THIS CIRCULAR IS IMPORTANT

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **eSun Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s), or to the licensed securities dealer, registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

eSun Holdings Limited

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

MAJOR TRANSACTIONS
SUBSCRIPTION OF MAGHL SHARES UNDER LOAN CAPITALISATION AND OPEN OFFER BY MAGHL

Financial Advisor

Optima Capital Limited

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

A letter from the Board is set out on pages 10 to 33 of this circular.

The subscription of MAGHL Shares under the Loan Capitalisation and Open Offer has been approved by written shareholder's approval obtained from LSD, the controlling shareholder of the Company, pursuant to Rule 14.44(2) of the Listing Rules in lieu of a special general meeting of the Company. This circular is being despatched to the Shareholders for information only.

Hong Kong, 30 November 2020

CONTENTS

This circular in both English and Chinese is available in printed form and published on the respective websites of the Stock Exchange at www.hkexnews.hk and the Company at www.esun.com.

In this circular and the appendices to it, the following expressions shall have the following respective meanings unless the context otherwise requires:

"Application Form(s)"	the form(s) of application for the Offer Shares to be issued to the Open Offer Qualifying Shareholders (other than the Non-Qualifying Shareholders);
"associate(s)"	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
"Board"	the board of Directors;
"business day(s)"	means any weekday(s) (other than (i) a Saturday; (ii) a Sunday; (iii) a public holiday; and (iv) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks are generally open for business in Hong Kong;
"Capitalisation Price"	HK$0.16 per Capitalisation Share;
"Capitalisation Shares"	a maximum of 2,687,500,000 new Consolidated Shares in aggregate to be allotted and issued by MAGHL at the Capitalisation Price to eSun (or to any member of the eSun Group or such other person(s) as eSun may direct in writing) pursuant to the Loan Capitalisation Agreement;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force;
"Clawback Assured Entitlement(s)"	the entitlement(s) of the Clawback Qualifying Shareholder(s) to apply for the Clawback Offer Shares under the Clawback Offer on the basis described in this circular;
"Clawback Offer"	the offer to the Clawback Qualifying Shareholders to purchase the Clawback Offer Shares on and subject to the terms and conditions set out in the Clawback Prospectus and the Application Form(s) to be despatched;
"Clawback Offer Price"	HK$0.16 per Clawback Offer Share;

"Clawback Offer Share(s)"	initially not more than 207,869,997 Consolidated Shares (assuming that there will be no change in the issued share capital of MAGHL from the Latest Practicable Date up to and including the Clawback Record Time) offered pursuant to the Clawback Offer subject to adjustment as set out in the section headed "CLAWBACK OFFER BY THE COMPANY" in this circular;
"Clawback Prospectus"	the prospectus to be jointly issued by the Company and MAGHL in relation to the Clawback Offer;
"Clawback Qualifying Shareholder(s)"	MAGHL Independent Shareholder(s) whose name(s) appear on the register of members of MAGHL as at the Clawback Record Time, other than certain Overseas Shareholders and other person(s) whom the Directors and the MAGHL Directors, after making relevant enquiries, consider it necessary or expedient to exclude from the Clawback Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
"Clawback Record Time"	4:30 p.m. on Wednesday, 23 December 2020, or such later date or time as the Company and MAGHL may announce, being the record time for ascertaining the Clawback Assured Entitlements;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
"Consolidated Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of MAGHL immediately following the Share Consolidation becoming effective;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
"COVID-19"	the Coronavirus Disease 2019;
"Director(s)"	the director(s) of the Company;
"Dr. Peter Lam"	Dr. Lam Kin Ngok, Peter, the ultimate controlling shareholder of LSG, LSD and eSun, the deputy chairman and an executive director of LSG, the chairman and an executive director of LSD, and the chairman and an executive director of MAGHL;

"eSun" or "Company"	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 571), and the controlling shareholder of MAGHL;
"eSun Group"	eSun and its subsidiaries (excluding, for the avoidance of doubt, the MAGHL Group);
"eSun 1st Shareholder's Loan"	the loan agreement dated 1 November 2019, entered into between MAGHL and eSun pursuant to which eSun as lender has made a term loan facility available to MAGHL as borrower in the principal amount of HK$50,000,000 at the interest rate of 3-month HIBOR plus 2.8% per annum repayable on 31 October 2022;
"eSun 2nd Shareholder's Loan"	the loan agreement dated 11 June 2020, entered into between MAGHL and eSun pursuant to which eSun as lender has made a term loan facility available to MAGHL as borrower in the principal amount of HK$300,000,000 at the interest rate of 3-month HIBOR plus 2.8% per annum repayable on 10 June 2023;
"eSun 3rd Shareholder's Loan"	the loan agreement dated 20 October 2020, entered into between MAGHL and eSun pursuant to which eSun as lender has made a term loan facility available to MAGHL as borrower in the principal amount of HK$80,000,000 at the interest rate of 3-month HIBOR plus 2.8% per annum repayable on 19 October 2023;
"eSun Shareholder's Loans"	collectively, the eSun 1st Shareholder's Loan, the eSun 2nd Shareholder's Loan and the eSun 3rd Shareholder's Loan;
"Existing Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of MAGHL prior to the Share Consolidation having become effective;
"Existing Share Certificate(s)"	certificate(s) of Existing Shares in board lot(s) of 4,000 Existing Shares;
"GEM"	the GEM of the Stock Exchange;

"GEM Listing Committee"	the GEM listing committee of the Stock Exchange;
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM;
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended, or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
"Group"	the eSun Group and the MAGHL Group;
"HIBOR"	Hong Kong Interbank Offered Rate;
"Hibright"	Hibright Limited (希耀有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of LSD;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of MAGHL from HK$600,000,000 divided into 6,000,000,000 Consolidated Shares to HK$1,000,000,000 divided into 10,000,000,000 Consolidated Shares by creating an additional 4,000,000,000 unissued Consolidated Shares;
"Independent Third Party(ies)"	third party(ies) who are independent of and not connected with the MAGHL Group, the eSun Group or any other member of the Lai Sun Group or any of their respective associates;
"Irrevocable Undertaking"	the irrevocable undertaking dated 6 November 2020 in the agreed form given by eSun in its capacity as the controlling shareholder in favour of MAGHL whereby it undertakes, inter alia, to subscribe for its full entitlement to the Offer Shares under the Open Offer;
"Joint Announcement"	the joint announcement issued by LSG, LSD, the Company and MAGHL on 6 November 2020 in relation to, among other things, the Loan Capitalisation and the Open Offer;
"Lai Fung"	Lai Fung Holdings Limited (麗豐控股有限公司), an exempt company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 1125);

"Lai Fung Group"	Lai Fung and its subsidiaries;
"Lai Sun Group"	LSG, LSD, eSun, Lai Fung and MAGHL and their respective subsidiaries;
"Last Trading Day"	2 November 2020, being the last trading day immediately before the date of the Joint Announcement;
"Latest Practicable Date"	26 November 2020, being the latest practicable date prior to the printing of this circular for the propose of ascertaining certain information contained herein;
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 17 February 2021, being the latest time for acceptance of and payment for the Offer Shares and excess Offer Shares, or such other time or date as MAGHL and the Underwriter may agree in writing;
"Latest Time for Termination"	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Thursday, 18 February 2021, being the first business day after the Latest Time for Acceptance or such other time or date as may be agreed between MAGHL and the Underwriter;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan Capitalisation"	the proposed allotment and issue of the Capitalisation Shares at the Capitalisation Price by capitalising the loans in the principal amount of HK$430 million upon the terms and conditions of the Loan Capitalisation Agreement;
"Loan Capitalisation Agreement"	the loan capitalisation agreement dated 6 November 2020 entered into between MAGHL and eSun in relation to the capitalisation of the Loan Capitalisation Amount;
"Loan Capitalisation Amount"	the outstanding principal amount of HK$430 million under the eSun Shareholder's Loans which is to be capitalised and cancelled under the Loan Capitalisation;
"LSD"	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 488);

"LSD Group"	LSD and its subsidiaries (excluding, for the avoidance of doubt, eSun Group and MAGHL Group);
"LSG"	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 191);
"MAGHL"	Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued MAGHL Shares are listed and traded on GEM (Stock Code: 8075);
"MAGHL Board"	the board of MAGHL Directors;
'MAGHL Director(s)"	the Director(s) of MAGHL;
"MAGHL Group"	MAGHL and its subsidiaries;
"MAGHL Independent Shareholder(s)"	any MAGHL Shareholder(s) who are not required to abstain from voting on the resolutions to be proposed at the MAGHL SGM under the GEM Listing Rules;
"MAGHL Share Registrar"	Computershare Hong Kong Investor Services Limited, MAGHL's branch share registrar and transfer office in Hong Kong;
"MAGHL Share(s)"	the Existing Share(s) and/or, the Consolidated Share(s), as the case may be;
"MAGHL Shareholder(s)"	the duly registered holder(s) of MAGHL Shares;
"MAGHL SGM"	the special general meeting of MAGHL to be convened on 18 December 2020;
"Main Board"	the Main Board of the Stock Exchange;
"NAV"	the net asset value of the MAGHL Group attributable to the MAGHL Shareholders;
"New Share Certificate(s)"	certificate(s) of MAGHL Shares in board lot(s) of 12,000 Consolidated Shares;

"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) to whom the MAGHL Directors, based on advice provided by the legal advisers to MAGHL, are of the opinion that it would be necessary or expedient not to offer the Offer Shares or the Clawback Offer Shares (as the case may be) on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place;
"Offer Price"	HK$0.16 per Offer Share;
"Offer Share(s)"	new Consolidated Share(s) proposed to be offered to the Open Offer Qualifying Shareholders pursuant to the Open Offer;
"Open Offer"	the proposed issue by MAGHL, by way of open offer, of one (1) Offer Share for every three (3) Consolidated Shares held as at the Open Offer Record Time at the Offer Price, payable in full on acceptance;
"Open Offer Qualifying Shareholder(s)"	the MAGHL Shareholder(s), whose name(s) appear on the register of members of MAGHL as at the Open Offer Record Time, other than the Non-Qualifying Shareholder(s), whom the MAGHL Directors, after making relevant enquiries, consider the exclusion of that/those Overseas Shareholder(s) is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place;
"Open Offer Record Time"	4:30 p.m. on Thursday, 21 January 2021, being the record time to determine entitlements to the Open Offer;
"Overseas Shareholder(s)"	the MAGHL Shareholder(s) whose registered address(es) as shown on the register of members of MAGHL as at the Open Offer Record Time, or the Clawback Record Time (as the case may be), is or are in any place other than Hong Kong;
"Placee(s)"	the placee(s) to be procured by the Placing Agent to purchase the relevant Capitalisation Shares pursuant to the Placing Agreement;
"Placing"	the placing of up to 937,500,000 Capitalisation Shares (being a portion of the Capitalisation Shares which would otherwise be allotted and issued to eSun under the Loan Capitalisation Agreement);

"Placing Agent"	Get Nice Securities Limited, a corporation licensed to carry on business in Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO;
"Placing Agreement"	the placing agreement dated 6 November 2020 entered into among MAGHL, eSun and the Placing Agent in relation to the Placing;
"PRC" or "Mainland China" or "China"	the People's Republic of China and for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Consolidation"	the consolidation of every ten (10) issued and unissued Existing Shares of HK$0.01 each into one (1) Consolidated Share of HK$0.1 each;
"Share(s)"	the ordinary share(s) of HK$0.50 each in the share capital of the Company;
"Shareholder(s)"	the duly registered holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC;

"Underwriter"	Get Nice Securities Limited, a corporation licensed to carry on business in Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO;
"Underwriting Agreement"	the underwriting agreement dated 6 November 2020 entered into between MAGHL and the Underwriter in relation to the Open Offer;
"Underwritten Shares"	(i) 404,886,665 Offer Shares underwritten by the Underwriter, excluding 562,148,562 Offer Shares that are subject to the Irrevocable Undertaking, in the event that all Clawback Qualifying Shareholders take up the Clawback Offer Shares; or (ii) 335,596,666 Offer Shares underwritten by the Underwriter excluding 631,438,561 Offer Shares that are subject to the Irrevocable Undertaking, in the event that no Clawback Qualifying Shareholders take up the Clawback Offer Shares, pursuant to the terms and conditions of the Underwriting Agreement;
"US$" or "USD"	United States dollars, the lawful currency of the United States of America;
"Unsubscribed Shares"	Offer Shares that are allotted to but not subscribed by the Open Offer Qualifying Shareholders, aggregated fractional Offer Shares, and Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be); and
"%"	per cent.

* *All the English translation of certain Chinese names or words in this circular and the appendices to it are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

eSun Holdings Limited

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

Executive Directors:
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester
(also alternate 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

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

Head Office and Principal Place of Business in Hong Kong:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

30 November 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS
SUBSCRIPTION OF MAGHL SHARES UNDER
LOAN CAPITALISATION AND OPEN OFFER BY MAGHL

1. INTRODUCTION

Reference is made to the Joint Announcement issued by LSG, LSD, the Company and MAGHL dated 6 November 2020 in relation to, among others, the Loan Capitalisation and the Open Offer.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information on the Loan Capitalisation and the Open Offer; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

2. LOAN CAPITALISATION

Background

As at the Latest Practicable Date, eSun has extended loans in an aggregate principal amount of HK$430 million to MAGHL, the terms of which are summarised below.

On 1 November 2019, MAGHL, as borrower, entered into a loan agreement with eSun, as lender, in relation to the eSun 1st Shareholder's Loan, pursuant to which eSun provided MAGHL an unsecured loan in the principal amount of HK$50 million, which is interest-bearing at a rate of 3-month HIBOR plus 2.8% per annum and repayable on 31 October 2022, to fund its ongoing working capital requirements.

On 11 June 2020, MAGHL, as borrower, entered into a loan agreement with eSun, as lender, in relation to the eSun 2nd Shareholder's Loan, pursuant to which eSun provided MAGHL an unsecured loan in the principal amount of HK$300 million, which is interest-bearing at a rate of 3-month HIBOR plus 2.8% per annum and repayable on 10 June 2023. This was used to repay MAGHL's existing shareholder's loans in the principal amounts of HK$100 million and HK$200 million due to eSun and Hibright, respectively.

On 20 October 2020, MAGHL, as borrower, entered into a loan agreement with eSun, as lender, in relation to the eSun 3rd Shareholder's Loan, pursuant to which eSun provided MAGHL an unsecured loan in the principal amount of HK$80 million, which is interest-bearing at a rate of 3-month HIBOR plus 2.8% per annum and repayable on 19 October 2023, to finance the general working capital of the MAGHL Group.

Following a review of the audited financial results of MAGHL, which recorded a loss attributable to owners of MAGHL of approximately HK$178 million for the year ended 31 July 2020 with the cash and bank balance of approximately HK$318 million as at 31 July 2020, and equity attributable to owners of MAGHL decreasing from approximately HK$898 million as at 31 July 2015 to HK$40 million as at 31 July 2020, the MAGHL Board has been considering options to recapitalise MAGHL and repay the Loan Capitalisation Amount.

eSun has been informed by MAGHL that apart from the Loan Capitalisation, MAGHL has considered alternative methods to repay the eSun Shareholder's Loans, including a large scale of placing of new MAGHL Shares and obtaining new bank loans to raise sufficient new capital to repay the Loan Capitalisation Amount. Nevertheless, upon the discussion and consideration by the management of MAGHL, the MAGHL Directors consider that the Loan Capitalisation is a more desirable solution for the MAGHL Group to settle the eSun Shareholder's Loans. Accordingly, further to the negotiations between the MAGHL Directors and the Directors, on 6 November 2020 (after trading hours), MAGHL and eSun entered into the Loan Capitalisation Agreement, pursuant to which MAGHL has conditionally agreed to allot and issue the Capitalisation Shares to eSun, or any persons as it may direct, at the Capitalisation Price of HK$0.16 per Capitalisation Share in consideration of the cancellation by way of setting-off against the Loan Capitalisation Amount. Interest accruing under the eSun Shareholder's Loans up to and including the date of the completion of the Loan Capitalisation shall be separately paid by MAGHL to eSun upon the completion of the Loan Capitalisation. For reference purposes, the total outstanding interest accrued under the eSun Shareholder's Loans as at the Latest Practicable Date was approximately HK$0.1 million.

Principal terms of the Loan Capitalisation Agreement

The principal terms of the Loan Capitalisation Agreement are as follows:

Date: 6 November 2020 (after trading hours)

Parties:

(i) MAGHL; and

(ii) eSun

Capitalisation Shares: 2,687,500,000 new Consolidated Shares, which MAGHL has conditionally agreed to allot and issue, and eSun conditionally agreed to subscribe for, at the Capitalisation Price for the capitalisation of the eSun Shareholder's Loans. The aggregate consideration for the allotment and issue of the Capitalisation Shares will be settled by way of setting-off against the Loan Capitalisation Amount. Upon the allotment and issue of the Capitalisation Shares and payment of the outstanding accrued interest in respect of the eSun Shareholder's Loans in full at completion, the liabilities and obligations of MAGHL under the eSun Shareholder's Loans will be discharged.

Assuming that there will be no change in the issued share capital of MAGHL between the Latest Practicable Date and completion of the Loan Capitalisation, the Capitalisation Shares represent:

(i) approximately 1,258.2% of the total issued MAGHL Shares upon the Share Consolidation becoming effective, being 213,605,682 Consolidated Shares (based on the number of Existing Shares in issue as at the Latest Practicable Date); and

(ii) approximately 92.6% of the total issued MAGHL Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Capitalisation Shares.

Arrangements for Clawback Offer and Placing: A portion of the Capitalisation Shares may be directed by eSun to be allotted and issued to the Clawback Qualifying Shareholders and the Placees pursuant to the Clawback Offer and the Placing Agreement, respectively. The Clawback Offer and the Placing are described in the respective sections below.

Capitalisation Price: The Capitalisation Price of HK$0.16 per Capitalisation Share represents:

(i) a discount of approximately 15.8% to the theoretical closing price of HK$0.190 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.019 per Existing Share as quoted on the Stock Exchange on 30 October 2020, being the last trading day prior to the date of board meetings of MAGHL and the Company approving the Loan Capitalisation (including the Clawback Offer and the Placing);

(ii) a discount of approximately 15.8% to the theoretical closing price of HK$0.190 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.019 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 17.5% to the theoretical average closing price of HK$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing prices of the Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 40.7% to the theoretical closing price of HK$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.027 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a discount of approximately 15.1% to the theoretical audited consolidated net asset value per Consolidated Share attributable to the MAGHL Shareholders as at 31 July 2020 of approximately HK$0.188 per Consolidated Shares calculated based on the consolidated net assets of the MAGHL Group attributable to the MAGHL Shareholders of approximately HK$40.2 million as at 31 July 2020 as extracted from the annual report of MAGHL for the year ended 31 July 2020 and 2,136,056,825 Existing Shares in issue on the Latest Practicable Date; and

(vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 16.2% of the theoretical diluted price of approximately HK$0.163 per Consolidated Share (after taking into account the effect of the Share Consolidation) to the benchmarked price of HK$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.019 per Existing Share and the average closing prices of the Existing Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day).

The Capitalisation Shares have an aggregate nominal value of HK$268,750,000.

The Capitalisation Price was arrived at after arm's length negotiations between MAGHL and the Company with reference to the prevailing market price of the MAGHL Shares, the MAGHL Group's historical performance and present financial position as well as current market conditions. The Directors, taking into account of the above, MAGHL's financial position and its ability to repay the Loan Capitalisation Amount and the factors set out in the sections "Basis of determination of the Capitalisation Price" and "REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION AND THE OPEN OFFER", consider that the Capitalisation Price and the terms of the Loan Capitalisation Agreement are fair and reasonable and are in the interest of eSun and the Shareholders as a whole.

Conditions precedent: The completion of the Loan Capitalisation is conditional upon fulfilment of the following conditions precedent:

(i) the Share Consolidation and the Increase in Authorised Share Capital of MAGHL being approved at the MAGHL SGM and become effective;

(ii) the passing by the MAGHL Independent Shareholders of the necessary resolution(s) at the MAGHL SGM to approve the Loan Capitalisation;

(iii) the passing by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations, if any), of the necessary resolution(s) to approve the Loan Capitalisation;

(iv) the grant by the GEM Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Capitalisation Shares;

(v) notification from the Placing Agent that, irrespective of the outcome of the Clawback Offer, it has procured or can procure Placees for all or a sufficient number of the Capitalisation Shares on terms that immediately after the completion of the Loan Capitalisation, not less than 25% of the issued share capital of MAGHL (as enlarged by the Loan Capitalisation) will be held by the public as required by the GEM Listing Rules; and

(vi) the passing by the MAGHL Independent Shareholders of a resolution at the MAGHL SGM to approve the Open Offer.

Save for condition (vi) which can be waived by MAGHL, none of the above conditions can be waived. If the above conditions are not fulfilled (or, as applicable, waived) on or before 5 May 2021 (or such other date as MAGHL and eSun may agree), the Loan Capitalisation Agreement will terminate and all rights and obligations under the Loan Capitalisation Agreement will cease, save for any rights and obligations accrued before the termination. The Clawback Offer, the Placing and the Open Offer will also not proceed if the Loan Capitalisation Agreement is terminated.

Completion: The completion of the Loan Capitalisation shall take place within five (5) business days after the fulfilment (or waiver, as the case may be) of the conditions precedent (or such other date to be agreed by the parties), and is expected to be on the same day of the completion of the Clawback Offer and the Placing.

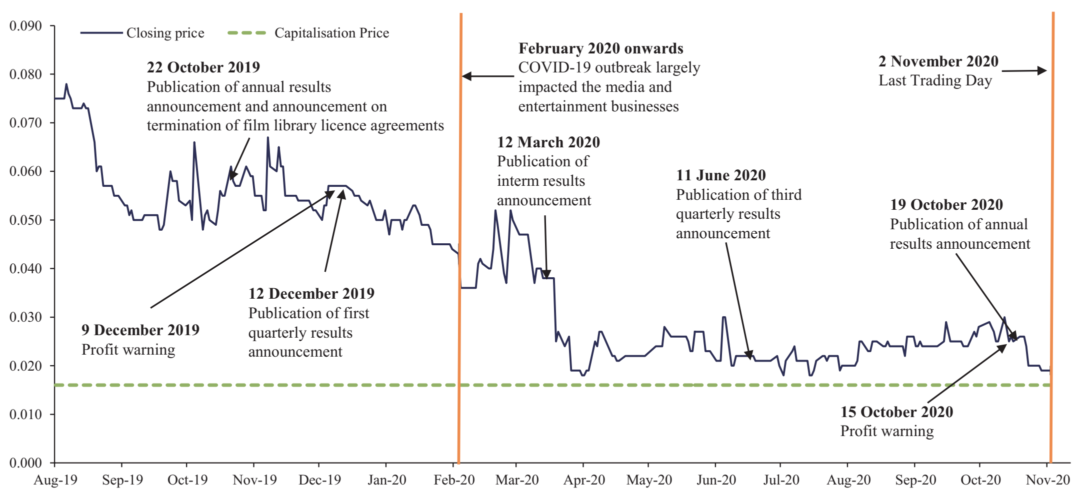
Ranking: The Capitalisation Shares when allotted and issued shall rank pari passu in all respects with the MAGHL Shares in issue on the date of their allotment and issue, including as to the rights to receive all dividends and distributions which may be declared made or paid after the completion date of the Loan Capitalisation Agreement and will be issued free and clear of all liens, encumbrances, equities or other third party rights.

Basis of determination of the Capitalisation Price

As discussed in the section headed "Principal Terms of the Loan Capitalisation Agreement — Capitalisation Price" above, the Capitalisation Price was arrived at after arm's length negotiations between MAGHL and the Company with reference to the prevailing market price of the MAGHL Shares, the MAGHL Group's historical performance and present financial position, as well as current market conditions. The management of the Company has reviewed the following figures and rationale to justify the basis of the Capitalisation Price.

Market price of MAGHL Shares under the prevailing market conditions

Share Price of MAGHL



Source: Bloomberg

The MAGHL Shares have been traded thinly and closing on the Stock Exchange in a rather volatile manner between HK$0.078 and HK$0.018 during the 12 months ended 31 July 2020 and up to 2 November 2020 (being the Last Trading Day). The prolonged impact on the global economy brought by the COVID-19 pandemic has seriously affected financial markets and investment sentiments. In particular, the outbreak of COVID-19 has weakened entertainment consumption in Hong Kong and the PRC, with the closure of cinemas and events being postponed or cancelled due to public health concerns. Given that MAGHL Group's principal businesses are in media and entertainment, its businesses have been seriously affected. As evident from the graph above, during the period from August 2019 to the Last Trading Day, the share price of MAGHL fell to its lowest level of HK$0.018 during the outbreak of COVID-19 from its highest of HK$0.078 in August 2019 prior to the outbreak of COVID-19. The closing price of MAGHL hit its lowest level of HK$0.018 five times during the outbreak of COVID-19, on 31 March 2020, 1 April 2020, 2 July 2020, 14 July 2020 and 15 July 2020. In addition, the share price of MAGHL hit its intraday lowest price of HK$0.016 on 3 April 2020 and 2 July 2020.

In view of (i) the Capitalisation Price representing discounts to the theoretical closing prices; (ii) the financial condition of the MAGHL Group, in particular the discount to NAV per MAGHL Share as discussed above; and (iii) the impact of COVID-19 on the market price of the MAGHL Shares as illustrated above, the Directors consider the Capitalisation Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. CLAWBACK OFFER BY THE COMPANY

Under the Clawback Offer, the Company will conditionally offer 207,869,997 Clawback Offer Shares, which constitute approximately 7.7% of the Capitalisation Shares, to the Clawback Qualifying Shareholders on a pro rata basis of three (3) Clawback Offer Shares for every one (1) Consolidated Share held by the Clawback Qualifying Shareholders as at the Clawback Record Time at HK$0.16 per Clawback Offer Share or such lesser number as the Clawback Qualifying Shareholders concerned wish to subscribe. Clawback Qualifying Shareholders who wish to apply for the Clawback Offer Shares should complete and lodge the Clawback Application Form in accordance with the instructions printed therein, together with the remittance for the aggregate offer price and the buyer's ad valorem stamp duty payable by the Clawback Qualifying Shareholders in respect of such number of Clawback Offer Shares being applied for, with the MAGHL Share Registrar no later than 4:00 p.m. on Thursday, 7 January 2021. Further details on how to apply for the Clawback Offer Shares will be set out in the Clawback Prospectus and the Clawback Application Form. The price at which the Clawback Offer Shares would be offered will be equal to the issue price of the Capitalisation Shares under the Loan Capitalisation Agreement.

As mentioned in the section headed "REASONS FOR AND BENEFIT OF THE LOAN CAPITALISATION AND THE OPEN OFFER" in this circular, in view of MAGHL's current financial position, the Board considers the capitalisation of the eSun Shareholder's Loans is beneficial to the Company, the Shareholders and MAGHL as a whole. In order to reduce the dilutive impact of the Loan Capitalisation and safeguard the interests of the public MAGHL Shareholders, the Board considers the Clawback Offer appropriate as it enables the public MAGHL Shareholders to subscribe for the Capitalisation Shares at the same price as they are issued to the Company under the Loan Capitalisation.

In arriving the entitlement ratio for the Clawback Offer, the Board considered the following:

(i) the Loan Capitalisation has a larger dilutive impact as compared to the Open Offer and in view of the public float requirements under the GEM Listing Rules, a higher entitlement ratio of the Clawback Offer is necessary to reduce the dilutive impact on the public MAGHL Shareholders; and

(ii) as the theoretical diluted price of the Loan Capitalisation of approximately HK$0.163 per Consolidated Share is higher than the Clawback Offer Price of HK$0.16 per Consolidated Share, while a higher clawback entitlement ratio may increase the return of the public MAGHL Shareholders (assuming they take up their entitlements) and reduce the dilutive impact to the public MAGHL Shareholders, a clawback entitlement ratio higher than the current clawback entitlement ratio may affect the Company's control over MAGHL upon the completion of the Loan Capitalisation.

The entitlement ratio for the Clawback Offer was arrived at after arm's length negotiations between MAGHL and the Company, taking into account that (i) a portion of the Capitalisation Shares will be placed out to the Placees in order to ensure that MAGHL will be able to comply with the public float requirements under the GEM Listing Rules; (ii) the Company will be able to maintain control of MAGHL upon completion of the Loan Capitalisation, the Clawback Offer and the Placing; and (iii) the desire of MAGHL to provide its public shareholders with an opportunity to reduce the dilutive impact of the Loan Capitalisation on their shareholdings in MAGHL and to continue to participate in the growth of MAGHL, and after balancing the foregoing factors the entitlement ratio for the Clawback Offer was set at a whole number to facilitate the administration.

No new capital will be introduced to MAGHL through the Loan Capitalisation, the Clawback Offer and the Placing, but new capital will be raised through the Open Offer. The Loan Capitalisation will have the effect of improving the financial position of the MAGHL Group. If the Clawback Qualifying Shareholders do not participate in the Clawback Offer, but since they are Open Offer Qualifying Shareholders, they would still have the opportunity to subscribe for more MAGHL Shares through excess application under the Open Offer. The Directors therefore have considered the potential dilutive impact of the Loan Capitalisation on the shareholdings of the public MAGHL Shareholders even if they fully subscribe for the Clawback Offer and the Open Offer, and balanced such considerations with the resources required by MAGHL to sustain the healthy growth of its businesses. Accordingly, the Directors are of the view that the Clawback Offer (including the entitlement ratio of the Clawback Offer) is fair and reasonable and in the interests of the Company, the Shareholders, MAGHL and MAGHL Shareholders as a whole.

Assuming there will be no change in the issued share capital of MAGHL and the MAGHL Shares held by the Company and its associates between the Latest Practicable Date and completion of the Clawback Offer, save for the Share Consolidation becoming effective and the allotment and issue of the Capitalisation Shares, the 207,869,997 Clawback Offer Shares represent approximately 7.2% of the issued share capital of MAGHL as enlarged by the issue of the Capitalisation Shares.

As the Clawback Offer is conditional upon Loan Capitalisation becoming unconditional in all respects, the Clawback Offer may or may not proceed.

Principal terms of the Clawback Offer:

Number of Clawback Offer Shares:	207,869,997 Consolidated Shares (based on the number of Existing Shares in issue as at the Latest Practicable Date and adjusted for the effect of the Share Consolidation, and assuming no change in the number of MAGHL Shares in issue from the Latest Practicable Date up to and including the Clawback Record Time, other than the issue of the Capitalisation Shares, and which may be adjusted upwards for any increase in the number of MAGHL Shares held by the Clawback Qualifying Shareholders up to the Clawback Record Time based on the Clawback Offer ratio as set out in the paragraph headed "Clawback Assured Entitlement" below).
Clawback Offer Price:	HK$0.16 per Clawback Offer Share which is equal to the issue price of the Capitalisation Shares pursuant to the Loan Capitalisation Agreement, excluding applicable fees, levies and buyer's ad valorem stamp duty at a rate of 0.1% payable by the Clawback Qualifying Shareholders.
Clawback Assured Entitlement:	Clawback Qualifying Shareholders will be entitled to apply on the basis of three (3) Clawback Offer Shares for every one (1) Consolidated Share held by the Clawback Qualifying Shareholders as at the Clawback Record Time and so in proportion to any lesser number of MAGHL Shares held at that time.
Transferability:	The Clawback Assured Entitlements of the Clawback Qualifying Shareholders to the Clawback Offer Shares are not transferable or capable of renunciation and there will be no trading in nil-paid entitlements on the Stock Exchange.
Status of the Clawback Offer Shares:	The Clawback Offer Shares directed by eSun to be allotted and issued to the Clawback Qualifying Shareholders under the Clawback Offer shall be fully-paid and rank pari passu in all respects with the Existing Shares, free from all liens, charges, encumbrances, pre-emptive rights and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the issuance of the Clawback Offer Shares. Holders of the Clawback Offer Shares who are Open Offer Qualifying Shareholders will be eligible to participate in the Open Offer.

Excess Application:	There will be no right for the Clawback Qualifying Shareholders to apply for excess Clawback Offer Shares under the Clawback Offer.
Clawback Qualifying Shareholders:	All MAGHL Independent Shareholders whose names appear on the register of members of MAGHL as at the Clawback Record Time, other than the Overseas Shareholders whom the Directors and the MAGHL Directors, after making relevant enquiries, consider it necessary or expedient to exclude from the Clawback Offer on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place.
Conditions precedent:	The Clawback Offer is conditional upon the Loan Capitalisation becoming unconditional in all respects. If the conditions to the Loan Capitalisation are not fulfilled (or waived, as the case may be) on or before 5 May 2021 or such other date as MAGHL and eSun may agree, the Clawback Offer will lapse and any applications made by the Clawback Qualifying Shareholders for the Clawback Offer Shares pursuant to the Clawback Offer will be rejected and any application money received from accepting the Clawback Qualifying Shareholders will be refunded to them.
Completion:	Completion of the Clawback Offer is expected to take place on the same day of the completion of the Loan Capitalisation and the completion of the Placing.

Under the Clawback Offer, assuming it is accepted in full, the Company will receive gross proceeds of approximately HK$33.3 million from the Clawback Qualifying Shareholders. The Directors consider that the Clawback Offer Price and the terms of the Clawback Offer are fair and reasonable and are in the interests of the Company, the Shareholders, MAGHL and MAGHL Shareholders as a whole.

Clawback Offer Arrangement

Given the Clawback Offer involves the offer of the Clawback Offer Shares to the Clawback Qualifying Shareholders on a pro rata basis to provide the Clawback Qualifying Shareholders with an opportunity to reduce the dilutive impact of the Loan Capitalisation on their shareholdings in MAGHL and to participate in and share the growth of the business of MAGHL, the Clawback Prospectus will be issued by MAGHL and the Company jointly.

Under the Clawback Offer, the Clawback Qualifying Shareholders are able to tailor their responses to the offering so that following the completion of the Clawback Offer, their shareholdings will be 12,000 Consolidated Shares or multiples thereof and, accordingly, capable of being traded on the Stock Exchange at the bid price shown.

Qualifying for the Clawback Assured Entitlements in relation to the Clawback Offer

In order to qualify for the Clawback Assured Entitlements, all transfers of MAGHL Shares, accompanied by the relevant share certificates must be lodged with the MAGHL Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 December 2020.

4. PLACING OF CAPITALISATION SHARES

In order to ensure that the public float requirements under the GEM Listing Rules will be complied with by MAGHL even in the scenario where the Clawback Offer is not accepted by any Clawback Qualifying Shareholders, pursuant to the Placing Agreement described below, eSun intends to place, through the Placing Agent, on a best effort basis and irrespective of the outcome of the Clawback Offer, up to a total of 937,500,000 Capitalisation Shares, representing approximately 34.9% of the Capitalisation Shares otherwise to be allotted and issued to eSun under the Loan Capitalisation, to at least six (6) Placees at the price of HK$0.16 per Capitalisation Share.

Placees who are Open Offer Qualifying Shareholders will also be eligible to participate in the Open Offer.

The principal terms of the Placing Agreement are summarised below:

Date: 6 November 2020 (after trading hours)

Parties:

(i) MAGHL;

(ii) eSun; and

(iii) the Placing Agent

To the best knowledge, information and belief of the Directors and the MAGHL Directors, respectively, each having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Purpose: On a best efforts basis, the Placing Agent will seek to place up to an aggregate of 937,500,000 Capitalisation Shares to at least six (6) Placees. The actual number of the Capitalisation Shares subject to the Placing will not be dependent on the actual number of Clawback Offer Shares accepted under the Clawback Offer. The Placees will subscribe for up to a total of 937,500,000 Capitalisation Shares irrespective of the result of the Clawback Offer.

Conditions precedent:	Completion is conditional upon the Loan Capitalisation Agreement becoming or being declared unconditional in all respects and not otherwise being terminated. If the above condition is not fulfilled by 5 May 2021 or such other date as MAGHL, eSun and the Placing Agent may agree, the Placing Agreement will terminate and all rights and obligations under the Placing Agreement will cease, save for any rights and obligations accrued before the termination.
Placing price:	HK$0.16 per Capitalisation Share to be placed
Placing commission:	eSun shall pay to the Placing Agent a placing commission of 2.5% of the amount which is equal to the placing price multiplied by the number of the Capitalisation Shares subscribed for by the Placees.

The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiations among the Placing Agent, MAGHL and the Company with reference to the prevailing market practices and the Company considers the terms to be normal commercial terms. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Placing Agent is in the process of identifying Placees in relation to the Placing. As at the Latest Practicable Date, the Placing Agent has not entered into any agreements with any Placees. It should be noted that, under the Loan Capitalisation Agreement, the Loan Capitalisation is conditional upon the Placing Agent, irrespective of the outcome of the Clawback Offer, notifying the Company that it has procured or can procure the Placees for all or a sufficient number of the Capitalisation Shares on terms that immediately after the completion of the Loan Capitalisation, not less than 25% of the issued share capital of MAGHL (as enlarged by the Loan Capitalisation) will be held by the public as required by the GEM Listing Rules. Therefore, if such condition is not fulfilled, the Loan Capitalisation, Clawback Offer and Placing will not complete, and MAGHL will in any event continue to meet the minimum public float requirements under the GEM Listing Rules.

5. PROPOSED OPEN OFFER

The Irrevocable Undertaking

As at the Latest Practicable Date, the Company is beneficially interested in 1,443,156,837 Existing Shares, representing approximately 67.6% of the existing issued share capital of MAGHL.

Pursuant to the Irrevocable Undertaking, the Company has irrevocably undertaken to MAGHL that it (i) shall remain as the beneficial owner of the MAGHL Shares held by it upon the completion of the Loan Capitalisation through to the Latest Time for Acceptance; (ii) shall take up or procure to take up such number of the Offer Shares to be provisionally allotted to it under the Open Offer to which it will be entitled, being up to a maximum of 631,438,561 Offer Shares (based on the number of MAGHL Shares held by it as at the date of the Irrevocable Undertaking and its potential maximum shareholding upon the completion of the Loan Capitalisation), pursuant to the terms of the Open Offer; and (iii) shall procure that its application in respect of all its Offer Shares will be lodged with the MAGHL Share Registrar, or MAGHL, with payment in full thereof, by no later than the Latest Time for Acceptance.

Application for excess Offer Shares

Pursuant to the arrangement of application for excess Offer Shares as disclosed in the Joint Announcement, the Open Offer Qualifying Shareholders is entitled to apply for excess Offer Shares by way of excess application under the Open Offer. The MAGHL Directors will allocate the excess Offer Shares (if any) in excess of assured entitlement at their discretion, but on a fair and equitable basis, to the Open Offer Qualifying Shareholders who have applied for the excess Offer Shares. The Company, as an Open Offer Qualifying Shareholder, may apply for the excess Offer Shares by way of excess application.

Offer Price

The Offer Price of the Offer Shares is HK$0.16 per Offer Share, payable in full upon application of the relevant assured entitlement of the Offer Shares or, where applicable, upon application for excess Offer Shares under the Open Offer.

The Offer Price is the same as the price per Consolidated Share for the Loan Capitalisation, the Clawback Offer and the Placing, and represents:

(i) a discount of approximately 15.8% to the theoretical closing price of HK$0.19 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.019 per Existing Share as quoted on the Stock Exchange on 30 October 2020, being the trading date prior to the date of board meetings of MAGHL and eSun approving the Open Offer;

(ii) a discount of approximately 15.8% to the theoretical closing price of HK$0.19 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.019 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 17.5% to the theoretical average closing price of approximately HK$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing prices of the Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 26.9% to the theoretical average closing price of approximately HK$0.219 per Share (after taking into account the effect of the Share Consolidation) based on the average closing prices of the Existing Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 12.3% to the theoretical ex-entitlement price of approximately HK$0.183 per Share (after taking into account the effect of the Share Consolidation and completion of the Loan Capitalisation) based on the closing price of HK$0.019 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 16.6% of the theoretical diluted price of approximately HK$0.162 per Consolidated Share (after taking into account the effects of the Share Consolidation and Loan Capitalisation) to the benchmarked price of HK$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation and Loan Capitalisation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.019 per Existing Share and the average closing prices of the Existing Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day);

(vii) a discount of approximately 15.1% to the theoretical audited consolidated net asset value per Share of approximately HK$0.188 (after taking into account the effect of the Share Consolidation) based on the latest published consolidated net asset value of the MAGHL Group attributable to the MAGHL Shareholders of approximately HK$40.2 million and 2,136,056,825 Existing Shares in issue on the Latest Practicable Date; and

(viii) a discount of approximately 40.7% to the theoretical closing price of HK$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.027 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offer Price was determined by the MAGHL Directors after arm's length negotiations between MAGHL and the Underwriter with reference to, among other things, the prevailing market price of the MAGHL Shares, the financial market conditions and the financial position of the MAGHL Group and having considered the reasons for and benefits of the Open Offer, among others, the capital needs for the working capital and for the business development. The Directors consider that the Offer Price and the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Open Offer

The Open Offer is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. As the Underwriting Agreement is conditional upon, among others, the completion of the Loan Capitalisation, the Clawback Offer and the Placing, the Open Offer may or may not proceed.

6. INFORMATION OF THE COMPANY AND MAGHL

Information of the Company

The Company is an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed and traded on the Main Board. The Company acts as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation. As at the date of this circular, the Company owns approximately 67.6% of the total issued MAGHL Shares.

Information on MAGHL

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

Set out below are the abridged audited consolidated results of MAGHL for the two years ended 31 July 2019 and 2020 as extracted from the annual report of MAGHL for the year ended 31 July 2020:

	For the year ended 31 July 2019 *HK$'000*	**For the year ended 31 July 2020** *HK$'000*
Loss before tax	(142,269)	(187,332)
Loss after tax for the year	(144,906)	(187,271)
Loss for the year attributable to owners of MAGHL	(147,056)	(178,169)

The audited consolidated net asset value attributable to the MAGHL Shareholders as at 31 July 2020 as disclosed in the annual report of MAGHL for the year ended 31 July 2020 was approximately HK$40,237,000.

7. EFFECT ON THE COMPLETION OF LOAN CAPITALISATION, CLAWBACK OFFER, THE PLACING AND THE OPEN OFFER

Assuming that the Clawback Offer is fully accepted by the Clawback Qualifying Shareholders and the relevant Capitalisation Shares are placed out in full by the Placing Agent, upon the completion of the Loan Capitalisation, the Clawback Offer and the Placing, the Company will receive approximately HK$183.3 million under the Clawback Offer and the Placing, and its shareholding in MAGHL will decrease from approximately 67.6% as at the Latest Practicable Date to approximately 58.1%. In addition, the Company will, pursuant to the Irrevocable Undertaking, subscribe for 562,148,562 Offer Shares for an aggregate consideration of approximately HK$89.9 million.

Assuming that the Clawback Offer is not accepted by any Clawback Qualifying Shareholder and the relevant Capitalisation Shares are subscribed by the Placees in full, upon the completion of the Loan Capitalisation, the Clawback Offer and the Placing, the Company will receive HK$150.0 million under the Placing, and its shareholding in MAGHL will decrease from 67.6% as at the Latest Practicable Date to approximately 65.3%. In addition, the Company will, pursuant to the Irrevocable Undertaking, subscribe for 631,438,561 Offer Shares for an aggregate consideration of approximately HK$101.0 million.

Upon completion of the Loan Capitalisation, the Clawback Offer, the Placing and the Open Offer, the net assets of the Group will be increased by approximately HK$248.0 million assuming all Clawback Qualifying Shareholders taking up the Clawback Offer Shares, or by approximately HK$203.7 million assuming no Clawback Qualifying Shareholders taking up the Clawback Offer Shares, based on the unaudited pro forma financial information of the Group as set out in Appendix IV to this circular.

The completion of the Loan Capitalisation, the Clawback Offer, the Placing and the Open Offer will result in a partial disposal of a subsidiary without loss of control. MAGHL will remain as an indirect non-wholly owned subsidiary of the Group and the partial disposal will be accounted for as equity transactions of the Group. The assets, liabilities and financial results of MAGHL will continue to be included in the consolidated financial statements of the Group, and it will not result in the recognition of any gain or loss on partial disposal of a subsidiary in the consolidated income statement of the Group.

8. EFFECT ON THE SHAREHOLDING IN MAGHL

(i) Set out below is the shareholding structure of MAGHL immediately before and after the Share Consolidation becoming effective:

Name of MAGHL Shareholders	As at the date of the Joint Announcement		Immediately upon the Share Consolidation become effective but before the completion of the Loan Capitalisation	
	No. of MAGHL Shares	*%*	*No. of MAGHL Shares*	*%*
eSun	1,443,156,837	67.6	144,315,683	67.6
Placees	—	0.0	—	0.0
Other public MAGHL Shareholders	692,899,988	32.4	69,289,999	32.4
Total	**2,136,056,825**	**100.0**	**213,605,682**	**100.0**

(ii) Set out below is the shareholding structure of MAGHL immediately before and after the completion of the Loan Capitalisation, the Clawback Offer and the Placing:

Name of MAGHL Shareholders	Scenario 1 Upon the completion of the Loan Capitalisation, Clawback Offer (assuming all Clawback Qualifying Shareholders take up the Clawback Offer Shares) and the Placing		Scenario 2 Upon the completion of the Loan Capitalisation, Clawback Offer (assuming no Clawback Qualifying Shareholders take up the Clawback Offer Shares) and the Placing	
	No. of MAGHL Shares	*%*	*No. of MAGHL Shares*	*%*
eSun	1,686,445,686	58.1	1,894,315,683	65.3
Placees	937,500,000	32.3	937,500,000	32.3
Other public MAGHL Shareholders	277,159,996	9.6	69,289,999	2.4
Total	**2,901,105,682**	**100.0**	**2,901,105,682**	**100.0**

Notes:

(1) A portion of the Capitalisation Shares is intended to be directed by eSun to be allotted and issued to the Clawback Qualifying Shareholders and the Placees pursuant to the Clawback Offer and the Placing Agreement, respectively. One of the conditions to the completion of the Loan Capitalisation is the notification from the Placing Agent that irrespective of the outcome of the Clawback Offer, it has procured or can procure at least six (6) Placees for all or a sufficient number of the Capitalisation Shares on terms that immediately after the completion of the Loan Capitalisation, not less than 25% of the issued share capital of MAGHL (as enlarged by the Loan Capitalisation) will be held by the public as required by the GEM Listing Rules. Accordingly, the MAGHL Directors will seek to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules will be complied with, and in the event that such condition cannot be fulfilled in accordance with the Loan Capitalisation Agreement, the Loan Capitalisation will not proceed.

(2) The percentage figures have been subject to rounding adjustments. Any discrepancies between the totals and sums of amounts listed herein are due to rounding adjustments.

(iii) Set out below are the possible changes in the shareholding structure of MAGHL immediately before and after the completion of the Open Offer under the scenarios where (a) all Clawback Qualifying Shareholders take up the Clawback Offer Shares; and (b) no Clawback Qualifying Shareholders take up the Clawback Offer Shares, for illustrative purpose only:

(a) assuming all Clawback Qualifying Shareholders taking up the Clawback Offer Shares (Scenario 1):

Name of MAGHL Shareholders	Upon the completion of Loan Capitalisation, Clawback Offer (assuming all Clawback Qualifying Shareholders taking up the Clawback Offer Shares) and the Placing and immediately prior to the completion of the Open Offer		Upon the completion of the Open Offer: Immediately upon the completion of the Open Offer (assuming full acceptance by the Open Offer Qualifying Shareholders under the Open Offer)		Upon the completion of the Open Offer: Immediately upon the completion of the Open Offer (assuming no acceptance by the Open Offer Qualifying Shareholders (other than eSun) under the Open Offer)	
	No. of MAGHL Shares	*%*	*No. of MAGHL Shares*	*%*	*No. of MAGHL Shares*	*%*
eSun	1,686,445,686	58.1	2,248,594,248	58.1	2,248,594,248	58.1
Placees	937,500,000	32.3	1,250,000,000	32.3	937,500,000	24.2
Other public MAGHL Shareholders	277,159,996	9.6	369,546,661	9.6	277,159,996	7.2
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them *(Notes (1) and (2))*	—	0.0	—	0.0	404,886,665	10.5
Total	**2,901,105,682**	**100.0**	**3,868,140,909**	**100.0**	**3,868,140,909**	**100.0**

(b) assuming no Clawback Qualifying Shareholders taking up the Clawback Offer Shares (Scenario 2):

Name of MAGHL Shareholders	Upon the completion of the Loan Capitalisation including the Clawback Offer (assuming no Clawback Qualifying Shareholders taking up the Clawback Offer Shares) and the Placing and immediately prior to the completion of the Open Offer		Upon the completion of the Open Offer — Immediately upon the completion of the Open Offer (assuming full acceptance by the Open Offer Qualifying Shareholders under the Open Offer)		Upon the completion of the Open Offer — Immediately upon the completion of the Open Offer (assuming no acceptance by the Open Offer Qualifying Shareholders (other than eSun) under the Open Offer)	
	No. of MAGHL Shares	*%*	*No. of MAGHL Shares*	*%*	*No. of MAGHL Shares*	*%*
eSun	1,894,315,683	65.3	2,525,754,244	65.3	2,525,754,244	65.3
Placees	937,500,000	32.3	1,250,000,000	32.3	937,500,000	24.2
Other public MAGHL Shareholders	69,289,999	2.4	92,386,665	2.4	69,289,999	1.8
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them *(Notes (1) and (2))*	—	0.0	—	0.0	335,596,666	8.7
Total	**2,901,105,682**	**100.0**	**3,868,140,909**	**100.0**	**3,868,140,909**	**100.0**

Notes:

(1) *In the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares, the Underwriter shall use its best endeavours to ensure that (a) each of the subscribers of the Underwritten Shares procured by it or any sub-underwriter (if any) shall be a third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected (as defined in the GEM Listing Rules) with MAGHL, any of the directors, chief executive or substantial shareholders of MAGHL or their respective associates (as defined in the GEM Listing Rules); (b) no such subscriber shall be procured if allotment and issue of any Offer Shares to it would result in it and persons acting in concert with it, when aggregated with the total number of MAGHL Shares already held by them (if any), holding 30% or more of the enlarged issued share capital of MAGHL immediately after completion of the Open Offer; and (c) the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by MAGHL upon completion of the Open Offer.*

(2) *On 6 November 2020, the Underwriter entered into a sub-underwriting agreement with a sub-underwriter in relation to 27,000,000 Offer Shares, representing (a) approximately 6.7% of the Underwritten Shares in the event that all Clawback Qualifying Shareholders take up the Clawback Offer Shares; or (b) approximately 8.0% of the Underwritten Shares in the event that no Clawback Qualifying Shareholders take up the Clawback Offer Shares, and approximately 0.7% (as enlarged by the issue of the Capitalisation Shares and the Offer Shares) of issued MAGHL Shares.*

9. REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION AND THE OPEN OFFER

As at 31 October 2020, the principal amount of eSun Shareholder's Loans provided by the Company to MAGHL for its business and operation amounted to HK$430 million. Following a review of the audited financial results of MAGHL, which recorded (i) a loss attributable to owners of MAGHL of approximately HK$178 million for the year ended 31 July 2020, with the cash and cash balance of approximately HK$318 million as at 31 July 2020; (ii) the equity attributable to owners of MAGHL decreasing from approximately HK$898 million as at 31 July 2015 to HK$40 million as at 31 July 2020; and (iii) the gearing ratio of MAGHL (being by the total borrowings to shareholders' equity attributable to the owners of MAGHL) increasing from 27.0% as at 31 July 2015 to 870% as at 31 July 2020, the Board considers the capitalisation of the eSun Shareholder's Loans is beneficial to the Company, the Shareholders and MAGHL as a whole.

Upon the implementation of the Loan Capitalisation, the Company will be able to obtain repayment of the eSun Shareholder's Loans from MAGHL, in the form of the Capitalisation Shares to be issued. Further, the Company proposes (i) to offer the Clawback Offer Shares to the Clawback Qualifying Shareholders on a pro rata basis which may provide them with an opportunity to reduce the dilutive impact on their shareholdings in MAGHL as a result of the implementation of the Loan Capitalisation and to continue to participate in and share the growth in the business of MAGHL alongside the Company; (ii) to place, through the Placing Agent on a best effort basis, the Capitalisation Shares to the Placees under the Loan Capitalisation; and (iii) to provide the Irrevocable Undertakings to MAGHL.

Further to the above, the Company will benefit from the improvement of the equity capital base of MAGHL (which will remain as a subsidiary of the Company upon completion of the Loan Capitalisation, Clawback Offer, the Placing and the Open Offer) by eliminating substantially all of the indebtedness by way of Loan Capitalisation, that will place MAGHL in a much stronger position to borrow from commercial banks at competitive rates of interest and to expand its media and entertainment business through strategic acquisitions, which is also in line with the Group's strategy to develop itself (including MAGHL) into a pure-play cinema and media and entertainment group as disclosed in the annual report of the Company for the year ended 31 July 2020. The Group will continue to monitor its and its subsidiaries' operation and financial position to consider whether financial support to any of its subsidiaries (including MAGHL) will be necessary.

In view of the above, the Directors consider the Loan Capitalisation proposed by MAGHL, together with the Clawback Offer, the Placing and the Irrevocable Undertakings under the Open Offer are in the best interests of the Company and the Shareholders as a whole.

10. INTENDED USE OF PROCEEDS BY THE COMPANY

As at the Latest Practicable Date, MAGHL is an indirect non-wholly-owned subsidiary of the Company. Upon the completion of the Clawback Offer and the Placing, the Company will hold approximately 58.1% of the equity interests in MAGHL, and MAGHL will remain as a subsidiary of the Company. Accordingly, no expected gain or loss will be recognised in the consolidated financial statements of the Company as a result of the Clawback Offer and the Placing, and the financial results of the MAGHL Group (including earnings, assets and liabilities) will continue to be consolidated into and reflected in the consolidated financial statements of the Group.

The Board estimates that the gross proceeds from the Clawback Offer and the Placing will be in the range of HK$150.0 million (assuming no acceptance by the Clawback Qualifying Shareholders) to approximately HK$183.3 million (assuming full acceptance by the Clawback Qualifying Shareholders), and intends to use such amount for the commitment under the Irrevocable Undertakings in the range of approximately HK$89.9 million (assuming full acceptance by the Clawback Qualifying Shareholders) to approximately HK$101.0 million (assuming no acceptance by the Clawback Qualifying Shareholders). The Company intends to place the net proceeds together with the unutilised net proceeds of approximately HK$1,153.3 million up to 31 October 2020 from the disposal of interest in Lai Fung to pursue its business plans for developing itself and its subsidiaries into a pure-play cinema and media and entertainment group as disclosed in the circular of the Company dated 24 April 2020. The Group intends to continue to fund the operations of its existing cinemas, upgrading the facilities of its existing cinemas and seek to acquire new cinema sites to maintain and enhance its market share at appropriate time(s), and invest prudently in film and TV production and distribution and media and entertainment businesses, subject to the then market conditions and circumstances of the media and entertainment industry as a whole. In light of the growing uncertainties around the COVID-19 pandemic, the Company will continue to adopt a cautious approach in deploying the above net proceeds, subject to the overriding principle that use of such proceeds being in the interests of the Company and the Shareholders as a whole at the relevant time of utilisation.

11. RECOMMENDATION

Having taken into account the reasons for and benefits of the Loan Capitalisation and the Open Offer, all Directors (including the independent non-executive Directors) consider that the terms of the Loan Capitalisation and the Open Offer are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. If the Company convened a special general meeting to propose as an ordinary resolution to approve the Loan Capitalisation, the Open Offer and the transactions contemplated thereunder, the Board would recommend the independent shareholders of the Company to vote in favour of such ordinary resolution. However, as to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at a special general meeting of the Company to be convened for the approval of the Loan

Capitalisation, the Open Offer and the transactions contemplated thereunder, the Company has obtained a written shareholder's approval from the controlling shareholder, LSD, which holds 1,113,260,072 Shares as at the Latest Practicable Date (representing approximately 74.62% of the total number of Shares in issue), for approving the Loan Capitalisation, the Open Offer and the transactions contemplated thereunder in lieu of holding the special general meeting of the Company, pursuant to Rule 14.44 of the Listing Rules.

12. LISTING RULES IMPLICATIONS

Loan Capitalisation

MAGHL is an indirect non-wholly-owned subsidiary of eSun. As the shareholding in MAGHL held by eSun will be increased upon the completion of Loan Capitalisation, the Loan Capitalisation constitutes an acquisition of assets for eSun under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Loan Capitalisation is more than 25% but less than 100%, the Loan Capitalisation and the transactions contemplated thereunder constitute a major transaction of eSun and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at a special general meeting of the Company to be convened for the approval of the Loan Capitalisation and the transactions contemplated thereunder, eSun has obtained a written shareholder's approval from the controlling shareholder, LSD, which holds 1,113,260,072 Shares as at the Latest Practicable Date (representing approximately 74.62% of the total number of Shares in issue), for approving the Loan Capitalisation and the transactions contemplated thereunder in lieu of holding the special general meeting of the Company, pursuant to Rule 14.44 of the Listing Rules.

Proposed Open Offer

eSun is the controlling shareholder of MAGHL. Assuming that (i) none of the Open Offer Qualifying Shareholders accept the Open Offer; and (ii) eSun accepts all of the Unsubscribed Shares by way of excess application, as the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Open Offer if eSun accepts the maximum amount of excess application for the Unsubscribed Shares is more than 5% but less than 25%, the Open Offer constitutes a discloseable transaction of eSun and is therefore subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Loan Capitalisation and the Open Offer if eSun accepts the maximum amount of excess application for Unsubscribed Shares on an aggregated basis is more than 25% but less than 100%, the Loan Capitalisation and the Open Offer constitute major transactions of eSun and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at a special general meeting of the Company to be convened for the approval of the Loan Capitalisation, the Open Offer and the transactions contemplated thereunder, the Company has obtained a written shareholder's approval from the controlling shareholder, LSD, which holds 1,113,260,072 Shares as at the Latest Practicable Date (representing approximately 74.62% of the total number of Shares in issue), for approving the Loan Capitalisation, the Open Offer and the transactions contemplated thereunder in lieu of holding the special general meeting of the Company, pursuant to Rule 14.44 of the Listing Rules.

13. ADDITIONAL INFORMATION

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

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

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements and the independent auditor's report of the Group (i) for the year ended 31 July 2018 are disclosed on pages 85 to 220 of the annual report of the Company for the year ended 31 July 2018 published on 21 November 2018; (ii) for the year ended 31 July 2019 are disclosed on pages 93 to 236 of the annual report of the Company for the year ended 31 July 2019 published on 20 November 2019; and (iii) for the year ended 31 July 2020 are disclosed on pages 69 to 200 of the annual report of the Company for the year ended 31 July 2020 published on 18 November 2020.

Quick links to the annual reports of the Company are set out below:

1. Annual report of the Company for the year ended 31 July 2018
   https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1121/ltn20181121418.pdf

2. Annual report of the Company for the year ended 31 July 2019
   https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1120/2019112000406.pdf

3. Annual report of the Company for the year ended 31 July 2020
   https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1118/2020111800626.pdf

The above annual reports of the Company have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.esun.com).

FINANCIAL SUMMARY OF THE MAGHL GROUP

The audited consolidated financial statements of MAGHL Group for each of the three years ended (i) 31 July 2018 are disclosed on pages 41 to 116 of the annual report of MAGHL for the year ended 31 July 2018 published on 30 October 2018; (ii) 31 July 2019 are disclosed on pages 45 to 132 of the annual report of MAGHL for the year ended 31 July 2019 published on 30 October 2019; and (iii) 31 July 2020 are disclosed on pages 53 to 140 of the annual report of MAGHL for the year ended 31 July 2020 published on 29 October 2020, all of which have been published on the respective websites of the Stock Exchange (www.hkgem.com) and MAGHL (www.mediaasia.com):

Quick links to the annual reports of MAGHL are set out below:

1. Annual report of MAGHL for the year ended 31 July 2018
   https://www1.hkexnews.hk/listedco/listconews/gem/2018/1030/gln20181030059.pdf

2. Annual report of MAGHL for the year ended 31 July 2019
   https://www1.hkexnews.hk/listedco/listconews/gem/2019/1030/2019103000526.pdf

3. Annual report of MAGHL for the year ended 31 July 2020
   https://www1.hkexnews.hk/listedco/listconews/gem/2020/1029/2020102900450.pdf

INDEBTEDNESS

As at 31 October 2020, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK$397 million, comprising unsecured and unguaranteed other borrowings, including the accrued interest on borrowings from a former shareholder of the Company, of approximately HK$217 million and unsecured bank loans of approximately HK$180 million.

As at 31 October 2020, the Group, as a lessee, had lease liabilities for the remainder of the relevant lease terms amounting to HK$1,142 million in aggregate (excluding contingent rental arrangement).

As at 31 October 2020, certain time deposit was pledged to a bank to secure banking facilities of the Group. In addition, the Group had also provided corporate guarantees to a bank in connection with the general banking facilities granted to the Group and the facilities were utilised by the Group to the extent of approximately HK$3 million as at 31 October 2020.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 October 2020, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 July 2020, being the date to which the latest published audited financial statements of the Company were made up.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities; and (iii) the completion of Loan Capitalisation, Clawback Offer, Placing and Open Offer, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon completion of the conditional voluntary general cash offers made by Holy Unicorn Limited ("**Offeror**"), a wholly-owned subsidiary of LSD, to acquire all 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) and to cancel all the outstanding share options of Lai Fung in May 2020, the Group no longer held any interest in Lai Fung Group ("**LF Disposal**") which is principally engaged in property investment and property development for sale as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. Accordingly, financial results of Lai Fung Group ceased to be consolidated into the consolidated financial statements of the Group. The Group's continuing operations include development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation in Hong Kong and Mainland China.

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

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

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

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

The current production pipeline of the Group includes "*The Calling of a Bus Driver*", a romance comedy film with Ivana Wong and director Patrick Kong, and "*Septet: the Story of Hong Kong*", an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

A 52 episode romance drama series "*New Horizon*" starring Zheng Kai and Chen Chiao-en, is in the post production stage. Projects under development include "*Modern Dynasty*", a 30 episode modern day drama series tailor-made for Alibaba's Youku platforms. The Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence of the Group's music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai are expected to be held next year in the event of a recovery from the pandemic situation.

It is believed that the Group's integrated media platform comprising movies, TV programmes, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of the China entertainment market with a balanced and synergistic approach. The Group is monitoring market conditions closely and will take a prudent approach to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

Net proceeds received by the Group from the LF Disposal, after deducting direct transaction costs, were approximately HK$1,515.9 million. During the year ended 31 July 2020, approximately HK$276.2 million have been used for repayment of shareholder loans granted by LSD and through its subsidiaries to the Group for general corporate purposes. The unutilised net proceeds have been placed with licensed banks in Hong Kong as at the date of this circular. In light of the growing uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Company will continue to adopt a cautious approach in pursuing its business plans for developing itself and its subsidiaries into a pure-play cinema and media and entertainment group subject to the overriding principle that use of such proceeds being in the interests of the Company and the shareholders of the Company as a whole at the relevant time of utilisation. The Directors shall evaluate the Company's business objectives from time to time and may make modifications against the changing market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 JULY 2020

Set out below is the management discussion and analysis of the Group as extracted from the annual report of the Company for the year ended 31 July 2020. Terms used below shall have the same meanings as defined in the said annual report.

OVERVIEW

Cinema Operation

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

The Group owns a 95% equity interest in Intercontinental Group Holdings Limited and is one of the leading multiplex cinema operators in Hong Kong. As at the date of this Annual Report, the Group operates 11 cinemas in Hong Kong and 3 cinemas in Mainland China. Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group *(%)*	No. of screens *(Note)*	No. of seats *(Note)*
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		55	8,027
Total		77	10,978

Note: On 100% basis

Media and Entertainment

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

Live Entertainment

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

Music Production and Distribution and Publishing

During the year under review, the Group released 15 (2019: 49) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Program Production and Distribution

For the year ended 31 July 2020, this segment recorded a turnover of HK$370.2 million (2019: HK$326.0 million) and segment results improved slightly to a loss of HK$80.1 million (2019 (restated): a loss of HK$119.4 million).

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

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2020, cash and bank balances held by the Group amounted to HK$1,819.1 million (31 July 2019: HK$3,771.9 million) of which around 82.8% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**"), and around 16.7% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group as at 31 July 2020 was HK$1,501.4 million (31 July 2019 (excluding MAGHL Group and Lai Fung Group): HK$339.7 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. The Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2020, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$395.2 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2020, the Group had guaranteed general banking facilities granted by a bank. As at 31 July 2020, the Group had outstanding bank loans of HK$179.6 million and utilised letter of credit and letter of guarantee facilities of HK$2.9 million. The maturity profile of the Group's bank loans is spread with HK$107.9 million repayable within one year, HK$17.9 million repayable in the second year and HK$53.8 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD. The Group has the undrawn facilities of HK$22.1 million as at 31 July 2020.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$102.6 million for the said unsecured other borrowings as at 31 July 2020. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2020.

MAGHL

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

Charge on Assets and Gearing

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

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

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2020 are set out in Note 50 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2020, the Group employed a total of around 540 (excluding Lai Fung Group) (2019: 2,570 (including Lai Fung Group)) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programs are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 JULY 2019

Set out below is the management discussion and analysis of the Group as extracted from the annual report of the Company for the year ended 31 July 2019. Terms used below shall have the same meanings as defined in the said annual report.

OVERVIEW

Media and Entertainment

For the year ended 31 July 2019, this segment recorded a turnover of HK$591.8 million (2018: HK$428.2 million) and segment results increased to HK$64.2 million from that of HK$21.8 million last year.

Live Entertainment

The Group remains active on the live entertainment front. During the year under review, the Group organised and invested in 118 (2018: 138) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ekin Cheng, Ivana Wong, Grasshopper, JJ Lin, Yoga Lin, EXO, Donghae & Eunhyuk and MayDay.

Music Production, Distribution and Publishing

For the year ended 31 July 2019, the Group released 49 (2018: 53) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy, Andy Leung, Tang Siu Hau and Feanna Wong. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2019, this segment recorded a turnover of HK$326.0 million (2018: HK$342.7 million) and segment results of a loss of HK$119.6 million (2018: a loss of HK$258.7 million).

During the year under review, the Group released 2 films (2018: 5), namely *Kung Fu Monster* and *Dead Pigs* and distributed 33 (2018: 39) films and 482 (2018: 480) videos with high profile titles including *Green Book*, *Hotel Mumbai*, *John Wick: Chapter 3 – Parabellum*, *BumbleBee*, *Captain Marvel* and *Venom*.

Cinema Operation

For the year ended 31 July 2019, this segment recorded a turnover of HK$521.3 million (2018: HK$408.4 million). The Group currently operates 10 cinemas in Hong Kong and 3 cinemas in Mainland China. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district. With industrial style design, the cinema has 4 houses with more than 400 seats in a stadium seating setting, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience.

Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens (Note 1)	No. of seats (Note 1)
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema (Note 2)	95	6	694
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		51	7,213
Total		73	10,164

Notes:

1. *On 100% basis*

2. *With effect from 1 November 2018, rental spaces of one cinema house have been handed back to the landlord.*

Property Portfolio Composition

All major properties of the Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which was 80% owned by Lai Fung Group and 20% owned by the Group as at 31 July 2019. Upon completion of the Novotown Phase I Sale in September 2019, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group. Set out below are the approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2019:

	Commercial/ Retail	Office	Hotel/ Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
GFA of major properties and number of car-parking spaces of Lai Fung Group attributable to the Group *(Note 1)*						
Completed Properties Held for Rental *(Note 2)*	935 *(Note 2)*	540	–	–	1,475	404
Completed Hotel Properties and Serviced Apartments	–	–	252	–	252	–
Properties under Development *(Note 3)*	2,027	783	415	1,034	4,259	2,512
Completed Properties Held for Sale	17 *(Note 4)*	–	–	259 *(Note 5)*	276	1,054
Subtotal	**2,979**	**1,323**	**667**	**1,293**	**6,262**	**3,970**
GFA of major properties and number of car-parking spaces of the Group excluding Lai Fung Group *(Note 6)*						
Completed Properties Held for Rental *(Note 2)*	49	–	–	–	49	–
Properties under Development *(Note 3)*	146	118	205	–	469	389
Completed Properties Held for Sale	–	–	–	35	35	–
Subtotal	**195**	**118**	**205**	**35**	**553**	**389**
Total	**3,174**	**1,441**	**872**	**1,328**	**6,815**	**4,359**

Notes:

1. *As at 31 July 2019, Lai Fung is a 50.55%-owned subsidiary of the Company.*

2. *Completed and rental generating properties, including the cultural attraction space in Novotown Phase I that has been occupied by "Lionsgate Entertainment World®"*

3. *All properties under construction*

4. *Completed properties held for sale, including 17,035 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*

5. *Completed properties held for sale, including 49,842 square feet of serviced apartment units of Zhongshan Palm Spring which have been re-classified as "Assets classified as held for sale" as at 31 July 2019*

6. *Upon completion of the Novotown Phase I Sale in September 2019, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group.*

PROPERTY INVESTMENT

Revenue from Rental Operation

For the year ended 31 July 2019, Lai Fung Group's rental operations recorded a turnover of HK$839.6 million, which include revenue of HK$730.7 million from lease of properties and HK$108.9 million from building management operation. The income from building management operation of approximately HK$114.4 million for the last year was included in "Other revenue" on the face of the consolidated income statement for the year ended 31 July 2018.

Excluding the income from building management operation, the revenue from the leasing of properties for the year under review decreased slightly by 3.9% from HK$760.0 million of last year.

	For the year ended 31 July			For the year ended 31 July			
	2019# ***HK$'million***	2018# *HK$'million*	Approximate change *(%)*	**2019** ***RMB'million***	2018 *RMB'million*	Approximate change *(%)*	**Year end occupancy** *(%)*
Shanghai							
Shanghai Hong Kong Plaza	**450.6**	416.1	8.3	**393.0**	345.8	13.6	Retail: 99.0 Office: 96.3 Serviced Apartments: 89.6
Shanghai May Flower Plaza	**67.6**	75.9	-10.9	**58.9**	63.1	-6.7	Retail: 82.1 Hotel: 77.9
Shanghai Regents Park	**22.1**	25.0	-11.6	**19.3**	20.7	-6.8	100.0

	For the year ended 31 July			For the year ended 31 July			
	2019#	2018#	Approximate	**2019**	2018	Approximate	**Year end**
	HK$'million	*HK$'million*	change	***RMB'million***	*RMB'million*	change	**occupancy**
			(%)			*(%)*	*(%)*
Guangzhou							
Guangzhou May Flower Plaza	**122.9**	109.4	12.3	**107.2**	90.9	17.9	98.9
Guangzhou West Point	**26.7**	19.7	35.5	**23.2**	16.5	40.6	99.9
Guangzhou Lai Fung Tower	**126.8**	105.2	20.5	**110.6**	87.4	26.5	Retail: 100.0 Office: 100.0*
Zhongshan							
Zhongshan Palm Spring	**8.5**	8.7	-2.3	**7.4**	7.2	2.8	Retail: 71.2* Serviced Apartments: N/A**
Others	**14.4**	–	N/A	**12.6**	–	N/A	N/A
Total	**839.6**	760.0	10.5	**732.2**	631.6	15.9	

\# *The exchange rates adopted for the years ended 31 July 2019 and 2018 are 0.8721 and 0.8310, respectively.*

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed during the year under review and the serviced apartment units have been launched for sale in May 2019.*

Breakdown of turnover by usage of major rental properties of the Group is as follows:

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover**	**Total GFA#**	Attributable interest to the Group	Turnover	Total GFA#
		HK$'million	***square feet***		*HK$'million*	*square feet*
Shanghai						
Shanghai Hong Kong Plaza	**50.55%**			50.60%		
Retail		**208.7**	**468,434**		181.2	468,434
Office		**116.1**	**362,096**		102.4	362,096
Serviced Apartments (room revenue and F&B)		**119.7**	**355,267**		125.2	355,267
Car-parking Spaces		**6.1**	**N/A**		7.3	N/A
		450.6	**1,185,797**		416.1	1,185,797

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover**	**Total GFA#**	Attributable interest to the Group	Turnover	Total GFA#
		HK$'million	***square feet***		*HK$'million*	*square feet*
Shanghai May Flower Plaza	**50.55%**			50.60%		
Retail		**29.5**	**320,314**		34.3	320,314
Hotel (room revenue and F&B)		**34.3**	**143,846**		37.6	143,846
Car-parking Spaces		**3.8**	**N/A**		4.0	N/A
		67.6	**464,160**		75.9	464,160
Shanghai Regents Park	**48.02%**			48.07%		
Retail		**19.2**	**82,062**		21.0	82,062
Car-parking Spaces		**2.9**	**N/A**		4.0	N/A
		22.1	**82,062**		25.0	82,062
Guangzhou						
Guangzhou May Flower Plaza	**50.55%**			50.60%		
Retail		**106.9**	**357,424**		94.8	357,424
Office		**13.1**	**79,431**		11.6	79,431
Car-parking Spaces		**2.9**	**N/A**		3.0	N/A
		122.9	**436,855**		109.4	436,855
Guangzhou West Point	**50.55%**			50.60%		
Retail		**26.7**	**171,968**		19.7	171,968
Guangzhou Lai Fung Tower	**50.55%**			50.60%		
Retail		**16.4**	**112,292**		12.7	99,054
Office		**104.7**	**625,821**		86.6	606,495
Car-parking Spaces		**5.7**	**N/A**		5.9	N/A
		126.8	**738,113**		105.2	705,549

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover** *HK$'million*	**Total GFA#** *square feet*	Attributable interest to the Group	Turnover *HK$'million*	Total GFA# *square feet*
Zhongshan						
Zhongshan Palm Spring	**50.55%**			50.60%		
Retail*		**4.3**	**147,408**		2.7	147,408
Serviced Apartments** (room revenue)		**4.2**	**98,556**		6.0	98,556
		8.5	**245,964**		8.7	245,964
Others		**14.4**	**N/A**		N/A	N/A
Total		**839.6**	**3,324,919**		760.0	3,292,355

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed during the year under review and the serviced apartment units have been launched for sale in May 2019.*

\# *On 100% basis*

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Being Lai Fung Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall.

Anchor tenants, as of the date of this annual report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

Lai Fung Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated in July 2018. Subsequently, Lai Fung Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in Mainland China under Alibaba Group's New Retail initiatives, to take up part of that site and is in discussions with several prospective tenants to fill the vacancy.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. Lai Fung Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to Lai Fung Group is approximately 77,900 square feet).

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Lai Fung Group owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where Lai Fung Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by Lai Fung Group increased to approximately 738,100 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 71.2%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to Lai Fung Group has 308 contemporary apartments of various sizes: studios (640 – 750 sq.ft.), one-bedroom apartments (915 – 1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.0% was achieved during the year under review and the average room tariff was approximately HK$1,189.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to Lai Fung Group is approximately 143,800 square feet. An average occupancy rate of 73.1% was achieved during the year under review and the average room tariff was approximately HK$516.

Property Development

Recognised Sales

For the year ended 31 July 2019, Lai Fung Group's property development operations recorded a turnover of HK$613.3 million (2018: HK$184.6 million) from sale of properties, representing a 232.2% increase in sales revenue over last year. The significant increase was primarily driven by the sales performance of residential units of Zhongshan Palm Spring, cultural studios of Novotown Phase I and car-parking spaces of Shanghai Regents Park during the year under review. Sales of residential units and retail units of Guangzhou Dolce Vita has been completed and the last retail unit sold and recognised during the year under review achieved an average selling price of HK$3,384 per square foot. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex has been closed. The serviced apartment units with total GFA of approximately 98,600 square feet have been launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group.

Breakdown of turnover for the year ended 31 July 2019 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA**	**Average selling price**[#]	**Turnover**[*]	
		Square feet	*HK$/square foot*	*HK$'million*[##]	*RMB'million*
Zhongshan Palm Spring					
Residential High-rise Units	129	158,473	1,590	240.2	209.5
Residential House Units	25	52,870	2,739	137.9	120.3
Hengqin Novotown Phase I					
Cultural Studios	6	24,207	5,274	121.6	106.0
Others				0.4	0.3
Subtotal	**160**	**235,550**	**2,227**	**500.1**	**436.1**
Shanghai Regents Park					
Car-parking Spaces	153			100.3	87.5
Guangzhou Eastern Place					
Car-parking Spaces	5			5.4	4.7
Guangzhou West Point					
Car-parking Spaces	4			2.4	2.1
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Zhongshan Palm Spring					
Car-parking Spaces	24			4.4	3.8
Total				**613.3**	**534.8**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Retail Unit[**] (47.5% basis)	1	8,932	3,384	28.5	24.9
Car-parking Spaces[**] (47.5% basis)	8			2.5	2.2
Total				**31.0**	**27.1**

[#] *Before business tax and value-added tax inclusive*

[##] *The exchange rate adopted for the year ended 31 July 2019 is 0.8721.*

[*] *After business tax and value-added tax exclusive*

[**] *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest.*

Contracted Sales

As at 31 July 2019, Lai Fung Group's property development operations has contracted but not yet recognised sales of HK$238.3 million, comprising HK$104.4 million and HK$131.1 million from sales of residential and serviced apartment units in Zhongshan Palm Spring and cultural studios in Novotown Phase I, respectively, and HK$2.8 million from sales of car-parking spaces in Shanghai Regents Park, Guangzhou West Point and Guangzhou King's Park. Sales of the cultural studios of Novotown Phase I were strong and achieved an average selling price of HK$4,561 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios and car-parking space as at 31 July 2019 amounted to RMB207.8 million (2018: RMB251.0 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2019 is as follows:

Contracted basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover#**	
		Square feet	*HK$/square foot*	*HK$'million##*	*RMB'million*
Zhongshan Palm Spring					
Residential High-rise Units	15	19,645	1,700	33.4	29.1
Residential House Units	10	21,164	2,637	55.8	48.7
Serviced Apartment Units###	10	10,414	1,460	15.2	13.3
Hengqin Novotown Phase I					
Cultural Studios	7	28,742	4,561	131.1	114.3
Subtotal	**42**	**79,965**	**2,945**	**235.5**	**205.4**
Shanghai Regents Park					
Car-parking Spaces	2			1.4	1.2
Guangzhou West Point					
Car-parking Space	1			0.6	0.5
Guangzhou King's Park					
Car-parking Space	1			0.8	0.7
Subtotal				**2.8**	**2.4**
Total				**238.3**	**207.8**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2019 is 0.8721.*

\### *The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group when the sale is completed.*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza Redevelopment Project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District in Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, Lai Fung Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group. This project is expected to complete in the second quarter of 2022.

Shanghai Wuli Bridge Project

In July 2014, Lai Fung Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project has attributable GFA of approximately 77,900 square feet and is expected to be launched for sale in coming months.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 July 2019, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$102.0 million.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 July 2019, a total of 253 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$61.0 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the year under review, the sales of 1 car-parking space contributed HK$0.7 million to the turnover. As at 31 July 2019, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.8 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.6 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. Lai Fung Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project comprises of high-rise residential towers, townhouses and commercial blocks totaling 4.466 million square feet.

During the year under review, 158,473 square feet of high-rise residential units and 52,870 square feet of house units were recognised at average selling prices of HK$1,590 and HK$2,739 per square foot, respectively, which contributed a total of HK$378.1 million to the sales turnover. As at 31 July 2019, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$33.4 million and HK$55.8 million, at average selling prices of HK$1,700 and HK$2,637 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed during the year under review. The serviced apartment units were launched for sale in May 2019 and have been re-classified from “Property, plant and equipment” to “Assets classified as held for sale” in the consolidated statement of financial position of the Group as at 31 July 2019. As at 31 July 2019, contracted but not yet recognised sales for serviced apartment units amounted to HK$15.2 million, at an average selling prices of HK$1,460 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in “Other operating gains/expenses, net” in the consolidated income statement of the Group.

As at 31 July 2019, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 373,800 square feet with a total carrying amount of approximately HK$304.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 July 2019 was approximately HK$110.9 million.

The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* *Excluding car-parking spaces and ancillary facilities*

Hengqin Novotown Phase I

On 25 September 2013, the Company and Lai Fung jointly announced that Lai Fung had successfully won the bid of the land use rights of the land for Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by LSD Group as of the date of this annual report. Novotown Phase I has a total GFA of 4.0 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,182 million). Construction work is expected to be completed by phases by the end of 2019.

The expected GFA breakdown by usage including GFA of 24,207 square feet for cultural studios that have been sold up to 31 July 2019 is set out below:

Usage	GFA (square feet)
Cultural themed hotel	594,763
Cultural workshop	430,640
Cultural commercial area	526,264
Performance halls	155,193
Cultural attraction (Lionsgate Entertainment World®)	242,906
Cultural attraction (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural studios (for sale)	244,936
Car-parking spaces	429,734
Ancillary facilities and others	830,216
Total	**4,048,058**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World® in Novotown Phase I. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, to oversee its pre-opening and to operate the Lionsgate Entertainment World® for a minimum of 10 years. The Lionsgate Entertainment World® opened on 31 July 2019 featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

Lai Fung Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer Hengqin, the size of which is approximately 50,400 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions. The National Geographic Ultimate Explorer Hengqin officially commenced operations on 9 September 2019.

The cross border bus service between Hong Kong and Novotown has been launched by Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited in July 2019.

Sales of the cultural studios of Novotown Phase I were strong. During the year under review, sales of 24,207 square feet was recognised at an average selling price of HK$5,274 per square foot, which contributed HK$121.6 million to Lai Fung Group's turnover. As at 31 July 2019, contracted but not yet recognised sales for cultural studios amounted to HK$131.1 million, translating into an average selling price of HK$4,561 per square foot. Completed cultural studios held for sale in this development as at 31 July 2019 amounted to approximately 173,230 square feet with a carrying amount of approximately HK$334.0 million.

Hengqin Novotown Phase II

In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

Lai Fung Group entered into a license agreement in December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

Lai Fung Group succeeded in bidding for the land use rights of the land offered for sale by Zhuhai Land Bureau through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Novotown Phase II. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. Lai Fung Group is in the process of finalising the master layout plan for Novotown Phase II with the Chinese Government.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2019, cash and bank balances held by the Group amounted to HK$3,771.9 million (2018: HK$3,209.8 million) of which around 30.1% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 69.2% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2019 was HK$339.7 million (2018: HK$341.9 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2019, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$10,065.3 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2019, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2019, the Group had outstanding bank loans of HK$102.4 million and utilised letter of credit and letter of guarantee facilities of HK$4.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had outstanding loans of HK$750.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loans are on floating rate basis, denominated in HKD with HK$700.0 million repayable within 1 year and HK$50.0 million repayable in the second year. The Group has the undrawn facilities of HK$170.1 million as at 31 July 2019.

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$96.9 million for the said unsecured other borrowings as at 31 July 2019. 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 1 year from 31 July 2019.

MAGHL

As at 31 July 2019, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$100.0 million respectively. The loans are on floating rate basis, denominated in HKD and are repayable within 1 year.

Lai Fung

As at 31 July 2019, Lai Fung Group had total borrowings in the amount of HK$9,119.2 million comprising bank loans of HK$5,987.7 million, guaranteed notes of HK$2,720.9 million, loans from a subsidiary of the Company of HK$316.2 million and other borrowings of HK$94.4 million. The maturity profile of Lai Fung Group's borrowings of HK$9,119.2 million is well spread with HK$791.2 million repayable within 1 year, HK$3,019.3 million repayable in the second year, HK$4,168.7 million repayable in the third to fifth years, and HK$1,140.0 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$2,647.9 million as at 31 July 2019.

Approximately 30% and 66% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$6,398.3 million were 44% denominated in RMB, 48% in HKD and 8% in USD.

Lai Fung Group's guaranteed notes of HK$2,720.9 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the guaranteed notes have been effectively converted into HKD denominated debts and HKD is pegged against USD, Lai Fung Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, Lai Fung Group has a net exchange exposure to RMB as Lai Fung Group's assets are principally located in Mainland China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, Lai Fung Group does not have any derivative financial instruments or hedging instruments outstanding.

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facilities of the Group, including investment properties with a total carrying amount of approximately HK$10,890.3 million, properties under development with a total carrying amount of approximately HK$1,085.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$1,208.6 million and time deposits and bank balances of approximately HK$1,059.6 million.

As at 31 July 2019, the consolidated net assets attributable to the owners of the Company amounted to HK$9,098.6 million (2018: HK$9,259.5 million). The gearing ratio, being net debt (total borrowings of HK$10,065.3 million less pledged and restricted bank balances and time deposits of HK$1,173.9 million and cash and cash equivalents of HK$2,598.0 million) to net assets attributable to the owners of the Company was approximately 69.2%. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 7.9%.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2019 are set out in Note 49 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2019, the Group employed a total of around 2,570 (2018: 1,880) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 JULY 2018

Set out below is the management discussion and analysis of the Group as extracted from annual report of the Company for the year ended 31 July 2018. Terms used below shall have the same meanings as defined in the said annual report.

OVERVIEW

Media and Entertainment

For the year ended 31 July 2018, this segment recorded a turnover of HK$428.2 million (2017: HK$448.4 million) and segment results decreased to HK$21.8 million from that of HK$25.5 million last year.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year under review, the Group organised and invested in 138 (2017: 168) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow, Wanna One, MayDay and Rene Liu.

Music Production, Distribution and Publishing

For the year ended 31 July 2018, the Group released 53 (2017: 30) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, Tang Siu Hau, at17, Cherry Ngan and Michael Lai. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2018, this segment recorded a turnover of HK$342.7 million (2017: HK$418.5 million) and segment results of a loss of HK$258.7 million (2017: HK$126.2 million).

During the year under review, the Group released a total of 5 films (2017: 6), including *Legend of the Naga Pearls, The Adventurers, Manhunt and Girls vs Gangsters* and distributed 39 (2017: 31) films and 480 (2017: 488) videos with high profile titles including *Memoirs of a Murderer, The Post, Uncle Drew, Black Panther, Coco, Thor: Ragnarok and Star Wars: The Last Jedi.*

Cinema Operation

For the year ended 31 July 2018, this segment recorded a turnover of HK$408.4 million (2017: HK$418.6 million). The Group currently operates nine cinemas in Hong Kong and three cinemas in Mainland China as well as one joint venture cinema in Hong Kong. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou, Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in Mainland China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens (Note 1)	No. of Seats (Note 1)
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		**22**	**2,951**
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema (Note 2)	85	7	957
MCL Telford Cinema (including MX4D theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**60**	**8,624**
Total		**82**	**11,575**

Notes:

1. *On 100% basis*

2. *Renovation in phases is in progress and with effect from 1 November 2018, rental spaces of one cinema house will be handed back to the landlord and the cinema will provide 694 seats in 6 houses.*

Property Investment

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Rental Income

For the year ended 31 July 2018, Lai Fung Group's rental operations recorded a turnover of HK$766.2 million (2017: HK$702.1 million), representing a 9.1% increase over last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 3.3%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2018# ***HK$'million***	2017# *HK$'million*	Approximate change *(%)*	**2018** ***RMB'million***	2017 *RMB'million*	Approximate change *(%)*	**Year end occupancy** *(%)*
Shanghai							
Shanghai Hong Kong Plaza	**416.9**	399.4	4.4	**346.4**	350.6	-1.2	Retail: 96.8 Office: 94.8 Serviced Apartments: 91.5
Shanghai May Flower Plaza	**75.9**	75.4	0.7	**63.1**	66.2	-4.7	Retail: 48.2* Hotel: 72.2
Shanghai Regents Park	**25.0**	20.0	25.0	**20.7**	17.5	18.3	100.0
Guangzhou							
Guangzhou May Flower Plaza	**113.2**	105.5	7.3	**94.1**	92.6	1.6	99.2
Guangzhou West Point	**19.8**	18.4	7.6	**16.5**	16.1	2.5	100.0
Guangzhou Lai Fung Tower	**105.2**	74.9	40.5	**87.4**	65.7	33.0	Retail: 100.0 Office: 100.0**
Zhongshan							
Zhongshan Palm Spring	**10.2**	8.5	20.0	**8.5**	7.5	13.3	Retail: 75.5** Serviced Apartments: 51.9
Total	**766.2**	702.1	9.1	**636.7**	616.2	3.3	

\# *The exchange rates adopted for the years ended 31 July 2018 and 2017 are 0.8310 and 0.8777, respectively.*

* *The drop in the occupancy rate is due to the early termination of the lease of Lotte Mart on 3 July 2018. Lai Fung Group is currently discussing with several prospective tenants to fill the vacancy.*

** *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primarily due to its being fully leased during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total GFA of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Property Development

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Recognised Sales

For the year ended 31 July 2018, Lai Fung Group's property development operations recorded a turnover of HK$184.6 million (2017: HK$624.6 million) from sale of properties, representing a 70.4% decrease over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 7,521 and 84,936 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$50.2 million and HK$90.5 million, respectively.

For the year ended 31 July 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,649 per square foot (2017: HK$983 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita performed well and achieved average selling price of HK$3,616 and HK$5,445 per square foot, respectively. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2018 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA	Average selling price#	Turnover*	
		Square feet	*HK$/square foot*	*HK$'million*##	*RMB'million*
Guangzhou Eastern Place Residential Units – Phase V	7	7,521	6,980	50.2	41.7
Guangzhou King's Park Commercial Unit	1	3,337	2,380	7.5	6.3
Zhongshan Palm Spring Residential High-rise Units	70	84,936	1,148	90.5	75.2
Others				1.1	0.9
Subtotal	**78**	**95,794**	**1,649**	**149.3**	**124.1**
Guangzhou King's Park Car-parking Spaces	6			4.6	3.8
Guangzhou Eastern Place Car-parking Spaces	27			30.7	25.5
Total				**184.6**	**153.4**
Recognised sales from joint venture project					
Guangzhou Dolce Vita Residential Units** (47.5% basis)	42	92,288	3,616	313.8	260.8
Retail Units**(47.5% basis)	–	665	5,445	3.4	2.8
Subtotal	**42**	**92,953**	**3,629**	**317.2**	**263.6**
Car-parking Spaces** (47.5% basis)	45			16.1	13.4
Total				**333.3**	**277.0**

\# *Before business tax and value-added tax inclusive*

\#\# *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

* *After business tax and value-added tax exclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2018, 89 residential units and 1 retail unit were sold and the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$667.9 million (excluding car-parking spaces) and approximately 195,690 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$33.8 million.*

Contracted Sales

As at 31 July 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$51.8 million and HK$246.9 million from sales of residential units in Zhongshan Palm Spring and studios of Hengqin Novotown Phase I, respectively and HK$3.4 million from sales of 6 car-parking spaces in Guangzhou King's Park, Guangzhou Eastern Place and Zhongshan Palm Spring. Sales of the studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$5,207 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, studios and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.0 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$302.5 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.3 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2018 is as follows:

Contracted basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover#**	
		Square feet	*HK$/square foot*	*HK$'million##*	*RMB'million*
Zhongshan Palm Spring					
Residential High-rise Units	31	34,614	1,497	51.8	43.0
Hengqin Novotown Studios	11	47,420	5,207	246.9	205.2
Subtotal	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Guangzhou Eastern Place					
Car-parking Space	1			1.2	1.0
Zhongshan Palm Spring					
Car-parking Spaces	3			0.6	0.5
Subtotal				**302.1**	**251.0**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Car-parking Space** (47.5% basis)	1			0.4	0.3
Subtotal				**0.4**	**0.3**
Total (excluding car-parking spaces)	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Total (including car-parking spaces)				**302.5**	**251.3**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2018, the contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$0.8 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$3,209.8 million (2017: HK$3,304.6 million) of which around 22.9% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 76.9% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2018 was HK$341.9 million (2017: HK$273.8 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$8,199.0 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2018, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2018, the Group had outstanding bank loans of HK$147.8 million and utilised letter of credit and letter of guarantee facilities of HK$5.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had an outstanding loan of HK$450.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loan is on floating rate basis, denominated in HKD and is repayable in the second year. The Group has the undrawn facilities of HK$302.8 million as at 31 July 2018.

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$91.1 million for the said unsecured other borrowings as at 31 July 2018. 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 2018.

MAGHL

During the year, TFN Convertible Notes with principal amount of HK$130.0 million and Specific Mandate Convertible Notes with an aggregate principal amount of HK$166.8 million (including a principal amount of HK$100.0 million issued to the Group) were redeemed upon maturity on 14 May 2018 and 3 July 2018 respectively. As at 31 July 2018, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$100.0 million respectively. The loans are on floating rate basis, denominated in HKD and are repayable in the second year.

Lai Fung

As at 31 July 2018, Lai Fung Group had total borrowings in the amount of HK$7,445.6 million comprising bank loans of HK$3,773.2 million, guaranteed notes of HK$2,725.5 million, loans from a subsidiary of the Company of HK$248.5 million, loans from a joint venture of HK$644.7 million and other borrowing of HK$53.7 million. The maturity profile of Lai Fung Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years, and HK$194.1 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,552.0 million as at 31 July 2018.

Approximately 45% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$4,720.1 million were 53% denominated in RMB, 37% in HKD and 10% in USD.

Lai Fung Group's guaranteed notes of HK$2,725.5 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, Lai Fung Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, Lai Fung Group has a net exchange exposure to RMB as Lai Fung Group's assets are principally located in Mainland China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, Lai Fung Group does not have any derivative financial instruments or hedging instruments outstanding.

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,371.4 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,282.7 million, construction in progress with a total carrying amount of approximately HK$909.7 million and time deposits and bank balances of approximately HK$650.8 million.

As at 31 July 2018, the consolidated net assets attributable to the owners of the Company amounted to HK$9,259.5 million (2017: HK$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK$8,199.0 million less pledged and restricted bank balances and time deposits of HK$1,073.8 million and cash and cash equivalents of HK$2,136.0 million) to net assets attributable to the owners of the Company was approximately 53.9%.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2018 are set out in note 49 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2018, the Group employed a total of around 1,880 (2017: 2,010) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS OF MAGHL GROUP FOR THE YEAR ENDED 31 JULY 2020

Set out below is the management discussion and analysis of MAGHL Group as extracted from the annual report of MAGHL for the year ended 31 July 2020. Terms used below shall have the same meanings as defined in the said annual report.

FINANCIAL REVIEW

During the year ended 31 July 2020, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$364,773,000, representing a decrease of 36% from turnover of approximately HK$573,732,000 for the year ended 31 July 2019. The decrease in the turnover of the Group was mainly attributable to the decrease in revenue from the Group's entertainment event business.

Cost of sales for the year ended 31 July 2020 decreased to approximately HK$320,887,000 from approximately HK$536,421,000 for the previous financial year. The decrease in cost of sales was mainly due to the decrease in the number of events held during the year. Marketing expenses for the year ended 31 July 2020 was approximately HK$24,047,000 (2019: approximately HK$20,469,000). The increase in the marketing expenses was related to 5 films produced/invested by the Group theatrically released during the year. Administrative expenses for the year ended 31 July 2020 was approximately HK$138,419,000 (2019: approximately HK$142,167,000). These expenses are under strict control by the Company's management. Other operating expenses increased to approximately HK$62,421,000 (2019: approximately HK$21,289,000). Other operating expenses for the year ended 31 July 2020 mainly included: (i) impairment loss of right-of-use assets and property, plant and equipment, (ii) impairment loss of films and TV programs under production, (iii) impairment loss of advances and other receivables, and (iv) exchange loss arising from the depreciation in Renminbi.

Finance costs increased to approximately HK$17,756,000 for the year ended 31 July 2020 from approximately HK$15,786,000 for the year ended 31 July 2019. The increase in interest expenses is mainly due to the additional loan from an intermediate holding company and interest on lease liabilities upon adoption of HKFRS 16 from 1 August 2019.

The Group recorded a loss after tax of approximately HK$187,271,000 (2019: approximately HK$144,906,000) and a loss attributable to owners of the Company of approximately HK$178,169,000 (2019: approximately HK$147,056,000) during the year.

As at 31 July 2020, the Group's equity attributable to owners of the Company amounted to approximately HK$40,237,000 (2019: approximately HK$218,790,000) and the net asset value per share attributable to owners of the Company was HK1.9 cents (2019: HK10.2 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 39 (2019: 109) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb. The total revenue from these businesses amounted to approximately HK$68,372,000.

Music

During the year under review, the Group released 9 (2019: 14) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. Turnover from music publishing and recording was approximately HK$31,079,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$5,345,000 from artiste management. The Group currently has 23 artistes under its management.

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, namely "Bodies at Rest", "Fagara", "The Climbers", "A Witness Out of the Blue" and "Knockout". Turnover from the licence fee income and distribution commission income of films was approximately HK$140,976,000.

TV program production and distribution

During the year under review, the Group has recorded a turnover of approximately HK$119,001,000 from TV program licence fee income, distribution commission income and sale of TV program products.

CAPITAL STRUCTURE

As at 31 July 2020, the Group's equity attributable to owners of the Company decreased by 82% to approximately HK$40,237,000 (as at 31 July 2019: approximately HK$218,790,000). Total assets amounted to approximately HK$879,337,000 (as at 31 July 2019: approximately HK$1,085,246,000) included current assets amounting to approximately HK$817,782,000 (as at 31 July 2019: approximately HK$988,797,000). Current liabilities were approximately HK$498,974,000 (as at 31 July 2019: approximately HK$878,087,000). Net asset value per share attributable to owners of the Company as at 31 July 2020 was approximately HK1.9 cents (as at 31 July 2019: approximately HK10.2 cents). Current ratio was approximately 1.6 (as at 31 July 2019: approximately 1.1).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources, loans from an intermediate holding company and loan from a fellow subsidiary. As at 31 July 2020, the Group has unsecured and interest-bearing loans with an outstanding principal amount of approximately of HK$350,000,000 (as at 31 July 2019: HK$300,000,000) of which HK$50,000,000 and HK$300,000,000 were repayable on 31 October 2022 and 10 June 2023, respectively. As at 31 July 2020, the Group had no unutilised letter of credit facility (as at 31 July 2019: Nil).

As at 31 July 2020, the Group's cash and cash equivalents decreased to approximately HK$317,692,000 (as at 31 July 2019: approximately HK$334,996,000) of which around 32% was denominated in Hong Kong dollar, around 62% was denominated in Renminbi ("**RMB**") and around 6% was denominated in United States dollar, Macau Peso and Korean Won currencies. The RMB denominated balances were placed with licensed banks. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2020, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2020.

As at 31 July 2020, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 870% (as at 31 July 2019: 137%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the year. As at 31 July 2020, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2019: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisition or disposal of subsidiaries during the year.

Details of the disposal of subsidiaries of the Group during the year ended 31 July 2019 are set out in note 33 to the financial statement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2020 (as at 31 July 2019: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2020, the Group had 136 (as at 31 July 2019: 163) employees. Staff costs, including directors' emoluments for the year ended 31 July 2020, amounted to approximately HK$91,756,000 (2019: approximately HK$97,995,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

MANAGEMENT DISCUSSION AND ANALYSIS OF MAGHL GROUP FOR THE YEAR ENDED 31 JULY 2019

Set out below is the management discussion and analysis of MAGHL Group as extracted from the annual report of MAGHL for the year ended 31 July 2019. Terms used below shall have the same meanings as defined in the said annual report.

FINANCIAL REVIEW

During the year ended 31 July 2019, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$573,732,000, representing an increase of 17% from turnover of approximately HK$489,931,000 for the year ended 31 July 2018. The increase in the turnover of the Group was mainly attributable to the increase in revenue from the Group's entertainment event business.

Cost of sales for the year ended 31 July 2019 increased to approximately HK$536,421,000 from approximately HK$473,913,000 for the previous financial year. Marketing expenses for the year ended 31 July 2019 was approximately HK$20,469,000 (2018: approximately HK$86,987,000). The decrease in the above-mentioned expenses was due to decrease in the number of large-scale films released during the year. Administrative expenses for the year ended 31 July 2019 was approximately HK$142,167,000 (2018: approximately HK$161,112,000). These expenses are under strict control by the Company's management. Other operating expenses decreased to approximately HK$21,289,000 (2018: approximately HK$24,290,000). Other operating expenses for the year ended 31 July 2019 mainly included impairment of advances and other receivables and exchange loss arising from the depreciation in Renminbi.

Finance costs decreased to approximately HK$15,786,000 for the year ended 31 July 2019 from approximately HK$24,921,000 for the year ended 31 July 2018. Finance costs in current year represented the interest expenses arising from the loans from an intermediate holding company and a fellow subsidiary.

The Group recorded a loss after tax of approximately HK$144,906,000 (2018: approximately HK$284,201,000) and a loss attributable to owners of the Company of approximately HK$147,056,000 (2018: approximately HK$273,503,000) during the year.

As at 31 July 2019, the Group's equity attributable to owners of the Company amounted to approximately HK$218,790,000 (2018: approximately HK$364,534,000) and the net asset value per share attributable to owners of the Company was HK10.2 cents (2018: HK17.1 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 109 (2018: 97) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ekin Cheng, Ivana Wong, Grasshopper, JJ Lin, Yoga Lin, EXO, Dong Hae & Eun Hyuk and MayDay. The total revenue from these businesses amounted to approximately HK$298,767,000.

Music

During the year under review, the Group released 14 (2018: 12) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy, Andy Leung, Tang Siu Hau and Feanna Wong. Turnover from music publishing and recording was approximately HK$28,666,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$8,806,000 from artiste management. The Group currently has 27 artistes under its management.

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 2 films produced/invested by the Group were theatrically released, namely "Kung Fu Monster" and "Dead Pigs". Turnover from the licence fee income and distribution commission income of films was approximately HK$50,765,000.

TV program production and distribution

During the year under review, the Group recorded a turnover of approximately HK$186,728,000 from TV program licence fee, distribution commission and sale of TV program products.

CAPITAL STRUCTURE

As at 31 July 2019, the Group's equity attributable to owners of the Company decreased by 40% to approximately HK$218,790,000 (as at 31 July 2018: approximately HK$364,534,000). Total assets amounted to approximately HK$1,085,246,000 (as at 31 July 2018: approximately HK$1,176,892,000) included current assets amounting to approximately HK$988,797,000 (as at 31 July 2018: approximately HK$1,066,319,000). Current liabilities were approximately HK$878,087,000 (as at 31 July 2018: approximately HK$531,126,000). Net asset value per share attributable to owners of the Company as at 31 July 2019 was approximately HK10.2 cents (as at 31 July 2018: approximately HK17.1 cents). Current ratio was approximately 1.1 (as at 31 July 2018: approximately 2.0).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources, loan from an intermediate holding company and loan from a fellow subsidiary. As at 31 July 2019, the Group has unsecured and interest-bearing loans with an outstanding principal amount of approximately of HK$300,000,000 (as at 31 July 2018: HK$300,000,000). As at 31 July 2019, the Group had no unutilised letter of credit facility (as at 31 July 2018: Nil).

As at 31 July 2019, the Group's cash and cash equivalents decreased to approximately HK$334,996,000 (as at 31 July 2018: approximately HK$429,983,000) of which around 40% was denominated in Hong Kong dollar, around 45% was denominated in Renminbi ("**RMB**") and around 15% was denominated in United States dollar, Macanese pataca and Korean won currencies. The RMB denominated balances were placed with licensed banks. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2019, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2019.

As at 31 July 2019, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 137% (as at 31 July 2018: 82%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the year. As at 31 July 2019, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2018: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisitions or disposals of subsidiaries during the year.

Details of the disposal of subsidiaries of the Group during the year are set out in note 33 to the consolidated financial statement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2019 (as at 31 July 2018: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2019, the Group had 163 (as at 31 July 2018: 174) employees. Staff costs, including directors' emoluments for the year ended 31 July 2019, amounted to approximately HK$97,995,000 (2018: approximately HK$100,655,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

MANAGEMENT DISCUSSION AND ANALYSIS OF MAGHL GROUP FOR THE YEAR ENDED 31 JULY 2018

Set out below is the management discussion and analysis of MAGHL Group as extracted from the annual report of MAGHL for the year ended 31 July 2018. Terms used below shall have the same meanings as defined in the said annual report.

FINANCIAL REVIEW

During the year ended 31 July 2018, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$489,931,000, representing a decrease of 13% from turnover of approximately HK$562,913,000 for the year ended 31 July 2017. The decrease in the turnover of the Group was mainly due to the decrease in revenue from the Group's film and TV program businesses.

Cost of sales for the year ended 31 July 2018 increased to approximately HK$473,913,000 from approximately HK$461,797,000 for the previous financial year. Marketing expenses for the year ended 31 July 2018 was approximately HK$86,987,000 (2017: approximately HK$104,423,000). Administrative expenses for the year ended 31 July 2018 was approximately HK$161,112,000 (2017: approximately HK$125,773,000). The increase in the administrative expenses was mainly due to nil staff costs have been capitalised in films and TV programs under production in current year (2017: approximately HK$31,939,000). The administrative expenses are under strict control by the Company's management. Other operating expenses increased to approximately HK$24,290,000 (2017: approximately HK$2,887,000). Other operating expenses for the year ended 31 July 2018 mainly included impairment of advances and other receivables and exchange losses arising from depreciation in Renminbi.

Finance costs increased to approximately HK$24,921,000 for the year ended 31 July 2018 from approximately HK$24,338,000 for the year ended 31 July 2017. Finance costs mainly included the interest expenses arising from the TFN Convertible Notes and Specific Mandate Convertible Notes issued on 13 May 2015 and 3 July 2015 respectively.

The Group recorded a loss after tax of approximately HK$284,201,000 (2017: approximately HK$178,461,000) and a loss attributable to owners of the Company of approximately HK$273,503,000 (2017: approximately HK$169,955,000) during the year. The significant increase in loss attributable to owners of the Company was primarily attributable to unsatisfactory performance of the Group's films released in the first quarter of the financial year ended 31 July 2018.

As at 31 July 2018, the Group's equity attributable to owners of the Company amounted to approximately HK$364,534,000 (2017: approximately HK$638,309,000) and the net asset value per share attributable to owners of the Company was HK17.1 cents (2017: HK29.9 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 97 (2017: 112) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow, Wanna One, MayDay and Rene Liu. The total revenue from these businesses amounted to approximately HK$194,306,000.

Music

During the year under review, the Group released 12 (2017: 11) albums, including titles by Miriam Yeung, C AllStar, Tang Siu Hau, at17, Cherry Ngan and Michael Lai. Turnover from music publishing and recording was approximately HK$31,155,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$24,270,000 from artiste management. The Group currently has 32 artistes under its management.

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, including "Legend of the Naga Pearls", "The Adventurers", "Manhunt" and "Girls vs Gangsters". Turnover from the licence fee income and distribution commission income of films was approximately HK$228,721,000.

TV program production and distribution

During the year under review, the Group has recorded a turnover of approximately HK$11,479,000 from TV program licence fee and distribution commission.

CAPITAL STRUCTURE

As at 31 July 2018, the Group's equity attributable to owners of the Company decreased by 43% to approximately HK$364,534,000 (as at 31 July 2017: approximately HK$638,309,000). Total assets amounted to approximately HK$1,176,892,000 (as at 31 July 2017: approximately HK$1,274,744,000) included current assets amounting to approximately HK$1,066,319,000 (as at 31 July 2017: approximately HK$1,104,563,000). Current liabilities were approximately HK$531,126,000 (as at 31 July 2017: approximately HK$647,128,000). Net asset value per share attributable to owners of the Company as at 31 July 2018 was approximately HK17.1 cents (as at 31 July 2017: approximately HK29.9 cents). Current ratio was approximately 2.0 (as at 31 July 2017: approximately 1.7).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resource, convertible notes, loan from the ultimate holding company and loan from a related party. During the year, TFN Convertible Notes with a principal amount of HK$130,000,000 and Specific Mandate Convertible Notes with an aggregate principal amount of HK$166,840,000 were redeemed upon maturity on 14 May 2018 and 3 July 2018 respectively. As at 31 July 2018, the Group has unsecured and interest-bearing loans from the ultimate holding company and a related party with an outstanding principal amount of HK$100,000,000 and HK$200,000,000 respectively. As at 31 July 2018, the Group had no unutilised letter of credit facility (as at 31 July 2017: Nil).

As at 31 July 2018, the Group's cash and cash equivalents increased to approximately HK$429,983,000 (as at 31 July 2017: approximately HK$402,451,000) of which around 28% was denominated in Hong Kong dollar, around 68% was denominated in Renminbi ("**RMB**") and around 4% was denominated in United States dollar and Korean Won currencies. The RMB denominated balances were placed with licensed banks. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2018, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2018.

As at 31 July 2018, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 82% (as at 31 July 2017: approximately 43%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the year. As at 31 July 2018, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2017: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisitions or disposals of subsidiaries during the year.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2018 (as at 31 July 2017: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2018, the Group had 174 (as at 31 July 2017: 210) employees. Staff costs, including directors' emoluments for the year ended 31 July 2018, amounted to approximately HK$100,655,000 (2017: approximately HK$98,705,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

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

The following is the unaudited pro forma consolidated statement of assets and liabilities as at 31 July 2020 of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, for the purpose of illustrating the effects of the Loan Capitalisation, the Clawback Offer, the Placing and the Open Offer (the "**Transactions**") under two scenarios where (a) all Clawback Qualifying Shareholders take up the Clawback Offer Shares ("**Scenario 1**"); and (b) no Clawback Qualifying Shareholders take up the Clawback Offer Shares ("**Scenario 2**") on the assets and liabilities of the Group as if the Transactions under Scenario 1 or 2 had been completed on 31 July 2020.

Scenario 1: all Clawback Qualifying Shareholders take up the Clawback Offer Shares

Assuming the Company would agree to subscribe for 2,687,500,000 Capitalisation Shares by way of offsetting eSun Shareholder's Loans of HK$430,000,000. It is further assumed that all Clawback Qualifying Shareholders take up the Clawback Offer Shares of 207,869,997 Capitalisation Shares, the Company would then place down 937,500,000 Capitalisation Shares to the Placees. It is also assumed that the Open Offer is accepted by the Open Offer Qualifying Shareholders in full on a pro rata basis. As such, the Company would take up 562,148,562 Offer Shares. Upon the completion of the above-mentioned transactions, the Group's shareholding in MAGHL would decrease from approximately 67.6% to 58.1% which will result in a partial disposal of a subsidiary without loss of control. MAGHL will remain as an indirect non-wholly owned subsidiary of the Group and the Transactions will be accounted for as equity transactions of the Group.

The Unaudited Pro Forma Financial Information of the Group as set out on pages IV-2 to IV-4 in this Appendix IV has been prepared based on:

(a) the audited consolidated statement of financial position of the Group as at 31 July 2020 which has been extracted from the published annual report of the Company for the year ended 31 July 2020; and

(b) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Transactions and factually supportable, as described in the notes thereto to demonstrate how the Transactions might have affected the historical financial information in respect of the Group as if the Transactions had been completed on 31 July 2020, as appropriate.

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

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Group would have been if the Transactions had been completed on 31 July 2020 or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 31 JULY 2020

Scenario 1 — All Clawback Qualifying Shareholders take up the Clawback Offer Shares

	The Group as at 31 July 2020 (Audited) *HK$'000* *Note 1*	Pro forma adjustment for Loan Capitalisation (Unaudited) *HK$'000* *Note 2*	Pro forma adjustment for Clawback Offer (Unaudited) *HK$'000* *Note 3*	Pro forma adjustment for Placing (Unaudited) *HK$'000* *Note 4*	Pro forma adjustment for Open Offer (Unaudited) *HK$'000* *Note 5*	Total pro forma adjustments (Unaudited) *HK$'000*	The Group after pro forma adjustments as at 31 July 2020 (Unaudited) *HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	257,425	—	—	—	—	—	257,425
Right-of-use assets	786,397	—	—	—	—	—	786,397
Film rights	7,055	—	—	—	—	—	7,055
Film and TV program products	65,121	—	—	—	—	—	65,121
Music catalogs	8,584	—	—	—	—	—	8,584
Goodwill	10,000	—	—	—	—	—	10,000
Investments in joint ventures	15,979	—	—	—	—	—	15,979
Financial assets at fair value through profit or loss	37,793	—	—	—	—	—	37,793
Deposits, prepayments, other receivables and other assets	98,663	—	—	—	—	—	98,663
Deferred tax assets	2,121	—	—	—	—	—	2,121
Total non-current assets	1,289,138	—	—	—	—	—	1,289,138
CURRENT ASSETS							
Films and TV programs under production and film investments	313,384	—	—	—	—	—	313,384
Inventories	14,280	—	—	—	—	—	14,280
Debtors	94,682	—	—	—	—	—	94,682
Financial assets at fair value through profit or loss	153,083	—	—	—	—	—	153,083
Deposits, prepayments, other receivables and other assets	177,922	—	—	—	—	—	177,922
Prepaid tax	77	—	—	—	—	—	77
Pledged and restricted time deposits and bank balances	205,120	—	—	—	—	—	205,120
Cash and cash equivalents	1,613,979	—	33,259	150,000	64,782	248,041	1,862,020
	2,572,527	—	33,259	150,000	64,782	248,041	2,820,568
Assets classified as held for sale	8,057	—	—	—	—	—	8,057
Total current assets	2,580,584	—	33,259	150,000	64,782	248,041	2,828,625

	The Group as at 31 July 2020 (Audited) *HK$'000* *Note 1*	Pro forma adjustment for Loan Capitalisation (Unaudited) *HK$'000* *Note 2*	Pro forma adjustment for Clawback Offer (Unaudited) *HK$'000* *Note 3*	Pro forma adjustment for Placing (Unaudited) *HK$'000* *Note 4*	Pro forma adjustment for Open Offer (Unaudited) *HK$'000* *Note 5*	Total pro forma adjustments (Unaudited) *HK$'000*	The Group after pro forma adjustments as at 31 July 2020 (Unaudited) *HK$'000*
CURRENT LIABILITIES							
Creditors and accruals	351,919	—	—	—	—	—	351,919
Deposits received and contract liabilities	261,044	—	—	—	—	—	261,044
Lease liabilities	192,576	—	—	—	—	—	192,576
Tax payable	112,845	—	—	—	—	—	112,845
Interest-bearing bank loans	107,910	—	—	—	—	—	107,910
Total current liabilities	1,026,294	—	—	—	—	—	1,026,294
NET CURRENT ASSETS	1,554,290	—	33,259	150,000	64,782	248,041	1,802,331
TOTAL ASSETS LESS CURRENT LIABILITIES	2,843,428	—	33,259	150,000	64,782	248,041	3,091,469
NON-CURRENT LIABILITIES							
Lease liabilities	985,821	—	—	—	—	—	985,821
Interest-bearing bank loans	71,696	—	—	—	—	—	71,696
Other borrowings	215,577	—	—	—	—	—	215,577
Deferred tax liabilities	101	—	—	—	—	—	101
Total non-current liabilities	1,273,195	—	—	—	—	—	1,273,195
NET ASSETS	1,570,233	—	33,259	150,000	64,782	248,041	1,818,274

Scenario 1

Notes:

(1) The financial information of the Group is extracted from the audited consolidated statement of financial position as at 31 July 2020, as set out in the Company's published annual report for the year ended 31 July 2020.

(2) The Company has conditionally agreed to subscribe for 2,687,500,000 New Consolidated Shares at the Capitalisation Price of HK$0.16 per Capitalisation Share by way of setting-off against the Loan Capitalisation Amount. The adjustment has no impact on assets and liabilities of the Group because the eSun Shareholder's Loans of HK$430,000,000 have already been eliminated in the consolidated financial statements of the Group and the Loan Capitalisation is accounted for as an equity transaction of the Group.

(3) The adjustment reflects the estimated gross proceeds of HK$33,259,000 from the acceptance of the Clawback Offer Shares of 207,869,997 by the Clawback Qualifying Shareholders at the Clawback Offer Price of HK$0.16 per Clawback Offer Share.

(4) The adjustment reflects the estimated gross proceeds of HK$150,000,000 from the completion of the Placing of 937,500,000 Capitalisation Shares to the Placees at the Placing price of HK$0.16 per Capitalisation Share. Upon the completion of the Loan Capitalisation (including the Clawback Offer and the Placing), the Group's shareholding in MAGHL will be reduced from approximately 67.6% to 58.1%.

(5) The adjustment reflects increase in cash and bank balance of the Group from the Open Offer when the Open Offer is accepted by the Open Offer Qualifying Shareholders in full on a pro rata basis. The estimated gross proceeds from the Open Offer are approximately HK$64,782,000 based on 404,886,665 Offer Shares at the Offer Price. The Group's shareholding in MAGHL will remain as approximately 58.1%.

(6) No adjustment has been made to reflect the transaction costs of the Transactions since the Directors considered that the amount involved will not be significant to the Transactions. The total estimated transaction costs are approximately HK$15,000,000.

(7) Apart from the Transactions, no other adjustments have been made to the unaudited pro forma financial information of the Group to reflect any trading results or other transactions of the Group.

(8) The pro forma adjustments in the unaudited pro forma financial information of the Group are not expected to have a continuing effect on the Group.

Scenario 2: no Clawback Qualifying Shareholders take up the Clawback Offer Shares

Assuming the Company would agree to subscribe for 2,687,500,000 Capitalisation Shares by way of offsetting eSun Shareholder's Loans of HK$430,000,000. It is further assumed that no Clawback Qualifying Shareholders take up the Clawback Offer Shares, the Company would then place down 937,500,000 Capitalisation Shares to the Placees. It is also assumed that the Open Offer is accepted by the Open Offer Qualifying Shareholders in full on a pro rata basis. As such, the Company would take up 631,438,561 Offer Shares. Upon the completion of the above-mentioned transactions, the Group's shareholding in MAGHL would decrease from approximately 67.6% to 65.3% which will result in a partial disposal of a subsidiary without loss of control. MAGHL will remain as an indirect non-wholly owned subsidiary of the Group and the Transactions will be accounted for as equity transactions of the Group.

The Unaudited Pro Forma Financial Information of the Group as set out on pages IV-6 to IV-8 in this Appendix IV has been prepared based on:

(a) the audited consolidated statement of financial position of the Group as at 31 July 2020 which has been extracted from the published annual report of the Company for the year ended 31 July 2020; and

(b) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Transactions and factually supportable, as described in the notes thereto to demonstrate how the Transactions might have affected the historical financial information in respect of the Group as if the Transactions had been completed on 31 July 2020, as appropriate.

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

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Group would have been if the Transactions had been completed on 31 July 2020 or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 31 JULY 2020

Scenario 2 — No Clawback Qualifying Shareholders take up the Clawback Offer Shares

	The Group as at 31 July 2020 (Audited) *HK$'000* *Note 1*	Pro forma adjustment for Loan Capitalisation (Unaudited) *HK$'000* *Note 2*	Pro forma adjustment for Clawback Offer (Unaudited) *HK$'000* *Note 3*	Pro forma adjustment for Placing (Unaudited) *HK$'000* *Note 4*	Pro forma adjustment for Open Offer (Unaudited) *HK$'000* *Note 5*	Total pro forma adjustments (Unaudited) *HK$'000*	The Group after pro forma adjustments as at 31 July 2020 (Unaudited) *HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	257,425	—	—	—	—	—	257,425
Right-of-use assets	786,397	—	—	—	—	—	786,397
Film rights	7,055	—	—	—	—	—	7,055
Film and TV program products	65,121	—	—	—	—	—	65,121
Music catalogs	8,584	—	—	—	—	—	8,584
Goodwill	10,000	—	—	—	—	—	10,000
Investments in joint ventures	15,979	—	—	—	—	—	15,979
Financial assets at fair value through profit or loss	37,793	—	—	—	—	—	37,793
Deposits, prepayments, other receivables and other assets	98,663	—	—	—	—	—	98,663
Deferred tax assets	2,121	—	—	—	—	—	2,121
Total non-current assets	1,289,138	—	—	—	—	—	1,289,138
CURRENT ASSETS							
Films and TV programs under production and film investments	313,384	—	—	—	—	—	313,384
Inventories	14,280	—	—	—	—	—	14,280
Debtors	94,682	—	—	—	—	—	94,682
Financial assets at fair value through profit or loss	153,083	—	—	—	—	—	153,083
Deposits, prepayments, other receivables and other assets	177,922	—	—	—	—	—	177,922
Prepaid tax	77	—	—	—	—	—	77
Pledged and restricted time deposits and bank balances	205,120	—	—	—	—	—	205,120
Cash and cash equivalents	1,613,979	—	—	150,000	53,695	203,695	1,817,674
	2,572,527	—	—	150,000	53,695	203,695	2,776,222
Assets classified as held for sale	8,057	—	—	—	—	—	8,057
Total current assets	2,580,584	—	—	150,000	53,695	203,695	2,784,279

	The Group as at 31 July 2020 (Audited) *HK$'000* *Note 1*	Pro forma adjustment for Loan Capitalisation (Unaudited) *HK$'000* *Note 2*	Pro forma adjustment for Clawback Offer (Unaudited) *HK$'000* *Note 3*	Pro forma adjustment for Placing (Unaudited) *HK$'000* *Note 4*	Pro forma adjustment for Open Offer (Unaudited) *HK$'000* *Note 5*	Total pro forma adjustments (Unaudited) *HK$'000*	The Group after pro forma adjustments as at 31 July 2020 (Unaudited) *HK$'000*
CURRENT LIABILITIES							
Creditors and accruals	351,919	—	—	—	—	—	351,919
Deposits received and contract liabilities	261,044	—	—	—	—	—	261,044
Lease liabilities	192,576	—	—	—	—	—	192,576
Tax payable	112,845	—	—	—	—	—	112,845
Interest-bearing bank loans	107,910	—	—	—	—	—	107,910
Total current liabilities	1,026,294	—	—	—	—	—	1,026,294
NET CURRENT ASSETS	1,554,290	—	—	150,000	53,695	203,695	1,757,985
TOTAL ASSETS LESS CURRENT LIABILITIES	2,843,428	—	—	150,000	53,695	203,695	3,047,123
NON-CURRENT LIABILITIES							
Lease liabilities	985,821	—	—	—	—	—	985,821
Interest-bearing bank loans	71,696	—	—	—	—	—	71,696
Other borrowings	215,577	—	—	—	—	—	215,577
Deferred tax liabilities	101	—	—	—	—	—	101
Total non-current liabilities	1,273,195	—	—	—	—	—	1,273,195
NET ASSETS	1,570,233	—	—	150,000	53,695	203,695	1,773,928

Scenario 2

Notes:

(1) The financial information of the Group is extracted from the audited consolidated statement of financial position as at 31 July 2020, as set out in the Company's published annual report for the year ended 31 July 2020.

(2) The Company has conditionally agreed to subscribe for 2,687,500,000 New Consolidated Shares at the Capitalisation Price of HK$0.16 per Capitalisation Share by way of setting-off against the Loan Capitalisation Amount. The adjustment has no impact on assets and liabilities of the Group because the eSun Shareholder's Loans of HK$430,000,000 have already been eliminated in the consolidated financial statements of the Group and the Loan Capitalisation is accounted for as an equity transaction of the Group.

(3) No proceeds from the Clawback Offer would be received by the Group if no Clawback Qualifying Shareholders take up the Clawback Offer Shares.

(4) The adjustment reflects the estimated gross proceeds of HK$150,000,000 from the completion of the Placing of 937,500,000 Capitalisation Shares to the Placees at the Placing price of HK$0.16 per Clawback Offer Share. Upon the completion of the Loan Capitalisation (including the Clawback Offer and the Placing), the Group's shareholding in MAGHL will be reduced from approximately 67.6% to 65.3%.

(5) The adjustment reflects the increase in cash and bank balance of the Group from the Open Offer when the Open Offer is accepted by the Open Offer Qualifying Shareholders in full on a pro rata basis. The estimated gross proceeds from the Open Offer are approximately HK$53,695,000 based on 335,596,666 Offer Shares at the Offer Price. The Company's shareholding in MAGHL will remain as approximately 65.3%.

(6) No adjustment has been made to reflect the transaction costs of the Transactions since the Directors considered that the amount involved will not be significant to the Transactions. The total estimated transaction costs are approximately HK$15,000,000.

(7) Apart from the Transactions, no other adjustments have been made to the unaudited pro forma financial information of the Group to reflect any trading results or other transactions of the Group.

(8) The pro forma adjustments in the unaudited pro forma financial information of the Group are not expected to have a continuing effect on the Group.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular from the independent reporting accountant, Ernst & Young, Certified Public Accountants.

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

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

EY安永

To the Directors of eSun Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of eSun Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information (the "**Pro Forma Financial Information**") consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 July 2020, and related notes as set out in Appendix IV of the circular dated 30 November 2020 issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix IV of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the effects of the Loan Capitalisation, the Clawback Offer, the Placing and the Open Offer (the "**Transactions**") under two scenarios where (a) all Clawback Qualifying Shareholders take up the Clawback Offer Shares ("**Scenario 1**"); and (b) no Clawback Qualifying Shareholders take up the Clawback Offer Shares ("**Scenario 2**") on the assets and liabilities of the Group as if the Transactions under Scenario 1 or 2 had been completed on 31 July 2020. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 July 2020, on which an annual report has been published.

Directors' responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting accountants' responsibilities

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

30 November 2020

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein ("**Register of Directors and Chief Executive**"); or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**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 contained in Appendix 10 to the Listing Rules were disclosed as follows:

(1) 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 ("**Mr. Lester Lam**")	Beneficial owner	2,794,443	Nil	Nil	2,794,443	0.19%

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

(2) Interests in the Associated Corporations

(i) LSG

		Long positions in ordinary shares of LSG ("LSG Shares") and underlying LSG Shares				
		Number of LSG Shares		Number of underlying LSG Shares		Approximate percentage
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests *(Note 1)*	Total	of total issued LSG Shares *(Note 2)*
Chew Fook Aun ("**Mr. FA Chew**")	Beneficial owner	Nil	Nil	3,819,204	3,819,204	0.97%
Mr. Lester Lam	Beneficial owner	12,459,208	Nil	3,819,204	16,278,412	4.15%
Lui Siu Tsuen, Richard ("**Mr. Richard Lui**")	Beneficial owner	185,600	Nil	Nil	185,600	0.05%
U Po Chu ("**Madam U**")	Beneficial owner	825,525	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$)*
Mr. FA Chew	*19/06/2017*	*3,819,204*	*19/06/2017 - 18/06/2027*	*15.00*
Mr. Lester Lam	*19/06/2017*	*3,819,204*	*19/06/2017 - 18/06/2027*	*15.00*

2. *The total number of issued LSG Shares as at the Latest Practicable Date (392,610,623 LSG Shares) has been used in the calculation of the approximate percentage.*

(ii) 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)*
Mr. FA Chew	Beneficial owner and owner of controlled corporation	Nil	1,221,000 *(Note 3)*	1,952,081	3,173,081	0.52%
Mr. Lester Lam	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.68%
Mr. Richard Lui	Beneficial owner	Nil	Nil	104,000	104,000	0.02%
Madam U	Beneficial owner	26,919	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$)*
Mr. FA Chew	*05/06/2012*	*1,952,081*	*05/06/2012 - 04/06/2022*	*5.35*
Mr. Lester Lam	*18/01/2013*	*4,173,081*	*18/01/2013 - 17/01/2023*	*16.10*
Mr. Richard Lui	*18/01/2013*	*104,000*	*18/01/2013 - 17/01/2023*	*16.10*

2. *The total number of issued LSD Shares as at the Latest Practicable Date (612,089,025 LSD Shares) has been used in the calculation of the approximate percentage.*

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

(iii) Lai Fung

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

Notes:

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

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of 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 Company and the Stock Exchange pursuant to the SFO, or recorded in the Register of Directors and Chief Executive, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

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

1. Mr. FA Chew (an Executive Director) is also an executive director of each of LSG, LSD and Lai Fung;

2. Mr. Lester Lam (an Executive Director and alternate director to Madam U) is also an executive director of each of LSG, LSD and Lai Fung;

3. Mr. Yip Chai Tuck ("**Mr. CT Yip**", an Executive Director) is also the chief executive officer of LSG and a MAGHL Director; and

4. Madam U (a Non-Executive Director) is also an executive director of LSG, and a non-executive director of each of LSD and Lai Fung.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance, or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. EXPERT'S QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert who has been named in this circular and whose advices or opinions is contained in this circular:

Name	Qualification
Ernst & Young	Certified public accountants

As at the Latest Practicable Date, the above expert had no:

(a) direct or indirect interest in any assets which have been, since 31 July 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, four Executive Directors, namely Mr. Richard Lui, Mr. FA Chew, Mr. Lester Lam and Mr. CT Yip as well as a non-executive Director, Madam U (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.

The Interested Directors held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of media and entertainment, music production and distribution as well as the investment in and production and distribution of television programs, films and video format products.

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.

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

7. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors had any interest, direct or indirect, in any assets which had, since 31 July 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the businesses of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group within the two years immediately preceding the Latest Practicable Date:

(a) a share sale and purchase agreement entered into between the Company (as buyer) and Lai's Holdings Limited (as seller) on 28 November 2018, pursuant to which the Company purchased 5,000 shares in Intercontinental Group Holdings Limited ("**IGHL**") (representing 10% of the total issued shares of IGHL) at a total consideration of HK$37,500,000;

(b) 國有建設用地使用權出讓合同 (the state-owned construction land use rights grant contract*) dated 29 December 2018 ("**Land Use Rights Grant Contract**") in respect of two parcels of land located at 中國廣東省珠海市橫琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側 (east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC*) with a total site area of 143,768.37 square metres and a maximum plot ratio of 2 times ("**Land**") entered into between The Land and Resources Bureau of Zhuhai ("**Zhuhai Land Bureau**") and Supreme Motion Limited (卓動有限公司) ("**Supreme Motion**", an indirect wholly-owned subsidiary of Lai Fung), at a land use right transfer price of approximately RMB762 million;

(c) an agreement dated 31 December 2018 made among Rosy Commerce Holdings Limited (業佳控股有限公司) ("**Rosy Commerce**", a then company owned by the Company and Lai Fung as to 20% and 80%, respectively), China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司) ("**Cinda Investor**", an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC and whose shares and preference shares are listed on the Main Board of the Stock Exchange (Stock Code: 1359; Preference Shares Stock Code: 4607)) and Glorious Stand Limited (榮立有限公司) ("**Glorious Stand**", a wholly-owned subsidiary of Rosy Commerce), in relation to the sale and purchase and subscription of shares in Glorious Stand ("**Glorious Stand Investment Agreement**"), whereby:

(1) Rosy Commerce agreed to subscribe for 9 new shares in Glorious Stand at the aggregate subscription price of US$9;

(2) the Cinda Investor agreed to acquire 3 shares in Glorious Stand from Rosy Commerce at the USD equivalent of approximately RMB7 million;

(3) the Cinda Investor agreed to subscribe for 27 new shares in Glorious Stand at the aggregate subscription price of the USD equivalent of approximately RMB50 million; and

(4) Rosy Commerce agreed to subscribe for 63 new shares in Glorious Stand at the aggregate subscription price of US$63;

(d) an agreement dated 31 December 2018 made among Rosy Commerce, the Cinda Investor and Harmonic Run Limited (和運有限公司) ("**Harmonic Run**", a wholly-owned subsidiary of Rosy Commerce) in relation to the subscription of shares in Harmonic Run ("**Harmonic Run Investment Agreement**"), whereby:

(1) the Cinda Investor agreed to subscribe for 30 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of RMB186 million; and

(2) Rosy Commerce agreed to subscribe for 69 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of approximately RMB314 million;

(e) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Cinda Investor, Glorious Stand, Lai Fung and the Company in relation to Glorious Stand upon completion of the Glorious Stand Investment Agreement;

(f) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Cinda Investor, Harmonic Run, Lai Fung and the Company in relation to Harmonic Run upon completion of the Harmonic Run Investment Agreement;

(g) an amendment contract to the Land Use Rights Grant Contract dated 31 January 2019 for the change of the grantee of the land use rights of the Land from Supreme Motion to 珠海横琴麗新創新方發展有限公司 ("**Project Company**", a company established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Supreme Motion) entered into among Project Company, Supreme Motion and Zhuhai Land Bureau;

(h) the 2019 supplemental deed dated 8 March 2019 executed by Lai Fung in favour of LSG, LSD, the late Mr. Lim Por Yen, Dr. Peter Lam and Dr. Lam Kin Ming in relation to certain amendments to certain undertakings in the spin-off agreement entered into between LSD and Lai Fung, the deed of undertaking executed by LSD in favour of Lai Fung and the non-compete agreement entered into between LSG, Lai Fung, Dr. Peter Lam, Dr. Lam Kin Ming and the late Mr. Lim Por Yen;

(i) a loan agreement entered into between the Company (as borrower) and Hibright (as lender) on 22 July 2019 (as amended) in respect of the term loan facility in the principal amount of HK$200,000,000 to be granted by Hibright to the Company and the prepayment notice of the Company dated 29 May 2020 in respect thereof;

(j) the share sale and purchase agreement dated 23 July 2019 (as amended) and entered into between Sunny Horizon Investments Limited, an indirect wholly-owned subsidiary of the Company, (as seller) and LSD (as buyer) in relation to the sale and purchase of 20 shares of US$1.00 each in the share capital of Rosy Commerce, representing 20% of the total issued share capital of Rosy Commerce and the counter guarantee dated 23 July 2019 (as amended) executed by LSD in favour of the Company;

(k) eSun 1st Shareholder's Loan;

(l) an agreement dated 19 January 2020 entered into between (a) 珠海大橫琴置業有限公司 (Zhuhai Da Hengqin Real Estate Co., Ltd.*) ("**Zhuhai Da Hengqin**", a company established in the PRC with limited liability and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Da Hengqin Group Co., Ltd.*) (a state-owned company incorporated in the PRC with limited liability and the sole shareholder of Zhuhai Da Hengqin)), (b) Winfield Concept Limited (永輝基業有限公司) ("**Winfield**", a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of Lai Fung prior to the Subscription (as defined below); and (c) 珠海橫琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Culture City Co., Ltd.*) ("**Laisun Creative Culture**", a company established in the PRC with limited liability which operates 珠海橫琴創新方項目一期 (Zhuhai Hengqin Novotown Project (Phase I)*) and a direct wholly-owned subsidiary of Winfield) in relation to, among other things, the subscription of approximately 16.68% equity interest in Laisun Creative Culture by Zhuhai Da Hengqin ("**Subscription**");

(m) eSun 2nd Shareholder's Loan;

(n) eSun 3rd Shareholder's Loan;

(o) the Loan Capitalisation Agreement;

(p) the Placing Agreement; and

(q) the Irrevocable Undertaking.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (excluding any Saturdays, Sundays and public holidays) unless (i) a tropical cyclone warning signal no. 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for fourteen (14) days from the date of this circular:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix V;

** The English name is for identification purpose only*

(c) the annual reports of the Company for the three years ended 31 July 2018, 31 July 2019 and 31 July 2020;

(d) the annual reports of MAGHL for the three years ended 31 July 2018, 31 July 2019 and 31 July 2020; and

(e) this circular.

10. GENERAL

(a) The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Wong Lai Chun, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(c) The share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at 4th Floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.