000 (HK$1.348 each) which was recognised as a share option expense of approximately HK$674,000 and HK$303,000 (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the Period.

The fair value of equity-settled share options granted during the Period was estimated as at the date of acceptance, using the binomial model, taking into account the terms and conditions upon which the share options were granted.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2021 and 2020 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 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.

37. PROPERTIES UNDER DEVELOPMENT

	Notes	HK$'000
At 1 August 2019		2,529,412
Finance costs capitalised		43,715
Additions (including capitalisation of prepaid land lease payments of HK$3,626,000)		569,456
Amortisation of prepaid land lease payments		(3,626)
Transfer from investment properties	38	1,585,700
Transfer to completed properties for sale		(2,001,508)
Disposal of subsidiaries	12	(2,632,673)
Exchange realignment		(90,476)
At 31 July 2020		—

38. INVESTMENT PROPERTIES

	Notes	HK$'000
At 1 August 2019		20,424,800
Finance costs capitalised		136,043
Other additions		783,930
Transfer to properties under development	37	(1,585,700)
Net loss from fair value adjustments		(564,880)
Disposal of subsidiaries	12	(18,469,056)
Exchange realignment		(725,137)
At 31 July 2020		—

39. 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

	2021 HK$'000	2020 HK$'000
Current assets	**722,804**	817,782
Non-current assets	**56,805**	61,555
Total assets	**779,609**	879,337
Current liabilities	**(457,476)**	(498,974)
Non-current liabilities	**(2,160)**	(355,357)
Total liabilities	**(459,636)**	(854,331)
Equity/(deficit) attributable to non-controlling interests of the Group	**89,711**	(2,497)
Turnover	**354,986**	364,773
Other income	**10,323**	9,542
Share of profits and losses of joint ventures	**420**	50
Expenses, net	**(537,210)**	(561,636)
Loss for the year	**(171,481)**	(187,271)
Other comprehensive loss for the year	**(10,856)**	(305)
Total comprehensive loss for the year	**(182,337)**	(187,576)
Loss attributable to the non-controlling interests	**(52,728)**	(66,900)
Other comprehensive loss attributable to the non-controlling interests	**(3,316)**	(46)
Total comprehensive loss attributable to the non-controlling interests	**(56,044)**	(66,946)
Net cash flows used in operating activities	**(133,480)**	(47,417)
Net cash flows from/(used in) investing activities	**(1,593)**	6,299
Net cash flows from financing activities	**109,534**	24,191
Net cash outflows	**(25,539)**	(16,927)

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 July 2021, the Group had non-cash additions and modifications to right-of-use assets of HK$268,759,000 (2020: HK$278,911,000) and lease liabilities of HK$268,735,000 (2020: HK$278,911,000), in respect of lease arrangements for cinema related properties, other properties and equipment and reclassified rental prepayment of HK$24,000 (2020: Nil) to right-of-use assets.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans	Lease liabilities	Loans from fellow subsidiaries	Other borrowings	Put option liabilities	Amount received from a potential non-controlling shareholder
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2019	6,090,130	1,033,101	950,000	304,334	279,720	–
Changes from financing cash flows	974,602	(126,394)	(560,091)	–	–	221,508
Interest expense	16,714	51,325	–	5,689	–	–
Rent concessions related to COVID-19	–	(40,857)	–	–	–	–
Other rent concessions	–	(8,324)	–	–	–	–
Additions	–	143,562	–	–	–	–
Lease modification	–	135,349	–	–	–	–
Termination	–	(701)	–	–	–	–
Disposal of subsidiaries	(6,788,307)	(7,562)	(389,909)	(92,156)	(277,103)	(221,508)
Exchange realignment	(113,533)	(1,102)	–	(2,290)	(2,617)	–
At 31 July 2020 and 1 August 2020	179,606	1,178,397	–	215,577	–	–
Changes from financing cash flows	(18,000)	(161,858)	–	–	–	–
Interest expense	175	50,572	–	5,640	–	–
Rent concessions related to COVID-19	–	(75,668)	–	–	–	–
Additions	–	268,316	–	–	–	–
Lease modification	–	419	–	–	–	–
Termination	–	(163)	–	–	–	–
Exchange realignment	–	7,918	–	–	–	–
At 31 July 2021	**161,781**	**1,267,933**	**–**	**221,217**	**–**	**–**

41. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
Acquisition of items of property, plant and equipment	**1,950**	2,150

42. 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 2021

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	–	18,404	18,404
Financial assets at fair value through profit or loss	180,421	–	180,421
Film investments	43,734	–	43,734
Debtors	–	106,919	106,919
Financial assets included in deposits, prepayments and other receivables	5,687	132,418	138,105
Pledged and restricted time deposits	–	164,120	164,120
Cash and cash equivalents	–	1,476,796	1,476,796
	229,842	1,898,657	2,128,499

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	19,349
Financial liabilities included in other creditors and accruals	346,897
Financial liabilities included in deposits received	74,999
Lease liabilities	1,267,933
Interest-bearing bank loans	161,781
Other borrowings	221,217
	2,092,176

42. 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 2020

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	—	6,399	6,399
Financial assets at fair value through profit or loss	190,876	—	190,876
Film investments	16,716	—	16,716
Debtors	—	94,682	94,682
Financial assets included in deposits, prepayments and other receivables	22,223	111,730	133,953
Pledged and restricted time deposits	—	205,120	205,120
Cash and cash equivalents	—	1,613,979	1,613,979
	229,815	2,031,910	2,261,725

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	14,663
Financial liabilities included in other creditors and accruals	315,078
Financial liabilities included in deposits received	50,682
Lease liabilities	1,178,397
Interest-bearing bank loans	179,606
Other borrowings	215,577
	1,954,003

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value:

	Carrying amounts		Fair values	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**180,421**	190,876	**180,421**	190,876
Film investments	**43,734**	16,716	**43,734**	16,716
Financial assets included in deposits, prepayments and other receivables	**5,687**	22,223	**5,687**	22,223
	229,842	229,815	**229,842**	229,815

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

Other than the above financial assets, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 July 2021 and 31 July 2020.

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

As at 31 July 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	175,850	4,571	180,421
Film investments	–	–	43,734	43,734
Financial assets included in deposits, prepayments and other receivables	–	–	5,687	5,687

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value: (continued)

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

As at 31 July 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	185,337	5,539	190,876
Film investments	–	–	16,716	16,716
Financial assets included in deposits, prepayments and other receivables	–	–	22,223	22,223

During the years ended 31 July 2021 and 2020, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**44,478**	47,140
Increase in investment amount, net	**48,556**	30,592
Changes in fair value	**(13,982)**	(13,450)
Settlement	**(27,431)**	(19,301)
Exchange realignment	**2,371**	(503)
At the end of the reporting period	**53,992**	44,478

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, other borrowings, pledged and restricted time deposits, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund 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
2021	**+0.25**	**(641)**	**(623)**
	-0.25	**521**	**509**
2020	+0.25	(1,225)	(1,093)
	-0.25	1,211	1,080

* *excluding amounts attributable to non-controlling interests*

44. 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$.

US$

Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of US$ against HK$.

The Group considered the impact on the equity from the change in the US$ exchange rate was nominal at the end of the reporting period since HK$ is pegged to US$.

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
2021			
If US$/HK$ weakens against RMB	**5**	**15,760**	**10,739**
If US$/HK$ strengthens against RMB	**5**	**(15,760)**	**(10,739)**
2020			
If US$/HK$ weakens against RMB	5	17,068	10,719
If US$/HK$ strengthens against RMB	5	(17,061)	(10,714)

* *excluding amounts attributable to non-controlling interests*

44. 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 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Due from joint ventures					
Normal**	4,283	–	–	–	4,283
Doubtful**	–	–	68,004	–	68,004
Due from associates					
Doubtful**	–	–	15,543	–	15,543
Debtors*	–	–	–	133,263	133,263
Financial assets included in deposits, prepayments and other receivables					
Normal**	132,354	–	–	–	132,354
Doubtful**	–	–	42,948	–	42,948
Pledged and restricted time deposits	164,120	–	–	–	164,120
Cash and cash equivalents	1,476,796	–	–	–	1,476,796
	1,777,553	–	126,495	133,263	2,037,311

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 July 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Due from joint ventures					
Normal**	1,924	–	–	–	1,924
Doubtful**	–	–	56,607	–	56,607
Due from associates					
Doubtful**	–	–	15,628	–	15,628
Debtors*	–	–	–	111,288	111,288
Financial assets included in deposits, prepayments and other receivables					
Normal**	111,631	–	–	–	111,631
Doubtful**	–	–	55,636	–	55,636
Pledged and restricted time deposits	205,120	–	–	–	205,120
Cash and cash equivalents	1,613,979	–	–	–	1,613,979
	1,932,654	–	127,871	111,288	2,171,813

* *For debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 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 23 and 26 to the financial statements, respectively.

44. 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 2021				
Trade creditors	**19,349**	**–**	**–**	**19,349**
Financial liabilities included in other creditors and accruals	**346,897**	**–**	**–**	**346,897**
Financial liabilities included in deposits received	**74,999**	**–**	**–**	**74,999**
Lease liabilities	**263,053**	**766,824**	**418,636**	**1,448,513**
Interest-bearing bank loans	**108,948**	**54,507**	**–**	**163,455**
Other borrowings	**–**	**226,864**	**–**	**226,864**
	813,246	**1,048,195**	**418,636**	**2,280,077**

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2020				
Trade creditors	14,663	–	–	14,663
Financial liabilities included in other creditors and accruals	315,078	–	–	315,078
Financial liabilities included in deposits received	50,682	–	–	50,682
Lease liabilities	220,316	715,347	424,517	1,360,180
Interest-bearing bank loans	110,141	74,450	–	184,591
Other borrowings	–	221,224	–	221,224
	710,880	1,011,021	424,517	2,146,418

44. 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 and restricted 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 net debt divided by total equity. As at 31 July 2021, the consolidated net assets attributable to owners of the Company amounted to approximately HK$1,263.4 million (2020: HK$1,597.4 million).

45. CONTINGENT LIABILITIES

The Group had pledged certain time deposits (2020: provided corporate guarantees) to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$1,673,000 (2020: HK$2,937,000) were utilised.

46. 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:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,217,574**	647,785
Deposits, prepayments and other receivables	**9,858**	9,858
Total non-current assets	**1,227,432**	657,643
CURRENT ASSETS		
Deposits, prepayments and other receivables	**453**	3,249
Restricted bank balance	**–**	205,000
Cash and cash equivalents	**810,965**	1,043,556
Total current assets	**811,418**	1,251,805
CURRENT LIABILITIES		
Creditors and accruals	**2,509**	2,429
NET CURRENT ASSETS	**808,909**	1,249,376
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,036,341**	1,907,019
NON-CURRENT LIABILITIES		
Other borrowings	**221,217**	215,577
Financial guarantee contracts	**–**	111,770
Total non-current liabilities	**221,217**	327,347
Net assets	**1,815,124**	1,579,672
EQUITY		
Issued capital	**745,927**	745,927
Reserves (note)	**1,069,197**	833,745
Total equity	**1,815,124**	1,579,672

46. 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	Accumulated losses HK$'000	Total HK$'000
At 1 August 2019	4,257,351	845,455	(162,283)	4,940,523
Loss for the year and total comprehensive loss for the year	–	–	(4,106,778)	(4,106,778)
At 31 July 2020 and 1 August 2020	4,257,351	845,455	(4,269,061)	833,745
Profit for the year and total comprehensive income for the year	–	–	235,452	235,452
At 31 July 2021	**4,257,351**	**845,455**	**(4,033,609)**	**1,069,197**

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.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2021 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
East Asia Films Distribution Limited	Hong Kong	HK$1	–	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000	–	100	Music production and distribution
eSun High-Tech Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun.com 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
Fortune Spark Limited	Hong Kong	HK$10,000,000	–	100	Cinema operation
Glynhill International Limited	Hong Kong	HK$915,631,997	100	–	Investment holding
Grandeur Limited	Hong Kong/Macau	HK$1	–	100	Property holding
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
Intercontinental Video Limited	Hong Kong	HK$100	–	95	Distribution of movie video compact discs, digital video discs and blu-ray discs
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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2021 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 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
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 products and film rights and sale of video products
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Multiplex Cinema Limited	Hong Kong	HK$71,000,000	–	95	Operation of cinemas
Perfect Advertising & Production Company Limited	Hong Kong	HK$10,000	–	95	Provision of advertising services, video duplication services, and translating and subtitling of television programs
Perfect Sky Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2021 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	
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Style International Management Group Limited	Hong Kong	HK$1	–	58.2	Provision of artiste management services
Sunny Horizon Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
寰亞風尚演藝經紀(上海)有限公司##	PRC/Mainland China	RMB2,000,000#	–	58.2	Provision of artiste management services
洲立影藝(深圳)有限公司##	PRC/Mainland China	HK$10,000,000#	–	95	Operation of cinemas
廣東五月花電影城有限公司 (“**廣東五月花**”)##	PRC/Mainland China	RMB100,000,000#	–	100	Operation of cinemas
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 (Listed on the GEM of the Stock Exchange) *(note a)*	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$294,570,182	–	68.64	Investment holding
Champ Universe Limited^	Hong Kong	HK$1	–	68.64	Provision of management services
Media Asia Distribution (Beijing) Co., Ltd.^##	PRC/Mainland China	RMB50,000,000#	–	68.64	Film distribution

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2021 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 Entertainment Limited^	Hong Kong	HK$100	–	68.64	Entertainment activity production, and event and film investments
Media Asia Film International Limited^	British Virgin Islands	US$100	–	68.64	Film investment and production and event investments
Media Asia Film Production Limited^	Hong Kong	HK$100	–	68.64	Investment holding and film production
寰亞文化傳播(中國)有限公司^##	PRC/Mainland China	HK$38,000,000#	–	68.64	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 RMB13,000,000 (equivalent to approximately HK$15,639,000) was unpaid as at 31 July 2021. Subsequent to 31 July 2021, the registered capital of 廣東五月花 of RMB5,089,000 (equivalent to approximately HK$6,122,000) has been paid up.*

\## *Registered as wholly-foreign-owned enterprises under the laws of the PRC.*

^ *They are subsidiaries of MAGHL.*

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.

As at 31 July 2021, the Group had unpaid capital contributions of approximately HK$168,139,000 (2020: HK$157,702,000) to three (2020: three) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2020: one) which are not included in the above table.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Note:

(a) Interests in MAGHL

On 18 January 2021, a total of 2,687,500,000 ordinary shares of MAGHL were issued at HK$0.16 per share under the loan capitalisation. The aggregate consideration for the allotment and issue of the shares was settled by way of setting off against the outstanding principal amount of HK$430,000,000 of the shareholder's loans from the Company to MAGHL.

On the same date, a total of 41,217,036 ordinary shares of MAGHL were offered by the Company through a clawback offer to the clawback qualifying shareholders. In addition, the Company placed a total of 768,750,000 ordinary shares of MAGHL through the placing agent to not less than six placees. The net proceeds received by the Group from the clawback offer and the placing were approximately HK$121,159,000. Upon the completion of the loan capitalisation, the clawback offer and the placing, the Group took up the remaining 1,877,532,964 ordinary shares of MAGHL and the Group's equity interest in MAGHL increased from 67.56% to 69.69%. The change in the Group's equity interest in MAGHL resulted in a decrease in other reserve of HK$7,881,000 and an increase in the non-controlling interests of HK$129,040,000 in the consolidated statement of changes in equity. Details were set out in joint announcements of the Company, LSD, LSG and MAGHL dated 6 November 2020 and 18 January 2021.

*On 17 March 2021, a total of 1,875,000 ordinary shares were issued by MAGHL to Anglo Chinese Corporate Finance, Limited ("**Anglo Chinese**"), an independent third party, in settlement of the advisory fee of HK$300,000 at the election of Anglo Chinese. The equity interest of the Group in MAGHL decreased from 69.69% to 69.65%. The change in the Group's equity interest in MAGHL resulted in an increase in other reserve of HK$128,000 and an increase in the non-controlling interests of HK$172,000.*

On 28 June 2021, MAGHL allotted and issued a total of 42,721,136 ordinary shares to THL G Limited at HK$1.2 per share. The equity interest of the Group in MAGHL decreased from 69.65% to 68.64%. The net proceeds received by the Group were approximately HK$50,531,000. The change in the Group's equity interest in MAGHL resulted in an increase in other reserve of HK$31,490,000 and an increase in the non-controlling interests of HK$19,041,000.

Subsequent to the end of the reporting period, on 3 August 2021, MAGHL further 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%.

48. COMPARATIVE FIGURES

Certain comparative amounts in the consolidated statement of cash flows and the notes to the financial statements have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial position of the Group.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 October 2021.

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