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Magnum Entertainment Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2080)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The board (the “Board”) of directors (the “Directors”) of Magnum Entertainment Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the six months ended 30 September 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014 – unaudited

(Expressed in Hong Kong dollars)

| | | Six months ended | |
|-----------------------------------------------------------------|-------------|-------------------------|---------------|
| | | 30 September | |
| | | 2014 | 2013 |
| | <i>Note</i> | \$'000 | \$'000 |
| Turnover | 3 | 79,266 | 85,736 |
| Other revenue | 4 | 917 | 22 |
| Other net (loss)/income | 5 | (33) | 12 |
| Cost of inventories sold | 6(c) | (17,508) | (16,295) |
| Staff costs | 6(a) | (17,934) | (19,921) |
| Depreciation and amortisation | | (3,106) | (2,532) |
| Property rentals and related expenses | | (16,267) | (16,541) |
| Advertising and marketing expenses | | (3,064) | (7,400) |
| Other operating expenses | | (9,015) | (8,818) |
| Listing expenses | | – | (4,392) |
| Profit before taxation | 6 | 13,256 | 9,871 |
| Income tax | 7 | (2,006) | (2,347) |
| Profit and total comprehensive income for the period | | 11,250 | 7,524 |
| Earnings per share | 8 | | |
| Basic and diluted | | 3.6 cents | 3.5 cents |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014 – unaudited

(Expressed in Hong Kong dollars)

| | | At 30 September 2014 \$'000 | At 31 March 2014 \$'000 |
|----------------------------------|----|--------------------------------------|----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 17,091 | 15,235 |
| Intangible asset | | – | 121 |
| Non-current prepayments | 9 | 7,186 | – |
| Deferred tax assets | | 2,221 | 1,983 |
| | | <u>26,498</u> | <u>17,339</u> |
| Current assets | | | |
| Inventories | | 3,096 | 2,872 |
| Trade and other receivables | 10 | 37,366 | 31,423 |
| Amounts due from related parties | | 1,080 | 2,191 |
| Tax recoverable | | – | 1,467 |
| Pledged bank deposits | | 7,020 | 7,004 |
| Cash at bank and in hand | | 127,507 | 136,379 |
| | | <u>176,069</u> | <u>181,336</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 26,430 | 34,203 |
| Current taxation | | 415 | – |
| | | <u>26,845</u> | <u>34,203</u> |
| Net current assets | | <u>149,224</u> | <u>147,133</u> |
| NET ASSETS | | <u>175,722</u> | <u>164,472</u> |
| CAPITAL AND RESERVES | | | |
| | 12 | | |
| Share capital | | 3,126 | 3,126 |
| Reserves | | 172,596 | 161,346 |
| TOTAL EQUITY | | <u>175,722</u> | <u>164,472</u> |

NOTES

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

(a) General information

Magnum Entertainment Group Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 14 January 2013 as an exempted company with limited liability under Company Law (2013 Revision) of the Cayman Islands. The Company and its subsidiaries (together referred to as “the Group”) are principally engaged in operation of clubbing business. Pursuant to a group reorganisation completed on 15 April 2013 (“the Reorganisation”), the Company became the holding company of the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 January 2014.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The interim results of the Group for the six months ended 30 September 2013 shown as comparatives in this interim report have been prepared as if the current group structure had been in existence throughout the period presented rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

(b) Statement of compliance

This interim results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 November 2014.

This interim results has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended 31 March 2014, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2015. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2014 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2014.

(c) **Segment reporting**

Operating segments are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's business and geographical location.

Management has determined operating segment with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the operation of clubbing business. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented.

No geographic information is shown as the turnover and profit from operations of the Group are primarily derived from activities in Hong Kong.

2 **CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments have no impact on the Group's interim financial report as the Group has no impaired non-financial assets.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has no financial derivatives.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 TURNOVER

The principal activity of the Group is the operation of clubbing business.

Turnover represents the amount received or receivable from the sale of beverages and tobacco products, revenue from club operations (including entrance fees, cloakroom fees and event rental income) and sponsorship income.

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's turnover during the six months ended 30 September 2014 and 2013.

4 OTHER REVENUE

| | Six months ended | |
|----------------------|-------------------------|---------------|
| | 30 September | |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Bank interest income | 917 | 22 |

5 OTHER NET (LOSS)/INCOME

| | Six months ended | |
|---------------------------------------------------|-------------------------|---------------|
| | 30 September | |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Loss on disposal of property, plant and equipment | (33) | – |
| Gain on bargain purchase of subsidiaries | – | 12 |
| | (33) | 12 |

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Six months ended | |
|---------------------------------------------------------------------------------|-------------------------|---------------|
| | 30 September | |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| (a) Staff costs (including directors' remuneration) | | |
| Contributions to defined contribution retirement plans | 667 | 858 |
| Salaries, wages and other benefits | 17,267 | 19,063 |
| | <u>17,934</u> | <u>19,921</u> |
| (b) Property rentals | | |
| Operating lease charges: minimum lease payments | | |
| – property rentals | 15,386 | 14,545 |
| <i>Less:</i> Property rentals capitalised into property, plant and equipment | (1,160) | – |
| | <u>14,226</u> | <u>14,545</u> |
| (c) Other items | | |
| Amortisation of intangible asset | 121 | 146 |
| Depreciation | 2,985 | 2,386 |
| Cost of inventories sold | 17,508 | 16,295 |

7 INCOME TAX

| | Six months ended | |
|---------------------------------------------------|-------------------------|---------------------|
| | 30 September | |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the period | 2,244 | 2,756 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(238)</u> | <u>(409)</u> |
| | <u>2,006</u> | <u>2,347</u> |

- (a) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2013: 16.5%) to the six months ended 30 September 2014.
- (b) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$11,250,000 (six months ended 30 September 2013: \$7,524,000) and the weighted average number of 312,600,000 ordinary shares (six months ended 30 September 2013: 216,000,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is the same as basic earnings per share for the six months ended 30 September 2014 and 2013 as there were no dilutive potential ordinary shares during the periods.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired items of property, plant and equipment with a cost of \$4,874,000 (six months ended 30 September 2013: \$803,000).

In addition, the Group made prepayments of \$7,186,000 for the design and decoration of a new club during the six months ended 30 September 2014.

10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

| | At 30 September 2014 \$'000 | At 31 March 2014 \$'000 |
|---------------------------------------------|-----------------------------------------------------------|----------------------------------|
| Within 1 month | 2,027 | 2,206 |
| Over 2 months | <u>69</u> | <u>69</u> |
| Total trade receivables | 2,096 | 2,275 |
| Deposits, prepayments and other receivables | <u>35,270</u> | <u>29,148</u> |
| | <u>37,366</u> | <u>31,423</u> |

The Group's trade receivables mainly represent the credit card sales receivable from financial institutions, which are neither past due nor impaired.

The amount of the Group's deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is \$13,702,000 (31 March 2014: \$13,702,000), which mainly represents rental deposits for clubs of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

11 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

| | At 30 September 2014 \$'000 | At 31 March 2014 \$'000 |
|------------------------------------|-----------------------------------------------------------|----------------------------------|
| Trade creditors | | |
| – within 3 months | 3,698 | 1,854 |
| Other payables and accrued charges | 10,258 | 19,254 |
| Receipts in advance | <u>12,474</u> | <u>13,095</u> |
| | <u>26,430</u> | <u>34,203</u> |

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: \$Nil).

(b) Share capital

| | At 30 September 2014 | | At 31 March 2014 | |
|------------------------------------------------|--------------------------|-----------------------|-----------------------|------------------|
| | No. of shares '000 | Amount \$'000 | No. of shares '000 | Amount \$'000 |
| Authorised: | | | | |
| Ordinary shares of \$0.01 each | <u>10,000,000</u> | <u>100,000</u> | <u>10,000,000</u> | <u>100,000</u> |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 April 2014/1 April 2013 | 312,600 | 3,126 | –* | –* |
| Share issued | – | – | 10 | –* |
| Capitalisation issue | – | – | 215,990 | 2,160 |
| Shares issued under initial public offering | – | – | <u>96,600</u> | <u>966</u> |
| At 30 September 2014/ 31 March 2014 | <u>312,600</u> | <u>3,126</u> | <u>312,600</u> | <u>3,126</u> |

* Represented no. of shares less than 1,000 or amount less than \$1,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group owns three clubs, namely Beijing Club, DIZZI and Magnum Club (the “Clubs”). Billion had temporarily closed for business for its renovation about two months during the six months ended 30 September 2014 and has re-opened for business in July 2014. In order to provide continuous innovation, the name of Billion has been changed to DIZZI. The Group intends to increase its market penetration and open a new club, namely Zentral, in California Tower in the Lan Kwai Fong area which is expected to open around late 2014.

The Group’s overall performance largely relied on the sales of beverage and tobacco products. The Group will continue to expand its income sources. It has been the Group’s strategy to enhance the Company’s profile by leasing out its venues to movie shooting and press conferences, and co-operating with leading brands.

FINANCIAL REVIEW

Turnover

The Group’s turnover recorded approximately HK\$79.3 million for the six months ended 30 September 2014, representing a decrease of 7.5% as compared with approximately HK\$85.7 million for the six months ended 30 September 2013. The decrease in turnover was mainly due to fierce competition in the clubbing industry. The clubbing industry in Hong Kong, in particular in the Lan Kwai Fong area, is highly competitive, so the Clubs face keen competition from others in this area.

Staff Costs

The staff costs comprise salaries, wages, discretionary bonuses, membership commission, tips from customers allocated to staff and other benefits including retirement benefit costs and other allowances and benefits payable to the permanent staff and part time staff. The staff costs decreased by approximately 10.1% or HK\$2.0 million to approximately HK\$17.9 million for the six months ended 30 September 2014 from approximately HK\$19.9 million for the six months ended 30 September 2013. Such decrease was mainly due to the decrease in promotional staff.

Property Rentals and Related Expenses

The property rentals and related expenses consist of lease payments under operating leases for the Clubs and the Group's headquarter. The property rentals and related expenses decreased slightly by approximately 1.2% or HK\$0.2 million to approximately HK\$16.3 million for the six months ended 30 September 2014 from approximately HK\$16.5 million for the six months ended 30 September 2013.

Advertising and Marketing Expenses

The advertising and marketing expenses primarily consist of advertising and promotional expense, such as the cost of inviting international disc jockeys to the Clubs. The advertising and marketing expenses decreased by approximately 58.1% or HK\$4.3 million to approximately HK\$3.1 million for the six months ended 30 September 2014 from approximately HK\$7.4 million for the six months ended 30 September 2013. Such decrease was mainly due to the decrease in membership promotion expenses, international disc jockey related expenses and performer expenses.

Result for the Year

The Group's profit for the six months ended 30 September 2014 was HK\$11.3 million, as compared with the Group's profit of approximately HK\$7.5 million for the six months ended 30 September 2013. The Group's profit decreased by approximately 5.0% or HK\$0.6 million to approximately HK\$11.3 million for the six months ended 30 September 2014 from approximately HK\$11.9 million for the six months ended 30 September 2013 if the non-recurring listing expenses is excluded for the six months ended 30 September 2013. Such decrease was mainly due to decrease in turnover.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2014, the Group's total current assets and current liabilities were approximately HK\$176.1 million (31 March 2014: approximately HK\$181.3 million) and approximately HK\$26.8 million (31 March 2014: approximately HK\$34.2 million) respectively, while the current ratio was about 6.6 times (31 March 2014: 5.3 times).

As at 30 September 2014, the Group maintained cash at bank and in hand of approximately HK\$127.5 million (31 March 2014: approximately HK\$136.4 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from part of the net proceeds from initial public offering (the "IPO") and cash generated from its operations.

As at 30 September, 2014, the Group had no borrowings (31 March 2014: nil). The gearing ratio, which is calculated by dividing total borrowings by total equity, as at 30 September 2014 was zero (31 March 2014: zero).

CAPITAL STRUCTURE

As at 30 September 2014, the total equity of the Group was approximately HK\$175.7 million which was attributable to equity shareholders of the Company. The Group had no borrowings, debt securities or other capital instruments as at 30 September 2014. The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximizing the return to shareholders through maintaining the equity and debt in a balanced position.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 September 2014.

CHARGE ON ASSETS

As at 30 September 2014, the Group's pledged bank deposits was approximately HK\$7.0 million (31 March 2014: approximately HK\$7.0 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to launch a new venue, Zentral, in California Tower in the Lan Kwai Fong area which is expected to open around late 2014.

FOREIGN EXCHANGE EXPOSURE

The Directors believe that the Group's exposure to foreign currency risk is minimal as the monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2014, the Group employed approximately 210 employees (31 March 2014: 180 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

As part of the Group's strategy, the Group intends to continue expanding its club network to strengthen its presence in the Hong Kong market and further leverages on its operational and marketing economies of scale. With further benefit from the economies of scale of the Group's operations, the Group intends to increase its market penetration and open Zentral which is expected to open around late 2014. Zentral will intend to target high income group with its lavish and extravagant decoration. The Group may also consider expansion in regions other than Hong Kong, including China. The Group is undertaking in-depth research in the first-tier cities in China and is determined to explore for expansion.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2014 (for the six months ended 30 September 2013: nil).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of conduct regarding securities transactions by the Directors. The Company has made a specific enquiry to all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 September 2014.

USE OF NET PROCEEDS FROM IPO

The Company's shares of HK\$0.01 each (the "Shares") were listed on 23 January 2014 on the Stock Exchange. The total net proceeds from the IPO which involved the issue of 96,600,000 Shares (including 12,600,000 Shares issued under the Over-allotment Option (as defined in the prospectus of the Company dated 13 January 2014 ("Prospectus"))) amounted to approximately HK\$105.6 million. Up to the date of this results announcement, the net proceeds of HK\$9.4 million from the IPO were utilised in renovation and other opening costs for the upcoming opening of Zentral. The Group held the unutilised net proceeds in short-term deposits with licensed financial institutions in Hong Kong and intends to use such net proceeds in accordance with the purpose disclosed in the Prospectus.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set forth in Appendix 14 to the Listing Rules as its corporate governance code of practices. The Board is of opinion that the Company has complied with the CG Code during the six months ended 30 September 2014.

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

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the “Audit Committee”) are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee, together with the external auditor of the Group, KPMG, had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of the interim results of the Group for the six months ended 30 September 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.magnumentertainment.com.hk. The interim report for the six months ended 30 September 2014 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
Magnum Entertainment Group Holdings Limited
Chan Chi Wah
Executive Director

Hong Kong, 26 November 2014

As at the date of this announcement, the executive Directors are Mr. Chan Chi Wah, Ms. Mok Kung Yee, Ms. Tsang Kwok Shan, Sandy and Mr. Lam Jhug Ching; the non-executive Director is Mr. Yip Mow Lum and the independent non-executive Directors are Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond.