

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Offer Document, the accompanying Form(s) of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your Shares in Magnum Entertainment Group Holdings Limited, you should at once hand this Composite Offer Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Offer Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Offer Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document and the accompanying Form(s) of Acceptance.

**HUIRI LIMITED**  
**匯日控股有限公司**  
*(incorporated in the British Virgin Islands  
with limited liability)*



**MAGNUM ENTERTAINMENT GROUP  
HOLDINGS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 2080)

**COMPOSITE OFFER DOCUMENT  
RELATING TO THE  
MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF HUIRI LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND  
CANCEL ALL THE OUTSTANDING OPTIONS IN  
MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
HUIRI LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Huiiri Limited



Haitong International Capital Limited

Financial adviser to Magnum Entertainment  
Group Holdings Limited



Anglo Chinese Corporate Finance, Limited

Independent Financial Adviser to the Independent Board Committee



Fortune Financial Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Offer Document.

A letter from Haitong International Securities, containing, among other things, details of the terms of the Offers is set out on pages 7 to 21 of this Composite Offer Document. A letter from the Board is set out on pages 22 to 29 of this Composite Offer Document.

A letter from the Independent Board Committee containing its recommendations to the Qualifying Shareholders and Qualifying Optionholders on the Offers is set out on pages 30 and 31 of this Composite Offer Document. A letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice in respect of the Offers is set out on pages 32 to 52 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offers are set out on pages I-1 to I-6 in Appendix I to this Composite Offer Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by (in respect of the Share Offer) the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and (in respect of the Option Offer) the company secretary of the Company at 22/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong, respectively, by no later than 4:00 p.m. on Friday, 15 May 2015 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Offer Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders and Overseas Optionholders" under the paragraph headed "The Mandatory Unconditional Cash Offers" in the "Letter from Haitong International Securities" on page 12 of this Composite Offer Document and in Appendix I to this Composite Offer Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder and Overseas Optionholder is advised to seek professional advice on deciding whether to accept the Offers.

24 April 2015

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## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and date.*

**2015**

Despatch date of this Composite Offer Document and the accompanying Forms of Acceptance and commencement date of the Offers (*Note 1*) . . . . . Friday, 24 April 2015

Latest time and date for acceptance of the Offers (*Notes 2, 3 and 4*) . . . . . 4:00 p.m. on Friday, 15 May 2015

Closing Date (*Notes 2 and 3*) . . . . . on Friday, 15 May 2015

Announcement of the results of the Offers to be posted on the Stock Exchange website . . . . . at or before 7:00 p.m. on Friday, 15 May 2015

Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers (*Notes 3 and 4*) . . . . . on Wednesday, 27 May 2015

*Notes:*

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Offer Document, and are capable of acceptance on and from Friday, 24 April 2015 until the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Offer Document.
2. In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Offer Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 15 May 2015. The Offeror reserves the right to extend the Offers until such date as it may determine pursuant to the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Friday, 15 May 2015 stating whether the Offers have been revised or extended or has expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 calendar days' notice in writing before the extended Offers are closed will be given to those Qualifying Shareholders and Qualifying Optionholders who have not accepted the Offers, and an announcement in this regard shall be published.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

## EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case for the tendered Shares) payable for the Offer Shares and Options tendered under the Offers will be posted to the Qualifying Shareholders accepting the Share Offer and the Qualifying Optionholders accepting the Option Offer by ordinary post at their own risk as soon as possible but in any event within seven Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance from the Qualifying Shareholders accepting the Share Offer and by the company secretary of the Company from the Qualifying Optionholders accepting the Option Offer, of all the valid requisite documents.
5. **The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**
6. **Optionholders should note that under the rules of the share option scheme adopted by the Company on 3 January 2014, all Options that remain unexercised within 14 days after the date of posting of the Composite Offer Document will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said 14-day period.**
7. Unless otherwise expressly stated, all time references contained in this Composite Offer Document are Hong Kong time.

## DEFINITIONS

*In this Composite Offer Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of Directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Closing Date”	Friday, 15 May 2015, being the closing date of the Offers which is 21 days following the date on which this Composite Offer Document is posted or any subsequent closing date(s) as may be determined and announced with the consent of the Executive
“Company”	Magnum Entertainment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Share Purchase Agreement in accordance with its terms
“Composite Offer Document”	this composite offer and response document jointly issued by and on behalf of the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, among others, the terms and conditions of the Offers, the Forms of Acceptance, the letter of advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, and the letter of advice of the Independent Board Committee to the Qualifying Shareholders and the Qualifying Optionholders in relation to the Offers
“Director(s)”	director(s) of the Company

## DEFINITIONS

“Encumbrance”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale and purchase or sale and lease back arrangement over or in any property, assets or rights of whatsoever nature and includes any agreement for any of them
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time or any delegate of such executive director
“Form (s) of Acceptance”	the accompanying White Form of Acceptance and/or (as the case may be) the Yellow Form of Acceptance
“Group”	the Company and its subsidiaries
“Haitong International Capital”	Haitong International Capital Limited, the financial adviser of the Offeror in respect of the Offers, and is a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 6 (advising on corporate finance) regulated activities
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board established for the purpose of advising the Qualifying Shareholders and the Qualifying Optionholders in relation to the Offers, comprising of all independent non-executive Directors, namely Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond

## DEFINITIONS

“Independent Financial Adviser” or “Fortune Financial”	Fortune Financial Capital Limited, a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 6 (advising on corporate finance) regulated activities, who has been appointed as the independent financial adviser to the Independent Board Committee on the terms of the Offers
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 18 March 2015 in relation to, among other things, the Share Purchase Agreement and the Offers
“Last Trading Day”	12 March 2015, being the last trading day for the Shares prior to the trading halt of the Shares on 13 March 2015 pending the publication of the Joint Announcement
“Latest Practicable Date”	21 April 2015, being the latest practicable date prior to the despatch of this Composite Offer Document for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yip”	Mr. Yip Mow Lum, the sole director and sole beneficial owner of Rainbow Key, and a non-executive Director
“Mr. Zheng Jian Jiang”	Mr. Zheng Jian Jiang, the sole director and one of two the ultimate beneficial owners of the Offeror and a brother of Mr. Zheng Jiang
“Mr. Zheng Jiang”	Mr. Zheng Jiang, one of the two ultimate beneficial owners of the Offeror and a brother of Mr. Zheng Jian Jiang
“Offers”	collectively, the Share Offer and the Option Offer

## DEFINITIONS

“Offeror”	Huiiri Limited (匯日控股有限公司), a company incorporated in the British Virgin Islands with limited liability which is owned as to 90% by Ze Hui (which is in turn wholly and beneficially owned by Mr. Zheng Jian Jiang) and 10% by Ze Hong (which is in turn wholly and beneficially owned by Mr. Zheng Jiang)
“Offer Period”	the period commencing from 29 January 2015, being the date of publication of the Company’s announcement pursuant to Rule 3.7 of the Takeovers Code, and ending on the Closing Date
“Offer Price”	HK\$1.88 payable in cash by the Offeror to the Shareholders per Share under the Share Offer
“Offer Share(s)”	Shares that are subject to the Share Offer
“Options”	share options granted by the Company pursuant to the share option scheme of the Company adopted on 3 January 2014, which entitle holders thereof to subscribe for the Shares in accordance with the terms and conditions thereof
“Optionholders”	holders of the Option(s)
“Option Offer”	an unconditional mandatory cash offer made by Haitong International Securities on behalf of the Offeror for the cancellation of all the outstanding Options held by the Qualifying Optionholders in accordance with the Takeovers Code
“Option Expiry Date”	14 days after the date of posting of the Composite Offer Document
“Overseas Optionholder(s)”	Optionholder(s) whose addresses, as shown on the register of Optionholders of the Company, are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China
“Qualifying Optionholders”	Optionholders other than the Offeror and parties acting in concert with it



## DEFINITIONS

“Qualifying Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Rainbow Key”	Rainbow Key Holdings Limited, a company incorporated in the British Virgin Islands, the vendor of the Sale Shares under the Share Purchase Agreement and a controlling Shareholder immediately prior to the Completion
“Registrar”	Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period between 29 July 2014 (being the date falling six months prior to 29 January 2015, the date of publication of the Company’s announcement pursuant to Rule 3.7 of the Takeovers Code) and the Latest Practicable Date (both dates inclusive)
“Sale Shares”	an aggregate of 216,000,000 Shares acquired by the Offeror pursuant to the Share Purchase Agreement
“Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Offer”	an unconditional mandatory cash offer made by Haitong International Securities on behalf of the Offeror for all the issued Shares owned by the Qualifying Shareholders at the Offer Price in accordance with the Takeovers Code
“Share Purchase Agreement”	the sale and purchase agreement dated 12 March 2015 entered into between Rainbow Key as vendor, the Offeror as purchaser and Mr. Yip in relation to the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“White Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in WHITE in respect of the Share Offer which accompanies this Composite Offer Document
“Yellow Form of Acceptance”	the form of acceptance and cancellation of the Options in YELLOW in respect of the Option Offer which accompanies this Composite Offer Document
“Ze Hong”	Ze Hong Limited (澤宏有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Zheng Jiang
“Ze Hui”	Ze Hui Limited (澤惠有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Zheng Jian Jiang
“%”	per cent.



Haitong International Securities  
Company Limited  
22/F., Li Po Chun Chambers,  
189 Des Voeux Road Central,  
Hong Kong

24 April 2015

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF HUIRI LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND  
CANCEL ALL THE OUTSTANDING OPTIONS IN  
MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
HUIRI LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the Share Purchase Agreement and the Offers and the announcements dated 3 March 2015, 12 March 2015, 24 March 2015, 30 March 2015 and 13 April 2015 made by the Company pursuant to Rule 3.8 of the Takeovers Code. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

As mentioned in the Joint Announcement, pursuant to the Share Purchase Agreement entered into between the Offeror, Rainbow Key and Mr. Yip, the Offeror agreed to acquire and Rainbow Key agreed to sell 216,000,000 Shares, representing approximately 69.01% of the then entire issued share capital of the Company and approximately 68.75% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$404,000,000, or approximately HK\$1.87 per Sale Share. Completion took place on 12 March 2015 immediately after the signing of the Share Purchase Agreement.

The Offeror and parties acting in concert with it own in aggregate 216,000,000 Shares, representing approximately 69.01% of the entire issued share capital of the Company immediately after Completion and approximately 68.75% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rules 26.1 and 13 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer to acquire all issued Shares and to cancel all outstanding Options (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

This letter sets out, amongst other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offers are set out in this letter, Appendix I to the Composite Offer Document, and the accompanying Form(s) of Acceptance.

The Qualifying Shareholders and the Qualifying Optionholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out in the Composite Offer Document and to consult their professional advisers if in doubt.

**Optionholders should note that under the rules of the share option scheme adopted by the Company on 3 January 2014, all Options that remain unexercised within 14 days after the date of posting of the Composite Offer Document will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said 14-day period.**

### THE OFFERS

#### The Share Offer

Haitong International Securities, on behalf of the Offeror, hereby makes an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$1.88 in cash**

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all Encumbrances.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued on the exercise of Options prior to the Option Expiry Date, other than those Shares held by the Offeror and parties acting in concert with it.

#### Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$3.07 per Share (on 23 March 2015) and HK\$0.90 per Share (on 7, 10 and 11 November 2014 and 12 January 2015) respectively.

#### Value of the Share Offer

On the basis that there are 314,190,000 Shares in issue (of which 216,000,000 Shares are owned by the Offeror and parties acting in concert with it), and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Option Expiry Date and on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company would be valued at HK\$590,677,200, and the Shares subject to the Share Offer would be valued at HK\$184,597,200.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

Assuming that all the 1,094,000 outstanding Options are exercised in full, there will be 315,284,000 Shares in issue (of which 216,000,000 Shares are owned by the Offeror and parties acting in concert with it) and, on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company would be valued at HK\$592,733,920 and the Shares subject to the Share Offer would be valued at HK\$186,653,920.

### Comparison of value

The Offer Price of HK\$1.88 per Share is slightly higher than the price of approximately HK\$1.87 paid by the Offeror to Rainbow Key for each Sale Share under the Share Purchase Agreement, and represents:

- (i) a premium of approximately 63.48% over the closing price of HK\$1.15 per Share on the Stock Exchange on 28 January 2015, being the last trading day immediately prior to the trading halt in the Shares pending the publication of the Company's announcement on 29 January 2015 pursuant to Rule 3.7 of the Takeovers Code;
- (ii) a premium of approximately 6.21% over the closing price of HK\$1.77 per Share on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.06% over the average closing price of HK\$1.756 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 6.21% over the average closing price of HK\$1.77 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 19.95% over the average closing price of approximately HK\$1.567 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 63.53% over the average closing price of approximately HK\$1.150 per Share on the Stock Exchange over the last 90 consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 33.57% to the closing price of HK\$2.83 per Share on the Stock Exchange on the Latest Practicable Date; and
- (viii) a premium of approximately 235.71% over the unaudited consolidated net assets value of the Company of approximately HK\$0.56 per Share as at 30 September 2014 based on the interim report of the Company for the six months ended 30 September 2014 and approximately 254.72% over the audited consolidated net assets value of the Company of approximately HK\$0.53 per Share as at 31 March 2014 based on the annual report of the Company for the year ended 31 March 2014.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### The Option Offer

Haitong International Securities, on behalf of the Offeror, hereby makes an unconditional mandatory cash offer for the cancellation of all outstanding Options pursuant to Rule 13 of the Takeovers Code on the following basis:

#### *The Option Offer*

**For cancellation of each option . . . . . HK\$0.89 in cash**

The Option Offer to cancel each Option is calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Optionholder is entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options.

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Options, together with all rights attaching thereto.

### Value of the Option Offer

Assuming none of the 1,094,000 outstanding Options is exercised prior to the Option Expiry Date, the total amount to satisfy the cancellation of all the outstanding Options assuming full acceptance of the Option Offer by all Qualifying Optionholders is HK\$973,660.

### Total value of the Offers

Based on the above and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Option Expiry Date, the Offers would be valued at HK\$185,570,860 in aggregate.

Assuming that all the 1,094,000 outstanding Options are fully exercised prior to the Option Expiry Date and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options), the Company will have to issue 1,094,000 new Shares, representing approximately 0.35% of the enlarged issued share capital of the Company. The value of the Shares subject to the Share Offer will be increased to HK\$186,653,920 from HK\$185,570,860 as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

### Financial resources available for the Offers

Based on the respective offer prices for the Shares and the Options as mentioned above, assuming that none of the outstanding Options is exercised prior to the Option Expiry Date and on the basis of full acceptance of the Offers, the aggregate cash consideration payable by the Offeror under the Offers will amount to HK\$185,570,860. Assuming that all of the outstanding Options are exercised prior to the Option Expiry Date, the aggregate cash consideration payable by the Offeror under the Share Offer upon full acceptance of the Share Offer will amount to HK\$186,653,920.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

The Offers will be financed by the internal resources of the Offeror. Haitong International Capital, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror for meeting its obligation in case of a full acceptance of the Offers.

### **Compulsory acquisition**

The Offeror does not intend to privatise the Company by availing itself of any powers of compulsory acquisition of the Shares after the close of the Share Offer.

### **Effects of accepting the Offers**

By validly accepting the Share Offer, Qualifying Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of posting of the Composite Offer Document.

By validly accepting the Option Offer, Qualifying Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, that is, the date of posting of the Composite Offer Document.

**Optionholders should note that under the rules of the share option scheme adopted by the Company on 3 January 2014, all Options that remain unexercised within 14 days after the date of posting of the Composite Offer Document will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said 14-day period.**

Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

### **Stamp duty**

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to Qualifying Shareholders who accept the Share Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### **Payment**

Payment in cash in respect of acceptance of the Offers will be made as soon as possible but in any event within seven Business Days following the date on which the duly completed acceptance of the Offers and the relevant documents of title in respect of such acceptance are received by or for the Offeror.

### **Overseas Shareholders and Overseas Optionholders**

The Offeror is making the Offers available to all Qualifying Shareholders and Qualifying Optionholders, including the Overseas Shareholders and the Overseas Optionholders. However, as the Offers are in respect of securities of a company incorporated in the Cayman Islands and are subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions, the Overseas Shareholders and/or the Overseas Optionholders who wish to participate in the Share Offer and/or the Option Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offers.

Overseas Shareholders and Overseas Optionholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer and/or the Option Offer (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

### **Further terms of the Offers**

Further terms of the Offers including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to the Composite Offer Document and in the Form(s) of Acceptance.

### **Other arrangements**

During the Relevant Period, save for the sale and purchase of the Sale Shares under the Share Purchase Agreement as disclosed in the Composite Offer Document, none of the Offeror and parties acting in concert with it had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares of the Company.



## LETTER FROM HAITONG INTERNATIONAL SECURITIES

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Information on the Group” in the “Letter from the Board” as contained in the Composite Offer Document, none of the Offeror, Mr. Zheng Jian Jiang or the parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares of the Company;
- (ii) none of the Offeror, Mr. Zheng Jian Jiang or any person acting in concert with any of them has received any irrevocable commitment to accept the Offers;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (iv) there is no agreement or arrangement to which the Offeror, Mr. Zheng Jian Jiang or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (v) none of the Offeror, Mr. Zheng Jian Jiang and/or parties acting in concert with any of them has entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in the Company; and
- (vi) none of the Offeror, Mr. Zheng Jian Jiang and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

### INFORMATION ON THE GROUP

Information on the Group is set out in the section headed “Information of the Group” in the “Letter from the Board” as contained in the Composite Offer Document.

**INFORMATION ABOUT THE OFFEROR**

The Offeror is an investment holding company incorporated in the British Virgin Islands on 2 January 2015 with limited liability. The Offeror is legally and beneficially owned as to 90% by Ze Hui (a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Zheng Jian Jiang) and 10% by Ze Hong (a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Zheng Jiang, a brother of Mr. Zheng Jian Jiang). Mr. Zheng Jian Jiang is the sole director of the Offeror and Ze Hui, while Mr. Zheng Jiang is the sole director of Ze Hong. Before the date of the Share Purchase Agreement, the Offeror has not conducted any business since its incorporation, and save for the Sale Shares, the Offeror did not have any material assets as at the Latest Practicable Date.

Each of Ze Hui and Ze Hong is an investment holding company. As at the Latest Practicable Date, other than their shareholding interests in the Offeror, Ze Hui and Ze Hong also indirectly held the controlling interests in AUX Real Estate Group Company Limited (奧克斯地產集團有限公司) (“**AUX Real Estate**”), a company incorporated in the Cayman Islands with limited liability and the holding company of a group of companies forming the AUX Real Estate Group (奧克斯地產集團), which is principally engaged in real estate development in the PRC.

Mr. Zheng Jian Jiang, aged 54, is currently the chairman of the board of directors of Ningbo Sanxing Electric Co., Ltd. (寧波三星電氣股份有限公司), a Chinese electrical meter manufacturer listed on the Shanghai Stock Exchange (stock code: 601567) (“**Ningbo Sanxing Electric**”). He is also the founder and chairman of AUX Holdings Co. Ltd. (奧克斯集團有限公司) (“**AUX Holdings**”), a China Top-500 enterprise with business operations in multiple industries, primarily in air conditioner manufacturing, power equipment, healthcare and finance. Mr. Zheng Jian Jiang and his wife are the ultimate controlling shareholders of AUX Holdings. He is also the founder and chairman of the board of directors of AUX Real Estate.

As at the Latest Practicable Date, the Offeror was interested in 216,000,000 Shares. Such Shares were acquired by the Offeror pursuant to the Share Purchase Agreement. Save and except the abovementioned 216,000,000 Shares and save as disclosed in the section headed “Information on the Group” in the “Letter from the Board” as contained in the Composite Offer Document and the paragraph headed “Other arrangements” above, during the Relevant Period, the Offeror, Mr. Zheng Jian Jiang or the parties acting in concert with any of them did not hold any relevant securities nor have dealt for value in any relevant securities of the Company.

## **THE OFFEROR'S INTENTION IN RESPECT OF THE GROUP**

### **Business of the Group**

Following the close of the Offers, it is the intention of the Offeror that the Group will continue its existing business, namely, the Group's clubbing business in Hong Kong and as at the Latest Practicable Date, the Offeror has no plan to introduce any major changes to such operations and business of the Group. The Offeror intends to continue the existing mode of operation for the Group's clubbing business and will continue to review its prospects and to consider its future development. The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Offeror also intends to conduct more in-depth reviews on the suitable development strategies for the Group, including the feasibility of diversifying the income stream of the Group by exploring different business and investment opportunities in different business areas such as aesthetic medical business, which may or may not include any assets and/or business acquisitions or disposals by the Group, and will consider all options. However, as at the Latest Practicable Date, no target company or business had been identified, and no letter of intent, agreement or similar arrangement had been entered into by the Offeror. Should any such opportunities materialise into specific investment targets or business plans, such targets or plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Listing Rules where appropriate. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Group as at the Latest Practicable Date.

### **Change of board composition of the Company**

It is intended that all eight members of the existing Board, namely (i) Mr. Chan Chi Wah (executive Director), (ii) Ms. Mok Kung Yee (executive Director), (iii) Ms. Tsang Kwok Shan, Sandy (executive Director), (iv) Mr. Lam Jhug Ching (executive Director), (v) Mr. Yip (non-executive Director), (vi) Mr. Yung Ha Kuk, Victor (independent non-executive Director), (vii) Mr. Leung Chun Kuen Noel (independent non-executive Director) and (viii) Mr. Lam Kwok Fai, Osmond (independent non-executive Director), will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being after the close of the Offers).

In place of the above resigning Directors, the Offeror intends to nominate four executive Directors and three independent non-executive Directors to the Board and such appointment will take effect on or after the close of the Offers subject to compliance with the Takeovers Code. Any change to the Board will be made in compliance with the Takeovers Code and the Listing Rules.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

Details of the proposed Directors are set out below:

(1) *Mr. ZHENG Jiang, as a proposed executive Director*

Mr. Zheng Jiang (鄭江), aged 49, is currently a director and deputy chairman of AUX Holdings. He has been a director and the deputy chairman of Ningbo Sanxing Electric since its listing on the Shanghai Stock Exchange in June 2011 until March 2014 when he vacated such offices by rotation. He has over 20 years of experience in corporate management. He is a brother of Mr. Zheng Jian Jiang. He is also the sole legal and beneficial owner of Ze Hong and the sole director of Ze Hong.

(2) *Mr. Chan Hon Ki, as a proposed executive Director*

Mr. Chan Hon Ki (陳漢淇), aged 36, is currently the chief financial officer of AUX Real Estate. He holds a bachelor's degree in commerce from University of Canterbury, New Zealand. He is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 10 years of experience in the field of auditing and accounting. He has been appointed as a joint company secretary of the Company since 12 March 2015.

(3) *Ms. CHEN Hua Juan, as a proposed executive Director*

Ms. Chen Hua Juan (陳華娟), aged 37, is currently the human resources director of AUX Holdings. She holds a bachelor's degree in professional accountancy from Zhejiang College of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance and Economics (浙江財經大學)). She has over 12 years of experience in finance management and human resources management.

(4) *Ms. SHEN Guo Ying, as a proposed executive Director*

Ms. Shen Guo Ying (沈國英), aged 43, is currently the deputy chief financial officer of AUX Holdings and a director of Ningbo Sanxing Electric. She holds a bachelor's degree in accountancy awarded jointly by The Open University of China (中央廣播電視大學) and Beijing Technology and Business University (北京工商大學). She is a senior accountant (高級會計師) in the PRC. She has over 21 years of experience in finance management.

(5) *Mr. POON Chiu Kwok, as a proposed independent non-executive Director*

Mr. Poon Chiu Kwok (潘昭國), aged 52, is currently an executive director, vice president and the company secretary of Huabao International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 336). Mr. Poon was awarded the postgraduate diploma in laws by the University of London. He holds a bachelor's degree in laws and a bachelor's degree in business studies and a master's degree in international accounting. He is a fellow member of the Hong Kong Securities and Investment Institute, a fellow member of The Institute of

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

Chartered Secretaries and Administrators, and a fellow member of The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel and Professional Development Committee. Mr. Poon has over 25 years of experience in regulatory affairs, investment banking, and listed companies management. As at the Latest Practicable Date, he serves as (and, as the case may be, has within three years from the Latest Practicable Date retired from his appointment as) an independent non-executive director of the following publicly listed companies:

<u>Name of company</u>	<u>Date of appointment as an independent non-executive director</u>
Sunac China Holdings Limited (listed on the Main Board of the Stock Exchange) (stock code: 1918)	June 2011
Yuanda China Holdings Limited (listed on the Main Board of the Stock Exchange) (stock code: 2789)	April 2011
Changan Minsheng APLL Logistics Co., Ltd. (listed on the Main Board of the Stock Exchange) (stock code: 1292)	September 2011
Tonly Electronics Holdings Limited (listed on the Main Board of the Stock Exchange) (stock code: 1249)	July 2013
<u>Name of company</u>	<u>Date of cessation as an independent non-executive director</u>
China Tianrui Group Cement Company Limited (listed on the Main Board of the Stock Exchange) (stock code: 1252)	December 2012
Guangzhou Shipyard International Company Limited (listed on the Main Board of the Stock Exchange) (stock code: 317)	May 2014
Ningbo Port Company Limited (listed on the Shanghai Stock Exchange) (stock code: 601018)	May 2014

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

(6) *Mr. Gu Wen Xian, as a proposed independent non-executive Director*

Mr. Gu Wen Xian (顧文賢), aged 54, is currently a director and senior partner of BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙)). He holds a bachelor's degree in accountancy from Shanghai University of Finance and Economics (上海財經大學). He is a senior accountant (高級會計師) in the PRC. He has over 20 years of experience in the accounting profession.

(7) *Mr. Zhen Xiao Feng, as a proposed independent non-executive Director*

Mr. Zhen Xiao Feng (甄小峰), aged 44, is currently a senior partner of Beijing Dacheng (Ningbo) Law Offices (北京大成(寧波)律師事務所). He holds a bachelor's degree in law from Ningbo University (寧波大學). He is a qualified attorney in the PRC. He has over 20 years of experience in the legal profession.

As at the Latest Practicable Date:

- (a) save for Mr. Chan Hon Ki who has been appointed as a joint company secretary of the Company since 12 March 2015, none of these proposed Directors holds any position in the Group;
- (b) no service contract or appointment letter has been entered into between the Company and any of these proposed Directors;
- (c) save as disclosed above, none of these proposed Directors held any other directorships in the last three years in any publicly listed companies in Hong Kong, the PRC or other places;
- (d) save for as disclosed above, none of these proposed Directors is related with any other proposed Directors, or with any existing Directors, senior management or substantial or controlling shareholders of the Company; and
- (e) save as disclosed above, none of these proposed Directors has any interest in any shares or underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

Further announcement(s) will be made upon the fixing of the terms of employment or appointment and emoluments of these proposed Directors, or appointment of any additional Directors.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the proposed new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (including any person holding 5% or more of a class of relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code)) of the Company and the Offeror are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

#### *“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### TAX IMPLICATIONS

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to the Composite Offer Document and the Form(s) of Acceptance.

### GENERAL

To ensure equality of treatment of all Qualifying Shareholders, those registered Qualifying Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders and the Overseas Optionholders is drawn to paragraph 6 in Appendix I to the Composite Offer Document.

All documents and remittances will be sent to the Qualifying Shareholders and the Qualifying Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Qualifying Shareholders and the Qualifying Optionholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Qualifying Shareholders, to the Qualifying Shareholder whose name appears first in the said register of members of the Company or in the case of Qualifying Optionholders at their respective addresses as appeared in the register of the Optionholders. None of the Offeror, the Company, Haitong International Capital, Haitong International Securities, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.



**LETTER FROM HAITONG INTERNATIONAL SECURITIES**

**ADDITIONAL INFORMATION**

You are reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Fortune Financial” set out in the Composite Offer Document and to consult your professional advisers as you see fit. Your attention is drawn to the additional information set out in the appendices to the Composite Offer Document, which form part of the Composite Offer Document.

Yours faithfully,  
For and on behalf of  
**Haitong International Securities Company Limited**  
**Hui Yee, Wilson**  
*Managing Director*

LETTER FROM THE BOARD



**MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2080)**

*Executive Directors :*

Mr. Chan Chi Wah  
Ms. Mok Kung Yee  
Ms. Tsang Kwok Shan, Sandy  
Mr. Lam Jhug Ching

*Registered office :*

Clifton House, 75 Fort Street  
P.O. Box 1350 Grand Cayman  
KY1-1108  
Cayman Islands

*Non-executive Director:*

Mr. Yip Mow Lum

*Headquarters and principal place of*

*business in Hong Kong:*  
22/F, Silver Fortune Plaza  
No. 1 Wellington Street  
Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Yung Ha Kuk, Victor  
Mr. Leung Chun Kuen, Noel  
Mr. Lam Kwok Fai, Osmond

24 April 2015

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF HUIRI LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND  
CANCEL ALL THE OUTSTANDING OPTIONS IN  
MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
HUIRI LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the Share Purchase Agreement and the Offers and the announcements dated 3 March 2015, 12 March 2015, 24 March 2015, 30 March 2015 and 13 April 2015 made by the Company pursuant to Rule 3.8 of the Takeovers Code. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

## LETTER FROM THE BOARD

As mentioned in the Joint Announcement, pursuant to the Share Purchase Agreement entered into between the Offeror, Rainbow Key and Mr. Yip, the Offeror agreed to acquire and Rainbow Key agreed to sell 216,000,000 Shares, representing approximately 69.01% of the entire issued share capital of the Company immediately after Completion and approximately 68.75% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$404,000,000, or approximately HK\$1.87 per Sale Share. Completion took place on 12 March 2015 immediately after the signing of the Share Purchase Agreement.

The Offeror and parties acting in concert with it own in aggregate 216,000,000 Shares, representing approximately 69.01% of the entire issued share capital of the Company immediately after Completion and approximately 68.75% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rules 26.1 and 13 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer to acquire all issued Shares and to cancel all outstanding Options (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Details of the Offers are set out in the “Letter from Haitong International Securities” and Appendix I to the Composite Offer Document and the Form(s) of Acceptance.

The primary purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group and the Offers.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Rule 2.8 of the Takeovers Code requires the Company to establish an independent committee of the Board to give a recommendation to the Independent Shareholders on the Offers and that such independent committee should comprise all the non-executive Directors who have no direct or indirect interest in the Offers other than as a Shareholder. Mr. Yip is the sole shareholder of Rainbow Key and a party to the Share Purchase Agreement, and thus Mr. Yip has direct interests in the Offers and will not sit on the Independent Board Committee. Accordingly, the Independent Board Committee, comprising of all independent non-executive Directors, namely Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond, has been formed to advise the Qualifying Shareholders and Qualifying Optionholders in respect of the Offers.

The Independent Financial Adviser has been approved by the Independent Board Committee to act as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and as to acceptance in respect of the Offers. The full text of the letter of advice from the Independent Financial Adviser addressed to the Independent Board Committee is set out in the Composite Offer Document.

## LETTER FROM THE BOARD

### THE MANDATORY UNCONDITIONAL CASH OFFERS

#### The Share Offer

As mentioned in the “Letter from Haitong International Securities” on pages 7 to 21 of the Composite Offer Document, Haitong International Securities, on behalf of the Offeror, is making the Share Offer on the following basis:

**For each Offer Share . . . . . HK\$1.88 in cash**

The Offer Price of HK\$1.88 per Share is slightly higher than the price of approximately HK\$1.87 paid by the Offeror to Rainbow Key for each Sale Share under the Share Purchase Agreement, and represents:

- (a) a premium of approximately 63.48% over the closing price of HK\$1.15 per Share on the Stock Exchange on 28 January 2015, being the last trading day immediately prior to the trading halt in the Shares pending the publication of the Company’s announcement on 29 January 2015 pursuant to Rule 3.7 of the Takeovers Code;
- (b) a premium of approximately 6.21% over the closing price of HK\$1.77 per Share on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 7.06% over the average closing price of HK\$1.756 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 6.21% over the average closing price of HK\$1.77 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 19.95% over the average closing price of approximately HK\$1.567 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 63.53% over the average closing price of approximately HK\$1.150 per Share on the Stock Exchange over the last 90 consecutive trading days up to and including the Last Trading Day;
- (g) a discount of approximately 33.57% to the closing price of HK\$2.83 per Share on the Stock Exchange on the Latest Practicable Date; and
- (h) a premium of approximately 235.71% over the unaudited consolidated net assets value of the Company of approximately HK\$0.56 per Share as at 30 September 2014 based on the interim report of the Company for the six months ended 30 September 2014 and approximately 254.72% over the audited consolidated net assets value of the Company of approximately HK\$0.53 per Share as at 31 March 2014 based on the annual report of the Company for the year ended 31 March 2014.

## LETTER FROM THE BOARD

On the basis that there are 314,190,000 Shares in issue (of which 216,000,000 Shares are owned by the Offeror and parties acting in concert with it), and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Option Expiry Date and on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company would be valued at HK\$590,677,200, and the Shares subject to the Share Offer would be valued at HK\$184,597,200.

Assuming that all the 1,094,000 outstanding Options are exercised in full, there will be 315,284,000 Shares in issue (of which 216,000,000 Shares are owned by the Offeror and parties acting in concert with it) and, on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company would be valued at HK\$592,733,920 and the Shares subject to the Share Offer would be valued at HK\$186,653,920.

The Shares to be acquired under the Share Offer shall be fully paid, free from Encumbrances.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued on the exercise of Options prior to the Option Expiry Date, other than those Shares held by the Offeror and parties acting in concert with it.

### **The Option Offer**

As mentioned in the "Letter from Haitong International Securities" on pages 7 to 21 of the Composite Offer Document, Haitong International Securities, on behalf of the Offeror, is making the Option Offer for all outstanding Options on the following basis:

**For cancellation of each option . . . . . HK\$0.89 in cash**

The Option Offer to cancel each Option is calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Optionholder is entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options.

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Options, together with all rights attaching thereto.

**Optionholders should note that under the rules of the share option scheme adopted by the Company on 3 January 2014, all Options that remain unexercised within 14 days after the date of posting of the Composite Offer Document will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said 14-day period.**

Assuming none of the outstanding Options is exercised prior to the Option Expiry Date, the total amount to satisfy the cancellation of all the outstanding Options assuming full acceptance of the Option Offer by all Qualifying Optionholders is HK\$973,660.

## LETTER FROM THE BOARD

### Further details of the Offers

Further details of the Offers including, among other things, its extension to the Overseas Shareholders and the Overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Haitong International Securities” in, and Appendix I to, the Composite Offer Document and the Form(s) of Acceptance.

### GENERAL

#### Information on the Offeror and its intention regarding the Company

Your attention is drawn to the section headed “Information about the Offeror” and “Offeror’s intention in respect of the Group” in the “Letter from Haitong International Securities” set out in the Composite Offer Document.

The Board is pleased to learn that it is the intention of the Offeror that the Group will continue the existing principal activities and that as at the Latest Practicable Date, the Offeror has no plan to introduce any major changes to the existing operations and business of the Group. The Board notes the intention of the Offeror in respect of the Group and its employees as disclosed in the “Letter from Haitong International Securities” on page 15 of the Composite Offer Document.

#### Information on the Group

The Group is principally engaged in operation of clubbing business in Hong Kong.

The following table sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date) (i) immediately before the Completion; (ii) immediately after Completion; and (iii) as at the Latest Practicable Date:

	Immediately before Completion		Immediately after Completion		As at the Latest Practicable Date	
	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %
The Offeror (Note 1)	–	–	216,000,000	69.01	216,000,000	68.75
Rainbow Key (Note 2)	216,000,000	69.01	–	–	–	–
Public Shareholders	<u>96,980,000</u>	<u>30.99</u>	<u>96,980,000</u>	<u>30.99</u>	<u>98,190,000</u>	<u>31.25</u>
<b>Total</b>	<b><u>312,980,000</u></b>	<b><u>100.00</u></b>	<b><u>312,980,000</u></b>	<b><u>100.00</u></b>	<b><u>314,190,000</u></b>	<b><u>100.00</u></b>

## LETTER FROM THE BOARD

*Notes:*

1. The Offeror is an investment holding company incorporated in the British Virgin Islands and is owned as to 90% by Ze Hui (which is wholly and beneficially owned by Mr. Zheng Jian Jiang, who is also the sole director of Ze Hui) and 10% by Ze Hong (which is wholly and beneficially owned by Mr. Zheng Jiang, who is also the sole director of Ze Hong and a brother of Mr. Zheng Jian Jiang). Mr. Zheng Jian Jiang is also the sole director of the Offeror. Ms. He Yi Ju is the spouse of Mr. Zheng Jian Jiang and is deemed to be interested in all the Shares in which Mr. Zheng Jian Jiang is interested by virtue of the Securities and Futures Ordinance.
2. Rainbow Key is an investment holding company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Yip, a non-executive Director. Mr. Yip is deemed to be interested in all the Shares in which Rainbow Key is interested by virtue of the Securities and Futures Ordinance. Mr. Yip is also the sole director of Rainbow Key.
3. As at the Latest Practicable Date, each of Mr. Chan Chi Wah, Ms. Mok Kung Yee, Ms. Tsang Kwok Shan, Sandy, Mr. Lam Jhug Ching, Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond (each being a Director) and Mr. Wong Hei Yan (being the chief executive officer of the Company) is an Optionholder holding certain outstanding Options, details of which are set out below:

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
<b>Executive Directors</b>				
Mr. Chan Chi Wah	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Ms. Mok Kung Yee	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Ms. Tsang Kwok Shan, Sandy	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Mr. Lam Jhug Ching	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
<b>Independent non-executive Directors</b>				
Mr. Yung Ha Kuk, Victor	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000
Mr. Leung Chun Kuen, Noel	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000
Mr. Lam Kwok Fai, Osmond	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000
<b>Chief executive officer</b>				
Mr. Wong Hei Yan	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
<b>Total:</b>				<b>1,050,000</b>

## LETTER FROM THE BOARD

Set out below is a summary of the audited consolidated results of the Group for the two financial years ended 31 March 2013 and 2014, and the unaudited consolidated results of the Group for the six months ended 30 September 2014, as extracted from the annual report of the Company for the year ended 31 March 2014 and the interim report of the Company for the six months ended 30 September 2014, respectively.

	<b>For the six months ended 30 September 2014 (Unaudited) HK\$'000</b>	<b>For the year ended 31 March 2014 (Audited) HK\$'000</b>	<b>For the year ended 31 March 2013 (Audited) HK\$'000</b>
Turnover	79,266	159,138	173,995
Profit before taxation	13,256	2,850	34,098
Profit/(Loss) and total comprehensive income for the year/period	11,250	(585)	28,034

The audited consolidated net assets of the Group as at 31 March 2013 and 2014 was approximately HK\$51,798,000 and HK\$164,472,000, respectively. The unaudited consolidated net assets of the Group as at 30 September 2014 was approximately HK\$175,722,000.

Your attention is drawn to the financial information on the Group set out in Appendix II to the Composite Offer Document.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Board noted the Offeror's intention to maintain the listing of the Company on the Stock Exchange. The sole director of the Offeror and the proposed new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.



## LETTER FROM THE BOARD

### RECOMMENDATIONS

Your attention is drawn to the “Letter from the Independent Board Committee” which sets out its recommendation to the Qualifying Shareholders and the Qualifying Optionholders in respect of the Offers, as set out on pages 30 to 31 of the Composite Offer Document. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, their advice to the Independent Board Committee in relation to the Offers, which is set out on pages 32 to 52 of the Composite Offer Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Haitong International Securities” as set out on pages 7 to 21 of the Composite Offer Document which contains further details of the Offers and the information set out in the appendices to the Composite Offer Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of the Board of  
**Magnum Entertainment Group Holdings Limited**  
**Mr. Chan Chi Wah**  
*Executive Director*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter of recommendation from the Independent Board Committee to the Qualifying Shareholders and the Qualifying Optionholders prepared for the purpose of inclusion in this Composite Offer Document.*



### **MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2080)**

24 April 2015

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF HUIRI LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND  
CANCEL ALL THE OUTSTANDING OPTIONS IN  
MAGNUM ENTERTAINMENT GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
HUIRI LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

We refer to the composite offer and response document (the “**Composite Offer Document**”) dated 24 April 2015 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Offer Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and as to acceptance thereof.

Fortune Financial has been appointed as the Independent Financial Adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 32 to 52 of the Composite Offer Document.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the letter from the Board, the letter from Haitong International Securities and the additional information set out in the appendices to the Composite Offer Document.

### RECOMMENDATION

Having taken into account the terms of the Offers and the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its recommendation, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and recommend the Qualifying Shareholders and the Qualifying Optionholders to accept the Offers.

However, Qualifying Shareholders (including those who exercised the Options within 14 days from the date of posting of the Composite Offer Document prior to the lapse of the Options) are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer. In addition, the Qualifying Shareholders (including those who exercised the Options prior to the lapse of Options) who wish to realise their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as they may experience difficulty in disposing the Shares in the open market without creating downward pressure on the price of the Shares.

In any case, the Qualifying Shareholders and the Qualifying Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Qualifying Shareholders and the Qualifying Optionholders should consult their own professional advisers for professional advice. Furthermore, the Qualifying Shareholders and the Qualifying Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Composite Offer Document.

Yours faithfully,  
For and on behalf of

**Independent Board Committee**

**Mr. Yung Ha Kuk, Victor      Mr. Leung Chun Kuen, Noel      Mr. Lam Kwok Fai, Osmond**  
*Independent non-executive Directors*

## LETTER FROM FORTUNE FINANCIAL

*The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in this Composite Offer Document.*



**Fortune Financial Capital Limited**  
35th Floor  
Office Tower Convention Plaza  
1 Harbour Road, Wanchai  
Hong Kong

24 April 2015

To: *The Independent Board Committee of  
Magnum Entertainment Group Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY  
LIMITED ON BEHALF OF HUIRI LIMITED TO ACQUIRE ALL  
THE ISSUED SHARES OF AND CANCEL ALL THE  
OUTSTANDING OPTIONS IN MAGNUM ENTERTAINMENT  
GROUP HOLDINGS LIMITED (OTHER THAN THOSE  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY HUIRI  
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offers, details of the Offers are set out in the Composite Offer Document dated 24 April 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in this Composite Offer Document unless the context otherwise requires.

On 18 March 2015, the Company and the Offeror jointly announced certain transactions (the “**Joint Announcement**”). According to the Joint Announcement, after trading hours on 12 March 2015, Rainbow Key as the vendor, the Offeror as the purchaser, and Mr. Yip entered into the Share Purchase Agreement in relation to the sale and purchase of the Sale Shares. Pursuant to the Share Purchase Agreement, the Offeror agreed to acquire and Rainbow Key agreed to sell 216,000,000 Shares for a total cash consideration of HK\$404,000,000, or approximately HK\$1.87 per Sale Share. As disclosed in the “Letter from Haitong International Securities” contained in the Composite Offer Document (the

## LETTER FROM FORTUNE FINANCIAL

“**Letter**”), the Offeror and the parties acting in concert with its own 216,000,000 Shares, representing approximately 69.01% of the entire issued share capital of the Company immediately after Completion and approximately 68.75% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 and 13 of the Takeovers Code to make a mandatory unconditional cash offer to acquire all the issued Shares and to cancel all outstanding Options (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Save for the outstanding Options, there are no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

The Independent Board Committee, comprising Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond (all being independent non-executive Directors), has been established in respect of the Offers. We, Fortune Financial Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Offers, in particular as to whether the terms of the Offers are fair and reasonable, and to give a recommendation as to the acceptance of the Offers.

### **BASIS OF OUR OPINION**

In formulating our recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Offer Document and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of dispatch of the Composite Offer Document. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Company will notify the Qualifying Shareholders for any material changes to such information provided in the Composite Offer Document and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and there are no other facts not contained in the Composite Offer Document the omission of which would make any such statement contained in the Composite Offer Document misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information nor have we conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group, the Offeror and parties acting in concert with it.

## LETTER FROM FORTUNE FINANCIAL

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Offer Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document, the omission of which would make any statements in the Composite Offer Document misleading.

The sole director of the Offeror and Ze Hui accepts full responsibility for the accuracy of the information contained in the Composite Offer Document (other than that relating to the Group and parties acting in concert with it) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Group and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document, the omission of which would make any statements in the Composite Offer Document misleading.

We have not considered the tax consequences on the Qualifying Shareholders and Qualifying Optionholders of their acceptance or non-acceptance of the Offers since these are particular to their own individual circumstances. In particular, the Qualifying Shareholders and Qualifying Optionholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offers and, if in any doubt, should consult their own professional advisers.

This letter is issued to the Independent Board Committee solely in connection with the Offers, and except for the inclusion in the Composite Offer Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### PRINCIPAL TERMS OF THE OFFERS

The terms set out below are summarised from the Letter. Qualifying Shareholders and Qualifying Optionholders are encouraged to read the relevant section of the Letter in full.

#### 1) The Share Offer

The Share Offer is being made for all the 98,190,000 issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share . . . . . HK\$1.88

The Offer Price of HK\$1.88 per Offer Share represents:

- (a) a premium of approximately 63.48% over the closing price of HK\$1.15 per Share on the Stock Exchange on 28 January 2015, being the last trading day immediately prior to the trading halt in the Shares pending the publication of the Company's announcement on 29 January 2015 pursuant to Rule 3.7 of the Takeovers Code;

**LETTER FROM FORTUNE FINANCIAL**

- (b) a premium of approximately 6.21% over the closing price of HK\$1.77 per Share on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 7.06% over the average closing price of HK\$1.756 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 6.21% over the average closing price of HK\$1.77 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 19.95% over the average closing price of approximately HK\$1.567 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 63.53% over the average closing price of approximately HK\$1.150 per Share on the Stock Exchange over the last 90 consecutive trading days up to and including the Last Trading Day;
- (g) a discount of approximately 33.57% to the closing price of HK\$2.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (h) a premium of approximately 235.71% over the unaudited consolidated net assets value of the Company of approximately HK\$0.56 per Share as at 30 September 2014 and approximately 254.72% over the audited consolidated net assets value of the Company of approximately HK\$0.53 per Share as at 31 March 2014.

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the Letter and Appendix I to the Composite Offer Document.

**2) The Option Offer**

As at the Latest Practicable Date, the Company has 1,094,000 outstanding Options subject to the Option Offer. If all the outstanding Options are exercised in full, 99,284,000 Offer Shares will be subject to the Share Offer. The Option Offer is being made on the following basis:

For cancellation of each Option . . . . . HK\$0.89 in cash

The Option Offer to cancel each Option is calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Qualifying Optionholder is entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options. In respect of the outstanding Options convertible at an exercise price of HK\$0.99 per Share, the cancellation consideration will be HK\$0.89 per Option.

## LETTER FROM FORTUNE FINANCIAL

### 3) Total value of the Offers

The Offers will be unconditional in all respects. As at the Latest Practicable Date, there are 314,190,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Option Expiry Date and on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company is valued at approximately HK\$590,677,200, and the Shares subject to the Share Offer would be valued at HK\$184,597,200.

Assuming that all the 1,094,000 outstanding Options are fully exercised, there will be 315,284,000 Shares in issue and, on the basis of the Offer Price at HK\$1.88 per Share, the entire issued share capital of the Company is valued at approximately HK\$592,733,920, and the Shares subject to the Share Offer would be valued at HK\$186,653,920.

Assuming none of the outstanding Options is exercised prior to the Option Expiry Date, the total amount to satisfy the cancellation of all the outstanding Options assuming full acceptance of the Option Offer by all Qualifying Optionholders is HK\$973,660.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Offers, we have considered the following principal factors and reasons:

#### 1) Information and historical financial performance of the Group

The Company is an exempted company with limited liability under Company Law (2013 Revision) of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in operation of clubbing business.



## LETTER FROM FORTUNE FINANCIAL

### 1.1 *Historical financial results of the Group*

The table below summarises the Group's consolidated financial information for the two years ended 31 March 2013 and 2014, and the six months ended 30 September 2013 and 30 September 2014, as extracted from the annual report for the year ended 31 March 2014 (the "2014 Annual Report"), and the interim report for the six months ended 30 September 2014 (the "2014 Interim Report") of the Company, respectively:

	For the year ended		For the six months	
	31 March		ended 30 September	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	173,995	159,138	85,736	79,266
Profit before taxation	34,098	2,850	9,871	13,256
Profit/(Loss) and total comprehensive income for the year/period	28,034	(585)	7,524	11,250

*Financial results for the year ended 31 March 2014 compared with that for the year ended 31 March 2013*

As stated in the 2014 Annual Report, the Group's turnover recorded approximately HK\$159.1 million for the year ended 31 March 2014, representing a decrease of 8.5% as compared with approximately HK\$174.0 million for the year ended 31 March 2013. The decrease in turnover was mainly due to high competition in the clubbing industry. The Group's clubs are all situated in the Lan Kwai Fong area, where is a highly competitive area for the clubs in Hong Kong.

The Group recorded a profit before taxation of approximately HK\$2.9 million and a loss of approximately HK\$0.6 million for the year ended 31 March 2014 as compared to that of a profit before taxation of approximately HK\$34.1 million and a profit of approximately HK\$28.0 million for the year ended 31 March 2013. This was mainly attributable to (i) the non-recurring listing expenses; (ii) the decrease in turnover; and (iii) the increase of operating expenses including property rentals and staff costs.

## LETTER FROM FORTUNE FINANCIAL

*Financial results for the six months period ended 30 September 2014 compared with that for the six months ended 30 September 2013*

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. According to the 2014 Interim Report, the decrease in turnover was mainly due to fierce competition in the clubbing industry, especially in the Lan Kwai Fong area where the clubs of the Group are operated.

The Group's profit before taxation and profit for the six months ended 30 September 2014 were approximately HK\$13.3 million and HK\$11.3 million respectively, as compared with the Group's profit before taxation of approximately HK\$9.9 million and profit of approximately HK\$7.5 million for the six months ended 30 September 2013. The increase was mainly resulted from the combined effect of (i) the decrease in staff cost of approximately HK\$17.9 million for the six months ended 30 September 2014 as compared to the same of approximately HK\$19.9 million for the six months ended 30 September 2013 due to the decrease in promotional staff; (ii) the decrease in advertising and marketing expenses from approximately HK\$7.4 million for the six months ended 30 September 2013 to approximately HK\$3.1 million for the six months ended 30 September 2014 due to decrease in membership promotion expenses, international disc jockey related expenses and performer expenses; and (iii) the decrease in non-recurring listing expenses, which was nil for the six months ended 30 September 2014 as compared to that of approximately HK\$4.4 million for the six months ended 30 September 2013.

No dividend was declared for the years ended 31 March 2013 and 2014, and the six months ended 30 September 2013 and 2014.

### *1.2 Financial positions of the Group*

The following is a summary of the Group's consolidated financial position as at 31 March 2013 and 2014, and 30 September 2014, as extracted from the 2014 Annual Report and 2014 Interim Report, respectively:

	<b>As at 31 March 2013</b>	<b>As at 31 March 2014</b>	<b>As at 30 September 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Total assets	90,967	198,675	202,567
Current liabilities	39,169	34,203	26,845
Net assets	51,798	164,472	175,722

## LETTER FROM FORTUNE FINANCIAL

*As at 31 March 2013*

As at 31 March 2013, the Group had total assets of approximately HK\$91.0 million, mainly comprised of (i) property, plant and equipment of approximately HK\$18.7 million (accounting for approximately 20.5% of the total assets of the Group); (ii) trade and other receivables of approximately HK\$32.4 million (accounting for approximately 35.6% of the total assets of the Group); (iii) pledged bank deposits of approximately HK\$6.5 million (accounting for approximately 7.1% of the total assets of the Group); and (iv) cash at bank and in hand of approximately HK\$22.2 million (accounting for approximately 24.4% of the total assets of the Group).

Current liabilities of the Group as at 31 March 2013 amounted to approximately HK\$39.2 million, mainly comprised of (i) trade and other payables of approximately HK\$30.7 million (accounting for approximately 78.4% of total current liabilities); and (ii) amount due to controlling shareholder of approximately HK\$6.2 million (accounting for approximately 15.7% of total current liabilities).

*As at 31 March 2014*

As at 31 March 2014, the Group had total assets of approximately HK\$198.7 million, mainly comprised of (i) property, plant and equipment of approximately HK\$15.2 million (accounting for approximately 7.7% of the total assets of the Group); (ii) trade and other receivables of approximately HK\$31.4 million (accounting for approximately 15.8% of the total assets of the Group); (iii) pledged bank deposits of approximately HK\$7.0 million (accounting for approximately 3.5% of the total assets of the Group); and (iv) cash at bank and in hand of approximately HK\$136.4 million (accounting for approximately 68.6% of the total assets of the Group).

Current liabilities only consisted of the trade and other payables as at 31 March 2014 amounted to approximately HK\$34.2 million.

*As at 30 September 2014*

As at 30 September 2014, the Group had total assets of approximately HK\$202.6 million, mainly comprised of (i) property, plant and equipment of approximately HK\$17.1 million (accounting for approximately 8.4% of the total assets of the Group); (ii) trade and other receivables of approximately HK\$37.4 million (accounting for approximately 18.4% of the total assets of the Group); (iii) pledged bank deposits of approximately HK\$7.0 million (accounting for approximately 3.5% of the total assets of the Group); and (iv) cash at bank and in hand of approximately HK\$127.5 million (accounting for approximately 62.9% of the total assets of the Group).

## LETTER FROM FORTUNE FINANCIAL

Current liabilities of the Group as at 30 September 2014 amounted to approximately HK\$26.8 million, mainly comprised of trade and other payables of approximately HK\$26.4 million (accounting for approximately 98.5% of the total current liabilities).

*Comparison of financial positions of the Group as at 31 March 2013 and as at 31 March 2014*

The significant increase of approximately 118.4% in the total assets from HK\$91.0 million as at 31 March 2013 to HK\$198.7 million as at 31 March 2014 was primarily due to the combined effect of (i) increase in cash at bank and in hand of approximately HK\$114.1 million; and (ii) decrease in property, plant and equipment, and trade and other receivables of approximately HK\$3.4 million and HK\$1.0 million, respectively. As stated in the 2014 Annual Report, the significant increase in cash at bank and in hand was due to the net proceeds from the global offering of 84.0 million new Shares in January 2014 and exercise of 12.6 million new Shares as the Over-allotment Option (as defined in the prospectus of the Company dated 13 January 2014) in February 2014.

As at 31 March 2013 and 2014, the Group had no borrowings. Change in current liabilities was primarily due to settlement of amount due to controlling shareholder and taxation.

*Comparison of financial positions of the Group as at 31 March 2014 and as at 30 September 2014*

The slight increase of total assets from HK\$198.7 million as at 31 March 2014 to HK\$202.6 million as at 30 September 2014 was primarily due to the combined effects of (i) the increased in non-current prepayments of approximately HK\$7.2 million, which was made for the design and decoration of a new club; (ii) the increase in trade and other receivables of approximately HK\$5.9 million; and (iii) the decrease in cash at bank and in hand of approximately HK\$8.9 million.

Similarly, the Group did not have borrowings as at 30 September 2014. Change in current liabilities was primarily due to settlement of trade and other payables as at 30 September 2014.

## LETTER FROM FORTUNE FINANCIAL

### 1.3 Cash flow of the Group

The following is a summary of the Group's consolidated cash flow statements for the year ended 31 March 2013 and 2014, and for the period ended 30 September 2014, as extracted from the 2014 Annual Report and 2014 Interim Report, respectively:

	For the year ended		For the six months	
	31 March		ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Net cash generated from operating activities	21,942	4,235	9,694	2,304
Net cash generated (used in)/from investing activities	(11,684)	2,397	4,150	(11,176)
Net cash generated (used in)/from financing activities	(47)	107,508	(6,151)	–

#### *Operating cash flow*

For the six months ended 30 September 2014, the net cash generated from operating activities of the Group was approximately HK\$2.3 million. Changes in working capital were mainly driven by the combined effect of (i) increase in trade and other receivables of HK\$5.9 million; and (ii) decrease in trade and other payables of HK\$7.8 million for the six months ended 30 September 2014.

For the year ended 31 March 2014, the net cash generated from operating activities of the Group was approximately HK\$4.2 million. Profit before taxation for the year ended 31 March 2014 was approximately HK\$2.9 million. Adjustments primarily include the depreciation of approximately HK\$4.8 million. Changes in working capital were primarily driven by the increase in trade and other payables of approximately HK\$3.9 million, which was mainly due to the increase in other payables and accrued charges of approximately HK\$5.5 million.

## LETTER FROM FORTUNE FINANCIAL

For the year ended 31 March 2013, the net cash generated from operating activities of the Group was approximately HK\$21.9 million. Profit before taxation for the year ended 31 March 2013 was approximately HK\$34.1 million. Adjustments primarily include depreciation and amortisation expenses amounted to approximately HK\$5.2 million. Changes in working capital were primarily driven by the combined effect of (i) increase in trade and other receivables of approximately HK\$11.1 million, which was primarily due to increase in rental deposits and sponsorship income receivable; and (ii) increase in trade and other payables of approximately HK\$5.8 million, which was mainly due to an increase in receipts in advance relating to prepayments made by the customers.

### *Investing cash flow*

For the six months ended 30 September 2014, the net cash used in investing activities of the Group was approximately HK\$11.2 million, which was mainly driven by purchase and prepayment of property, plant and equipment in a total of approximately HK\$13.2 million for the six months ended 30 September 2014.

For the year ended 31 March 2014, the net cash generated from investing activities of the Group was approximately HK\$2.4 million, which was mainly driven by the combined effect of decrease in amount due from director and controlling shareholder of approximately HK\$4.7 million, which offset the payment for purchase of property, plant and equipment of approximately HK\$1.7 million.

For the year ended 31 March, 2013, the net cash used in investing activities of the Group was approximately HK\$11.7 million, which was primarily due to (i) purchases of property, plant and equipment in the amount of HK\$6.1 million; (ii) advances to director and related companies in the amount of HK\$3.7 million; and (iii) increase in pledged bank deposits in the amount of HK\$2.0 million.

### *Financing cash flow*

The Group did not generate any cash inflow or outflow from the financing activities for the six months ended 30 September 2014 as the Group settled the remaining balance of amount due to controlling shareholder and no dividend was paid for the six months ended 30 September 2014.

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For the year ended 31 March 2014, the net cash generated from the financing activities of the Group was approximately HK\$107.5 million, primarily due to the proceeds from issuance of share under initial public offering, net of issuance expenses, of approximately HK\$123.7 million, which offset the dividend paid of approximately HK\$10.0 million and decrease in amount due to controlling shareholder of approximately HK\$6.2 million.

For the year ended 31 March, 2013, the net cash used in financing activities was less than HK\$0.1 million which consisted of amount due to controlling shareholder.

Having considered that (i) due to the market competition in respect of the clubbing business remains intense, the Group's finance performance was less than desirable; and (ii) no dividend has been paid in the recent two years, we consider that the Offers provide viable exits for the Qualifying Shareholders and the Qualifying Optionholders should they wish to realise their investments in the Company.

### **2) Future prospects and outlook of the Group**

As stated in the 2014 Annual Report and the 2014 Interim Report, the Group targets at expanding its market share and transforming into an international entertainment clubbing business operator. As part of the Group's strategy, it intends to continue expanding its clubs network to strengthen its presence in the Hong Kong market. In order to increase its market penetration, the Group has opened a new club, namely Zentral, in the Lan Kwai Fong area in late 2014. Zentral intends to target high income group with its lavish and extravagant decoration. The Group may also consider expansion in regions other than Hong Kong, including the PRC. The Group is undertaking in-depth research in the first-tier cities in the PRC and is determined to explore for expansion. In view of the fact that (i) the Offeror has acquired the controlling stake of the Company from Rainbow Key; and (ii) the present intention of the Group in continuing to focus on the development of its existing business following the close of the Offers, it is reasonable to expect that the Offeror is optimistic about the business prospect of the existing business of the Group.

According to the statistics published by the Department of Health of Hong Kong, between 2004 and 2013, the alcohol consumption per capita of Hong Kong stood between 2.53 and 2.87 litres. The alcohol consumption per capita of Hong Kong surged to 2.79 litres in 2008 due to the increase in net import of beer and wine, following the exemption of duty for wine and liquor of an alcoholic strength not more than 30% since February 2008. From 2009 to 2013, alcohol consumption per capita in Hong Kong increased from 2.60 litres in 2009 to 2.81 litres in 2013.

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According to Hong Kong Annual Digest of Statistics 2014 edition by the Census and Statistics Department of Hong Kong, the value of bars receipts increased at a compound annual growth rate of 3.1% from 2008 to 2013. However, number of liquor licence increased from 4,995 in 2008 to 5,975 in 2013, representing a compound annual growth rate of 3.6%.

Having considered the above and our analysis in the section “1.1 Historical financial results of the Group”, we are of the view that though the Group may be benefited from the expansion of industry as indicated by the increase in alcohol consumption per capita and the value of bars receipts, the Group may also face fierce competition for the clubbing business in Hong Kong as indicated by the increase in number of liquor licence (which was in line with the Directors’ view in the 2014 Annual Report and the 2014 Interim Report), and the financial performance of the Group may be impacted by such intense competition.

As stated in the Letter, following the close of the Offers, it is the intention of the Offeror that the Group will continue its existing business, namely, the Group’s clubbing business in Hong Kong and as at the Latest Practicable Date, the Offeror has no plan to introduce any major changes to such operations and business of the Group. The Offeror intends to continue the existing mode of operation for the Group’s clubbing business and will continue to review its prospects and to consider its future development. The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Offeror also intends to conduct more in-depth reviews on the suitable development strategies for the Group, including the feasibility of diversifying the income stream of the Group by exploring different business and investment opportunities in different business areas such as aesthetic medical business, which may or may not include any assets and/or business acquisitions or disposals by the Group, and will consider all options. However, as at the Latest Practicable Date, no target company or business had been identified, and no letter of intent, agreement or similar arrangement had been entered into by the Offeror. Should any such opportunities materialise into specific investment targets or business plans, such targets or plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Listing Rules where appropriate. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of any employees of the Group, except for the change in the composition of the Board, or to dispose of or re-deploy the fixed assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or business into the Group as at the Latest Practicable Date.

Taking into account of the above, we are of the view that it may be too early to conclude whether the Group can capture its future business growth as there is no concrete future business plan of the Group after the close of the Offers.



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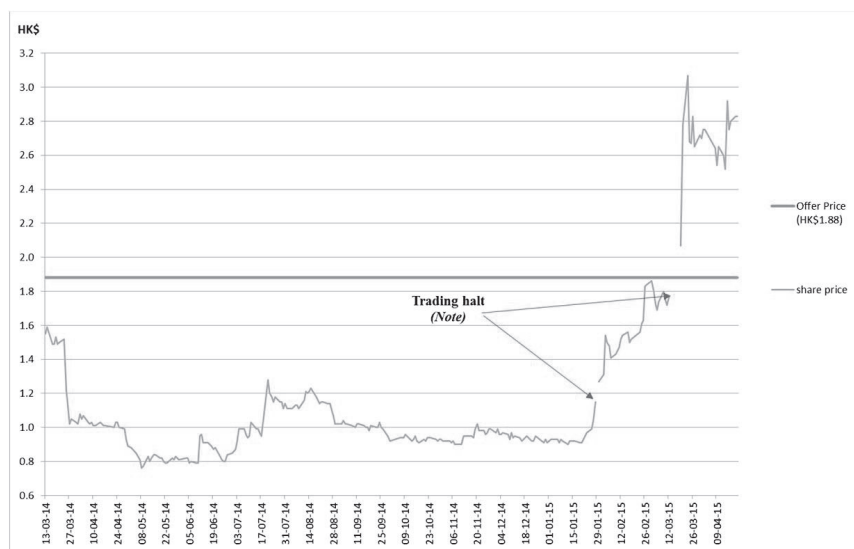
It is also intended that all eight members of the existing Board will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being after the close of the Offers). In place of the resignation of existing Directors, the Offeror intends to nominate four executive Directors and three independent non-executive Directors to the Board upon resignation of the existing Directors. The names and biographical details of which are set out in the Letter.

As stated in the Letter, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the proposed new Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. Qualifying Shareholders should be aware that if the number of Shares held by the public, as defined in the Listing Rules, comprises less than 25% of the total issued Shares of the Company at the close of the Offers, trading in the Shares may be suspended. If trading in the Shares is suspended, Qualifying Shareholders who chose not to accept the Share Offer would not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes.

### 3) Historical Share price performance and trading liquidity

#### 3.1 Historical Share price performance

Set out below is the daily closing price of the Shares as quoted on the Stock Exchange for the period from 13 March 2014, being the first trading date of the twelve calendar months preceding the date of the Share Purchase Agreement, up to and including the Latest Practicable Date (the “**Review Period**”).



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading was halted on 29 January 2015 and 13 March 2015 in relation to the issuance of the Possible Disposal Announcement (as defined below) and the Joint Announcement respectively.

## LETTER FROM FORTUNE FINANCIAL

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.76 per Share recorded on 8 May 2014 and HK\$3.07 per Share recorded on 23 March 2015 respectively. After the release of the announcement regarding the possible disposal of Shares by the controlling shareholders of the Company dated 29 January 2015 (the “**Possible Disposal Announcement**”), the closing prices of the Shares increased significantly and reached a relatively high of closing price of HK\$1.86 per Share on 2 March 2015 when compared to the closing prices from the beginning of the Review Period to the first trading halt on 29 January 2015. The closing price of the Shares then fell and hovered between HK\$1.69 per Share and HK\$1.80 per Share between 3 March 2015 and up to 13 March 2015, of which the Shares on the Stock Exchange was halted pending for the publication of the Joint Announcement (the “**Trading Halt**”). Between the period from the issuance the Possible Disposal Announcement up to the date of the Trading Halt (i.e. in approximately 6 weeks’ time), the highest closing price represents a premium of approximately 46.5% over the lowest closing price of the Shares during such period. We considered that the share price was relatively volatile during the aforementioned period as a result of the release of the Possible Disposal Announcement. In addition, we believe that the general public reacted positively towards the issuance of Possible Disposal Announcement, causing the Share price to increase in an upward trend.

Trading of the Shares on the Stock Exchange resumed on 19 March 2015. During the period from 19 March 2015 and up to the Latest Practicable Date, the lowest and highest closing price as quoted on the Stock Exchange were HK\$2.07 per Share on 19 March 2015 and HK\$3.07 per Share on 23 March 2015 respectively. After the release of the Joint Announcement, the Share price had jumped to a historical high price of HK\$3.07 per Share on 23 March 2015. The Share prices then fell and hovered between HK\$2.52 to HK\$2.92 per Share. Due to the Offers and the change in control, speculation on the prospects of the Group may have provided continued support on the level of Share prices after the release of the Joint Announcement, and the Offer Price is lower than the Share prices during such period. We considered that the Share price was volatile after the release of the Joint Announcement.

Having considered that (i) the Offer Price represents an approximately 58.0% premium over the average closing price of approximately HK\$1.19 per Share during the Review Period; and (ii) the Shares closed lower than the Offer Price in 246 out of 267 trading days during the Review Period, we are of the opinion that the Offer Price is attractive and is fair and reasonable so far as the Qualifying Shareholders are concerned.

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### 3.2 Trading liquidity

The following table sets out the trading volume of the Shares during the Review Period:

Month	Number of trading days in each month	Total trading volume for the month/period <i>(Note 1)</i>	Average daily trading volume for the month/period <i>(Note 2)</i>	Percentage of average daily trading volume to total number of issued Shares as at the Latest Practicable Date <i>(Note 3)</i>	Percentage of average daily trading volume to total number of Shares held by the public float as at the Latest Practicable Date <i>(Note 4)</i>
<b>2014</b>					
March (from 13 March to 31 March)	13	51,912,400	3,993,262	1.27%	4.07%
April	20	29,001,700	1,450,085	0.46%	1.48%
May	20	11,492,000	574,600	0.18%	0.59%
June	20	23,458,000	1,172,900	0.37%	1.19%
July	22	85,274,300	3,876,105	1.23%	3.95%
August	21	24,630,000	1,172,857	0.37%	1.19%
September	21	8,914,000	424,476	0.14%	0.43%
October	21	5,596,000	266,476	0.08%	0.27%
November	20	12,962,000	648,100	0.21%	0.66%
December	21	8,210,000	390,952	0.12%	0.40%
<b>2015</b>					
January	20	38,452,000	1,922,600	0.61%	1.96%
February	18	115,154,900	6,397,494	2.04%	6.52%
March	18	231,402,000	12,855,667	4.09%	13.09%
April (up to and including the Latest Practicable Date)	12	86,060,000	7,171,667	2.28%	7.30%

Source: *website of the Stock Exchange (www.hkex.com.hk)*

Notes:

1. Based on the information disclosed in the official website of the Stock Exchange.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading days on which trading of the Shares on the Stock Exchange was halted for the whole trading day.

## LETTER FROM FORTUNE FINANCIAL

3. Based on 314,190,000 Shares in issue as at the Latest Practicable Date.
4. Based on 98,190,000 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume during the Review Period ranged from approximately 0.27 million Shares to 12.9 million Shares, representing approximately 0.08% to 4.09% of the total number of Shares in issue as at the Latest Practicable Date, and approximately 0.27% to 13.09% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. Higher trading volume was noted from February 2015 to the Latest Practicable Date. The trading volume increased in line with the increase in Share prices since February 2015 as it was mainly caused by speculations regarding the issuance of Possible Disposable Announcement and the Joint Announcement.

Save for February 2015 to the Latest Practicable Date, the overall liquidity of the Shares was relatively low during the Review Period. As such, the Shareholders may find it difficult to dispose a large quantity of Shares in the open market without exerting a downward pressure on the Shares price. We consider that the Offers provide the Shareholders with an assured exit if they wish to realise their investments in the Shares.

#### 4) Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have attempted to compare the pricing ratios represented by the Offer Price against the (i) price-to-earnings ratio; (ii) the price-to-book ratio; and (iii) dividend yield of other listed companies which are engaged in business similar to that of the Group as these ratios are commonly used in valuing a company. However, given that (i) the Group was loss-making and did not payout any dividend its latest financial year (i.e. for the year ended 31 March 2014); and (ii) the majority of assets of the Group as at 30 September 2014 was not capital in nature, we consider the analysis of these common ratios may not be meaningful under such circumstances. In addition, we have attempted to identify comparable companies listed on the Stock Exchange with business nature similar to that of the Group, i.e. clubbing business in Hong Kong by (i) conducting our own research; and (ii) inquiring the management of the Company. However, given the uniqueness of business nature of the Group, no suitable comparable companies have been identified for our analysis. We have therefore, as an alternative way, reviewed all the mandatory cash offers announced by companies listed on the Stock Exchange in three calendar months prior to and up to the Latest Practicable Date and identified an exhaustive list of 9 mandatory cash offers (which involved change in controlling shareholders of respective listed companies) initially announced by other listed companies (the “**Comparables**”) during the period. We consider that a review period of three calendar months prior and up to the Latest Practicable Date is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a market general reference for the recent market practice in relation to the issue prices under other mandatory cash offers as compared to the relevant prevailing market share prices under recent

## LETTER FROM FORTUNE FINANCIAL

market conditions. However, given their discrepancies with the Group in terms of business nature, financial performance and financial position, we consider that the Comparables might not constitute close reference with the Offers, but a general market reference for the recent market practice. Set out below are the details of the mandatory cash offers announced by other listed companies:

Company (Stock code)	Date of announcement	Offer price	Premium/(discount) of the offer price over/to the average closing price		Latest published consolidated net asset value attributable to equity holders per share (Note 1)	Implied price-to-book ratio (Notes 1 and 2)
			Premium/(discount) of the offer price over/to closing price on the last trading day prior to release of relevant announcement (approximate HK\$)	of last five consecutive trading days up to and including the last trading day prior to the release of relevant announcement (approximate %)		
EDS Wellness Holdings Limited (8176.HK)	15 April 2015	4.07	(16.94)	(15.38)	0.61	6.72
Cash Financial Services Group Limited (510.HK)	9 March 2015	0.37	(6.3)	0.5	0.15	2.55
KVB Kunlun Financial Group Limited (8077.HK)	26 February 2015	0.65	(52.55)	(53.64)	0.20	3.31
TeleEye Holdings Limited (8051.HK)	24 February 2015	18.07	14.37	13.68	1.77	10.22
IDT International Limited (167.HK)	18 February 2015	0.2181	(56.38)	(55.94)	0.19	1.17
Shanghai Zendai Property Limited (755.HK)	12 February 2015	0.20	9.29	42.86	0.40	0.50

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Company (Stock code)	Date of announcement	Offer price HK\$	Premium/(discount) of the offer price over/to the average closing price		Latest published consolidated net asset value attributable to equity holders per share (Note 1)	Implied price-to-book ratio (Notes 1 and 2) times
			Premium/(discount) of the offer price over/to closing price on the last trading day prior to release of relevant announcement (approximate %)	Premium/(discount) of last five consecutive trading days up to and including the last trading day prior to the release of relevant announcement (approximate %)		
Kaisa Group Holdings Ltd. (1638.HK)	6 February 2015	1.80	13.21	(0.55)	4.80	0.38
Gamma Logistics Corporation (8310.HK)	30 January 2015	0.38	(15.56)	(17.21)	0.12	3.30
Jin Bao Bao Holdings Limited (1239.HK)	21 January 2015	3.734	(60.69)	(61.14)	1.25	2.98
		Minimum	(60.69)	(61.14)		
		Maximum	14.37	42.86		
		Average	(19.06)	(16.31)		
<b>The Company</b>	<b>18 March 2015</b>	<b>1.88</b>	<b>6.21</b>	<b>7.06</b>	<b>0.56</b>	<b>3.36</b>

*Note:*

1. Since there are no suitable comparable companies that are similar in business nature to the Group, no price-to-book ratio analysis of comparable companies is conducted. (i) The net asset values attributable to equity holders per share of the companies, which are calculated as the net asset values divided by the number of issued shares as at relevant year/period end date of the companies; and (ii) the implied price-to book ratio (as defined in Note 2 below) in the table above are for information only.
2. The implied price-to-book ratio is calculated as the offer price of the respective mandatory cash offer divided by the latest published consolidated net asset value attributable to equity holders per share of the companies in the table above.

Based on the above table, the offer price of the Comparables ranged from a discount of approximately 60.69% to a premium of 14.37% to/over the closing price on the last trading day prior to the release of relevant announcements, with an average discount of 19.06%. The Offer Price, which represents a premium of 6.21%

## LETTER FROM FORTUNE FINANCIAL

over the closing Share price on the Last trading Day, is above the average and within the lowest and highest range of the Comparables.

Similarly, the offer price of the Comparables ranged from a discount of approximately 61.14% to a premium of 42.86% to/over the average closing price over the last five consecutive trading days up to and including last trading day prior to the release of relevant announcements, with an average discount of 16.31%. The Offer Price, which represents a premium of 7.06% over the average closing Share price over the last five consecutive trading days up to and including the Last trading Day, is above the average and within the lowest and highest range of the Comparables.

In view of the above, we consider the Offer Price is fair and reasonable so far as the Qualifying Shareholders are concerned.

### RECOMMENDATION

#### **In respect of the Share Offer**

Having considered the above principal factors (in particular those set out in the sections headed “3) Historical Share price performance and trading liquidity” and “4) Comparable analysis”), we are of the opinion that the terms of the Share Offer are fair and reasonable so far as the Qualifying Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Qualifying Shareholders to accept the Share Offer. However, Qualifying Shareholders (including those who exercised the Options prior to the Option Expiry Date) who wish to realise whole or part of their Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

In addition, the Qualifying Shareholders (including those who exercised the Options prior to the Option Expiry Date) who wish to realise their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as, having taken into account the low historical trading volume of the Shares on the Stock Exchange as discussed in the section headed “3) Historical Share price performance and trading liquidity – 3.2 Trading liquidity” of this letter, they may experience difficulty in disposing the Shares (or, as the case may be, new Shares that may be issued from exercising the Options) in the open market without creating downward pressure on the price of the Shares.

#### **In respect of the Option Offer**

Since the Options with the exercise price of HK\$0.99 per Share is in the money as at the Latest Practicable Date, it is fair and reasonable to offer the Optionholders with the price of HK\$0.89 which is calculated based on the “see-through” basis and represents the difference between the Offer Price and the exercise price of the Options. Whilst we

## LETTER FROM FORTUNE FINANCIAL

consider the Offer Price fair and reasonable based on, among other things, the reasons and factors as discussed under the sections headed “3) Historical Share price performance and trading liquidity” and “4) Comparable analysis” above, we are of the view that the value offered to the Optionholders is fair and reasonable. Accordingly, we recommend the Independent Board Committee to recommend to the Optionholders to accept the Option Offer.

**Optionholders, however, should note that under the rules of the share option scheme adopted by the Company on 3 January 2014, all Options that remain unexercised within 14 days after the date of posting of the Composite Offer Document will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said 14-day period.**

As each individual Qualifying Shareholders and Qualifying Optionholders would have different investment objectives and/or circumstances, we would recommend the Qualifying Shareholders and Qualifying Optionholders who may require advice in relation to any aspect of the Composite Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offers as set out in the Composite Offer Document, its appendices and the accompanying Form(s) of Acceptance.

Yours faithfully,

For and on behalf of

**FORTUNE FINANCIAL CAPITAL LIMITED**

**Eric Koo**

*Managing Director*

**Abpy So**

*Assistant Director*

*Mr. Eric Koo is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 14 years of experience in corporate finance.*

*Ms. Abpy So is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities and has over 10 years of experience in corporate finance.*



## 1. PROCEDURES FOR ACCEPTANCE

### The Offers

To accept the Offers, you should complete and sign the Form(s) of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offers.

#### A. Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Share Offer, you must send the duly completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer by post or by hand to the Registrar marked “**Magnum Entertainment Group Holdings Limited – Share Offer**” on the envelope by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:
  - (i) instruct the nominee company to accept the Share Offer on your behalf and request it to deliver the completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on the Closing Date; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the White Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the White Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Haitong International Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the White Form of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the duly completed White Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered shareholder of Shares or his/her/its representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the White Form of Acceptance is executed by a person other than the registered Qualifying Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any White Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar, Tricor Investor Services Limited, is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

**B. Option Offer**

- (a) If you accept the Option Offer, you should complete the relevant Yellow Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) The completed Yellow Form of Acceptance should be forwarded, together with the relevant Option certificate(s) (if any) and all letter(s) of grant in respect of the Option(s) so tendered for acceptance, stating the number of Shares underlying the Option(s) in respect of which you intend to accept the Option Offer, by post or by hand to the company

secretary of the Company at 22/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong, marked “**Magnum Entertainment Group Holdings Limited – Option Offer**” on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (c) No acknowledgement of receipt of any Yellow Form of Acceptance, the certificate(s) of the Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offers have previously been revised or extended with the consent of the Executive, White Form of Acceptance and Yellow Form of Acceptance must be received by the Registrar and by the company secretary of the Company respectively by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Offers are extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Qualifying Shareholders and the Qualifying Optionholders, and unless previously extended or revised, shall close on the subsequent Closing Date. If the Offeror revises the terms of the Offers, all the Qualifying Shareholders and the Qualifying Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

If the Closing Date is extended, any reference in this Composite Offer Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers as so extended.

## 3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement on the Stock Exchange’s website no later than 7:00 p.m. on the Closing Date stating whether the Offers have been revised, extended or has expired.

The announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer and Options for which acceptance of the Option Offer have been received;

- (ii) the total number of Shares, rights over Shares and Options held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;
- (iii) the total number of Shares, rights over Shares and Options acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the Stock Exchange website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.magnumentertainment.com.hk](http://www.magnumentertainment.com.hk)).

#### 4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Qualifying Shareholders and the Qualifying Optionholders or by their respective agent(s) on their respective behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Qualifying Shareholders and the Qualifying Optionholders who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, if the Qualifying Shareholders and the Qualifying Optionholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post at the risk of the relevant Qualifying Shareholders and Qualifying Optionholders the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Qualifying Shareholders and Qualifying Optionholders.

**5. SETTLEMENT****A. Share Offer**

- (a) Provided that the White Form(s) of Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) for the acceptance of the Share Offer, a cheque for the amount representing the cash consideration due to each accepting Qualifying Shareholder in respect of the Shares tendered by him/her/it or his/her/its agent(s) under the Share Offer, less seller's ad valorem stamp duty payable by him/her/it in the case for tendered Shares, will be despatched to each accepting Qualifying Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days from the date of receipt of duly completed acceptances by the Registrar.
- (b) Settlement of the consideration to which any of the Qualifying Shareholders is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying Shareholders.

**B. Option Offer**

- (a) Provided that the Yellow Form(s) of Acceptance of the outstanding Options, Option certificate(s) and the relevant letter(s) of grant in respect of the Option(s) so tendered for acceptance are complete and in good order and have been received by the company secretary of the Company not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code), a cheque for the amount due to each of the accepting Qualifying Optionholder(s) in respect of the Options, surrendered by the relevant Optionholder(s) will be despatched to each of them as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

- (b) Settlement of the consideration to which any accepting Qualifying Optionholder(s) is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder(s).

If the Offers are withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of the Shares (and/or any satisfactory indemnity or indemnities required in respect thereof) and (in respect of Option(s) so tendered for acceptance) the Option certificates and the relevant letter(s) of grant lodged with the Form(s) of Acceptance to the relevant Qualifying Shareholders and the Qualifying Optionholders who have tendered acceptances to the Offers.

## 6. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Offers will be in respect of securities of a company incorporated in the Cayman Islands and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Offers or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Qualifying Shareholders and the Qualifying Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with. Qualifying Shareholders and Qualifying Optionholders should consult their respective professional adviser if in doubt.

## 7. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificate(s) of the Shares and the Options, transfer receipts, letter(s) of grant of Option(s), other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying Shareholders and Qualifying Optionholders will be delivered by or sent to or

from them, or their respective designated agents through ordinary post at their own risk, and none of the Company, the Offeror, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser, the Registrar nor any of their respective directors or agents or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Offer Document and/or the Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to any director of the Offeror, Haitong International Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Share Offer and/or the Option Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, in respect of which such person has accepted the Share Offer and/or the Option Offer.
- (f) Acceptance of the Share Offer and/or the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and Options acquired under the Offers are sold by any such person or persons free from all Encumbrances and together with all rights attaching thereto, including but not limited to all rights to receive in full all dividends or other distributions declared, made or paid, if any, on the Shares by reference to a record date on or after the date on which the Share Offer is made, i.e. the date of this Composite Offer Document.
- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares and/or rights over Shares not acquired under the Offers after the close of the Offers.
- (h) References to the Offers in this Composite Offer Document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Offer Document and the Form(s) of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated statement of comprehensive income and consolidated statement of financial position of the Group for each of the years ended 31 March 2012, 2013 and 2014, respectively, as extracted from the prospectus of the Company dated 13 January 2014 and the published annual report of the Company for the year ended 31 March 2014. The auditors of the Company for each of the years ended 31 March 2012, 2013 and 2014 were KPMG. Their opinions on the consolidated financial statements of the Group for each of the years ended 31 March 2012, 2013 and 2014 were unqualified. There were no exceptional items because of size, nature or incidence in respect of the consolidated statement of comprehensive income of the Group for each of the aforesaid years.

**Consolidated statement of comprehensive income for the three years ended 31 March 2014**

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	159,138	173,995	137,148
Other revenue	196	33	12
Other net income	12	–	(505)
Cost of inventories sold	(32,069)	(31,785)	(23,833)
Staff costs	(34,662)	(31,104)	(16,318)
Depreciation and amortisation	(5,059)	(5,155)	(3,403)
Property rentals and related expenses	(33,450)	(30,314)	(20,649)
Advertising and marketing expenses	(15,446)	(18,846)	(10,766)
Other operating expenses	(20,347)	(20,143)	(26,656)
Listing expenses	(15,463)	(2,583)	–
	<u>2,850</u>	<u>34,098</u>	<u>35,030</u>
Profit before taxation	2,850	34,098	35,030
Income tax	(3,435)	(6,064)	(5,863)
	<u>(585)</u>	<u>28,034</u>	<u>29,167</u>
(Loss)/profit and total comprehensive income for the year	<u>(585)</u>	<u>28,034</u>	<u>29,167</u>

**Consolidated statement of financial position for the three years ended 31 March 2014**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15,235	18,679	19,271
Intangible asset	121	415	709
Deferred tax assets	1,983	473	106
	<u>17,339</u>	<u>19,567</u>	<u>20,086</u>
Current assets			
Inventories	2,872	2,222	1,482
Trade and other receivables	31,423	32,405	21,323
Amount due from director	–	1,677	–
Amounts due from related parties	2,191	1,976	–
Amount due from controlling shareholder	–	3,390	3,390
Tax recoverable	1,467	1,012	–
Pledged bank deposits	7,004	6,479	4,467
Cash at bank and in hand	136,379	22,239	12,028
	<u>181,336</u>	<u>71,400</u>	<u>42,690</u>
Current liabilities			
Trade and other payables	34,203	30,706	26,727
Amount due to related party	–	17	449
Amount due to controlling shareholder	–	6,151	6,198
Current taxation	–	2,295	5,354
	<u>34,203</u>	<u>39,169</u>	<u>38,728</u>
Net current assets	<u>147,133</u>	<u>32,231</u>	<u>3,962</u>
Total assets less current liabilities	164,472	51,798	24,048
Non-current liability			
Deferred tax liabilities	–	–	284
NET ASSETS	<u>164,472</u>	<u>51,798</u>	<u>23,764</u>
CAPITAL AND RESERVES			
Share capital	3,126	400	400
Reserves	161,346	51,398	23,364
TOTAL EQUITY	<u>164,472</u>	<u>51,798</u>	<u>23,764</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2014

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2014 as extracted from the annual report of the Company for the year ended 31 March 2014.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2014 (Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Turnover</b>	4	159,138	173,995
Other revenue	5	196	33
Other net income	6	12	–
Cost of inventories sold	7(b)	(32,069)	(31,785)
Staff costs	7(a)	(34,662)	(31,104)
Depreciation and amortisation		(5,059)	(5,155)
Property rentals and related expenses		(33,450)	(30,314)
Advertising and marketing expenses		(15,446)	(18,846)
Other operating expenses		(20,347)	(20,143)
Listing expenses		(15,463)	(2,583)
<b>Profit before taxation</b>	7	2,850	34,098
Income tax	8(a)	(3,435)	(6,064)
<b>(Loss)/profit and total comprehensive income for the year</b>		<u>(585)</u>	<u>28,034</u>
<b>(Loss)/earnings per share</b>	12		
Basic and diluted		<u>(0.3) cent</u>	<u>13.0 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Expressed in Hong Kong dollars)

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	15,235	18,679
Intangible asset	14	121	415
Deferred tax assets	22(b)	1,983	473
		<u>17,339</u>	<u>19,567</u>
		-----	-----
<b>Current assets</b>			
Inventories	16	2,872	2,222
Trade and other receivables	17	31,423	32,405
Amount due from director	18	–	1,677
Amounts due from related parties	18	2,191	1,976
Amount due from controlling shareholder	18	–	3,390
Tax recoverable	22(a)	1,467	1,012
Pledged bank deposits	20	7,004	6,479
Cash at bank and in hand		136,379	22,239
		<u>181,336</u>	<u>71,400</u>
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	21	34,203	30,706
Amount due to related party	19	–	17
Amount due to controlling shareholder	19	–	6,151
Current taxation	22(a)	–	2,295
		<u>34,203</u>	<u>39,169</u>
		-----	-----
<b>Net current assets</b>		<u>147,133</u>	<u>32,231</u>
		-----	-----
<b>NET ASSETS</b>		<u>164,472</u>	<u>51,798</u>
		-----	-----
<b>CAPITAL AND RESERVES</b>			
Share capital	23	3,126	400
Reserves		161,346	51,398
		<u>164,472</u>	<u>51,798</u>
		-----	-----
<b>TOTAL EQUITY</b>		<u>164,472</u>	<u>51,798</u>
		-----	-----

## STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Expressed in Hong Kong dollars)

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries	15	–	–
<b>Current assets</b>			
Other receivables	17	–	805
Amount due from subsidiary	19	20,528	–
Cash at bank and in hand		116,511	–
		137,039	805
<b>Current liabilities</b>			
Other payables	21	87	–
Amount due to subsidiary	19	26,391	3,344
		26,478	3,344
<b>Net current assets/(liabilities)</b>		110,561	(2,539)
<b>NET ASSETS/(LIABILITIES)</b>		110,561	(2,539)
<b>CAPITAL AND RESERVES</b>			
Share capital	23	3,126	–
Reserves		107,435	(2,539)
<b>TOTAL EQUITY</b>		110,561	(2,539)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014 (Expressed in Hong Kong dollars)

	Notes	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 April 2012</b>		400	–	2,500	20,864	23,764
<b>Changes in equity for the year ended 31 March 2013:</b>						
Profit and total comprehensive income for the year		–	–	–	28,034	28,034
<b>Balance at 31 March 2013 and 1 April 2013</b>		400	–	2,500	48,898	51,798
<b>Changes in equity for the year ended 31 March 2014:</b>						
Reorganisation	23(c)	(400)	–	–	–	(400)
Dividend paid	23(b)	–	–	–	(10,000)	(10,000)
Capitalisation issue	23(c)(i)	2,160	(2,160)	–	–	–
Shares issued under initial public offering, net of share issuance expenses	23(c)(ii)	966	122,693	–	–	123,659
Loss and total comprehensive income for the year		–	–	–	(585)	(585)
<b>Balance at 31 March 2014</b>		<b>3,126</b>	<b>120,533</b>	<b>2,500</b>	<b>38,313</b>	<b>164,472</b>

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 March 2014 (Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Profit before taxation		2,850	34,098
Adjustments for:			
Bank interest income	5	(196)	(33)
Amortisation of intangible asset	7(b)	294	294
Depreciation	7(b)	4,765	4,861
Gain on bargain purchase of subsidiaries	6	(12)	–
<b>Changes in working capital:</b>			
Increase in inventories		(650)	(740)
Decrease/(increase) in trade and other receivables		982	(11,082)
Increase in trade and other payables		3,914	5,762
Decrease in amounts due to related parties		(17)	(432)
		<u>11,930</u>	<u>32,728</u>
<b>Cash generated from operations</b>		11,930	32,728
Hong Kong Profits Tax paid		(7,695)	(10,786)
		<u>4,235</u>	<u>21,942</u>
<b>Net cash generated from operating activities</b>		4,235	21,942
<b>Investing activities</b>			
Increase in pledged bank deposits		(525)	(2,012)
Decrease/(increase) in amount due from director		1,677	(1,677)
Increase in amounts due from related parties		(207)	(1,976)
Decrease in amount due from controlling shareholder		2,990	–
Net cash inflow from acquisition of subsidiaries	24(a)	14	–
Payment for the purchase of property, plant and equipment		(1,748)	(6,052)
Interest received		196	33
		<u>196</u>	<u>33</u>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Net cash generated from/(used in) investing activities</b>	2,397	(11,684)
<b>Financing activities</b>		
Decrease in amount due to controlling shareholder	(6,151)	(47)
Dividend paid	(10,000)	–
Proceeds from shares issued under initial public offering, net of issuance expenses	123,659	–
<b>Net cash generated from/(used in) financing activities</b>	107,508	(47)
<b>Net increase in cash and cash equivalents</b>	114,140	10,211
<b>Cash at bank and in hand at beginning of the year</b>	22,239	12,028
<b>Cash at bank and in hand at end of the year</b>	136,379	22,239



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in Hong Kong dollars)*

**1 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 the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands (the “**Cayman Companies Law**”). The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in operation of clubbing business.

Pursuant to a group reorganisation (the “**Reorganisation**”), the Company became the holding company of companies now comprising the Group on 15 April 2013. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 23 January 2014.

**2 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. The Group has not applied any new or revised standard or interpretation that is not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 April 2013 are set out in note 29.

**(b) Basis of preparation of the financial statements**

The companies that took part in the Reorganisation were controlled by Mr. Yip Mow Lum (“**Mr. Yip**”), a controlling shareholder, prior to and after the Reorganisation. The control is not transitional and consequently, there was a continuation of the risks and benefits to the controlling shareholder. Therefore, the Reorganisation is considered as a business combination of entities under common control and was accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence at the beginning of the reporting periods presented unless the combining companies first came under common control at a later date. The assets and liabilities of the combining companies are consolidated using the existing book value from the controlling shareholder’s perspective.

The consolidated financial statements for the year ended 31 March 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

**(c) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations in which all of the combining entities are ultimately controlled by the Controlling Shareholder both before and after the business combination and that control is not transitory.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)), unless the investment is classified as held for sale.

**(d) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	Over the unexpired term of lease
– Furniture, fixtures and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**(f) Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimate useful lives. Customer relationships are amortised over their estimated useful lives of 4 years.

Both the period and method of amortisation are reviewed annually.

**(g) Operating lease charges**

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(h) Impairment of assets***(i) Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable

amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(i) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(j) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(k) Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(m) Employee benefits***(i) Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Retirement benefits*

Retirement benefits are provided by the Group under the Mandatory Provident Fund Scheme as defined contribution schemes. The employer's monthly contributions to the scheme are at a maximum of 5% of each employee's monthly salary, subject to a cap of monthly relevant income of HK\$20,000, or HK\$25,000 after 1 June 2012.

The cost of all these schemes is charged to profit or loss of the Group for the years concerned and the assets of all these schemes are held separately from those of the Group.

**(n) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- (i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- (ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(o) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(p) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Sale of beverages and tobacco products*

Revenue from sale of beverages and tobacco products is recognised at the point of sale to customers.

Prepayments from customers in respect of the membership schemes operated by the Group which are considered to be unearned at the reporting date are shown as receipts in advance in the consolidated statement of financial position.

*(ii) Revenue from club operations*

Revenue from club operations (including entrance fees, cloakroom fees and event rental income) is recognised when the services have been provided to the customers.

*(iii) Sponsorship income*

Sponsorship income is recognised when:

- the promotion events have been held; or
- the services have been rendered, and it is probable that sponsorship income will be granted and the amount can be measured reliably.

*(iv) Interest income*

Interest income is recognised as it accrues using the effective interest method.

**(q) Related parties***(a) A person, or a close member of that person's family, is related to the Group if that person:*

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

*(b) An entity is related to the Group if any of the following conditions applies:*

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.



- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(r) 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 its activities in Hong Kong.

**3 ACCOUNTING JUDGEMENTS AND ESTIMATES**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty are as follows:

**(a) Impairment of non-current assets**

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for the Group's assets are not readily available. In determining value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

**(b) Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

**4 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 years ended 31 March 2014 and 2013.

**5 OTHER REVENUE**

	2014 HK\$'000	2013 HK\$'000
Bank interest income	196	33

**6 OTHER NET INCOME**

	2014 HK\$'000	2013 HK\$'000
Gain on bargain purchase of subsidiaries ( <i>note 24</i> )	12	–

**7 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
<b>(a) Staff costs</b>		
Contributions to defined contribution retirement plans	1,461	1,340
Salaries, wages and other benefits	33,201	29,764
	<u>34,662</u>	<u>31,104</u>
<b>(b) Other items</b>		
Amortisation of intangible asset	294	294
Depreciation	4,765	4,861
Auditors' remuneration	1,076	22
Operating lease charges: minimum lease payments		
– property rentals	29,403	26,519
Cost of inventories sold ( <i>note 16(b)</i> )	32,069	31,785

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## (a) Income tax in the consolidated statement of comprehensive income represents:

	2014 HK\$'000	2013 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	4,094	6,715
Under-provision in respect of prior years	851	–
	<u>4,945</u>	<u>6,715</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,510)	(651)
	<u>3,435</u>	<u>6,064</u>

## (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	<u>2,850</u>	<u>34,098</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned ( <i>notes (i) and (ii)</i> )	470	5,626
Tax effect of non-deductible expenses	2,149	443
Tax effect of non-taxable income	(35)	(5)
Under-provision in respect of prior years	851	–
Actual tax expense	<u>3,435</u>	<u>6,064</u>

*Notes:*

- (i) The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in these jurisdictions.

## 9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Chairman and non-executive director</b>				
Yip Mow Lum	-	-	-	-
<b>Executive directors (Note)</b>				
Chan Chi Wah	-	459	15	474
Mok Kung Yee	-	458	15	473
Tsang Kwok Shan, Sandy	-	598	15	613
Lam Jhug Ching	-	376	15	391
<b>Independent non-executive directors (appointed on 14 November 2013)</b>				
Yung Ha Kuk, Victor	29	-	-	29
Leung Chun Kuen, Noel	29	-	-	29
Lam Kwok Fai, Osmond	29	-	-	29
Total	<u>87</u>	<u>1,891</u>	<u>60</u>	<u>2,038</u>
	2013			
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Chairman and non-executive director</b>				
Yip Mow Lum	-	-	-	-
<b>Executive directors (Note)</b>				
Chan Chi Wah	-	473	15	488
Mok Kung Yee	-	390	15	405
Tsang Kwok Shan, Sandy	-	298	7	305
Lam Jhug Ching	-	335	14	349
Total	<u>-</u>	<u>1,496</u>	<u>51</u>	<u>1,547</u>

Note: Mr. Wong Hei Yan was a director of the Company and he resigned as a director of the Company on 27 June 2013. The remuneration paid to Mr. Wong Hei Yan during the year ended 31 March 2013 and the period from 1 April 2013 to 27 June 2013 was HK\$1,370,000 and HK\$361,000 respectively.

**10 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other emoluments	2,421	2,418
Retirement scheme contributions	44	44
	<u>2,465</u>	<u>2,462</u>

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
HK\$Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>3</u>	<u>3</u>

**11 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY**

The consolidated (loss)/profit attributable to equity shareholders of the Company include a loss of HK\$559,000 (2013: HK\$2,539,000) which has been dealt with the financial statements of the Company.

**12 (LOSS)/EARNINGS PER SHARE****(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$585,000 (2013: profit of HK\$28,034,000) and the weighted average number of 233,375,000 ordinary shares (2013: 216,000,000) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Issued ordinary shares at the date of the prospectus	10	10
Effect of capitalisation issue <i>(note 23(c)(i))</i>	215,990	215,990
Effect of shares issued upon the initial public offering <i>(note 23(c)(ii))</i>	17,375	–
	<u>233,375</u>	<u>216,000</u>
Weighted average number of ordinary shares at 31 March	<u>233,375</u>	<u>216,000</u>

## (b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the years ended 31 March 2014 and 2013 as there were no dilutive potential ordinary shares during that year.

## 13 PROPERTY, PLANT AND EQUIPMENT

## The Group

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>			
At 1 April 2013	14,401	13,931	28,332
Additions	<u>1,289</u>	<u>32</u>	<u>1,321</u>
At 31 March 2014	----- 15,690	----- 13,963	----- 29,653
<b>Accumulated depreciation:</b>			
At 1 April 2013	5,571	4,082	9,653
Charge for the year	<u>2,598</u>	<u>2,167</u>	<u>4,765</u>
At 31 March 2014	----- 8,169	----- 6,249	----- 14,418
<b>Net book value:</b>			
At 31 March 2014	<u><u>7,521</u></u>	<u><u>7,714</u></u>	<u><u>15,235</u></u>
<b>Cost:</b>			
At 1 April 2012	12,256	11,807	24,063
Additions	<u>2,145</u>	<u>2,124</u>	<u>4,269</u>
At 31 March 2013	----- 14,401	----- 13,931	----- 28,332
<b>Accumulated depreciation:</b>			
At 1 April 2012	2,921	1,871	4,792
Charge for the year	<u>2,650</u>	<u>2,211</u>	<u>4,861</u>
At 31 March 2013	----- 5,571	----- 4,082	----- 9,653
<b>Net book value:</b>			
At 31 March 2013	<u><u>8,830</u></u>	<u><u>9,849</u></u>	<u><u>18,679</u></u>

## 14 INTANGIBLE ASSET

## The Group

	<b>Customer relationships</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 April 2013 and 31 March 2014	1,174 -----
<b>Accumulated amortisation:</b>	
At 1 April 2013	759
Charge for the year	294 -----
At 31 March 2014	1,053 -----
<b>Net book value:</b>	
At 31 March 2014	121 =====
	<b>Customer relationships</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 April 2012 and 31 March 2013	1,174 -----
<b>Accumulated amortisation:</b>	
At 1 April 2012	465
Charge for the year	294 -----
At 31 March 2013	759 -----
<b>Net book value:</b>	
At 31 March 2013	415 =====

The amortisation charge for the year is included in “depreciation and amortisation” in the consolidated statement of comprehensive income.

## 15 INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted share, at cost	_*	_*

\* Represented amount less than HK\$1,000

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation	Particulars of issued and fully paid up capital	<u>Proportion of ownership interest</u>			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
New Pride Corporate Limited	BVI	1 share	100%	100%	-	Investment holding
Asiatic Century Limited ("Asiatic Century")	Hong Kong	1 share	100%	-	100%	Provision of administrative services to group companies
Cheerful Raise Limited	Hong Kong	1 share	100%	-	100%	Provision of administrative services to group companies
Club Kingdom The Central Group Limited	Hong Kong	1 share	100%	-	100%	Holding of trademarks
Kind Legend Limited	Hong Kong	10,000 shares	100%	-	100%	Operation of clubbing business
Sure Wise Investment Limited	Hong Kong	100 shares	100%	-	100%	Operation of clubbing business

## 16 INVENTORIES

## (a) Inventories in the consolidated statement of financial position:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beverages and other operating items for club operations	2,872	2,222

## (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	32,069	31,785



## 17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	2,275	4,502	-	-
Deposits, prepayments and other receivables	29,148	27,903	-	805
	<u>31,423</u>	<u>32,405</u>	<u>-</u>	<u>805</u>

At 31 March 2013 and 2014, none of the Group's trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

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 HK\$13,702,000 (2013: HK\$14,342,000), 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.

**Ageing analysis**

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:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Within 1 month	2,206	4,153
Over 1 month to 2 months	-	238
Over 2 months	69	111
	<u>2,275</u>	<u>4,502</u>

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

## 18 AMOUNTS DUE FROM DIRECTOR, RELATED PARTIES AND CONTROLLING SHAREHOLDER

The amounts due from director, related parties and controlling shareholder disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

<b>Name of borrower</b>	Mr. Wong Hei Yan	Mr. Yip	Asiatic Century	Bright Smart Securities International (H.K.) Limited ("BSSI")	China Finance (Worldwide) Limited	Colorline Limited	Goal Speed Limited	Leonart Limited	Jetsky Corporation Limited	Gold Allied Limited
<b>Relationship</b>	Director (resigned on 27 June 2013) and key management personnel	Director and the controlling shareholder	Company controlled by Mr. Wong Hei Yan before 15 April 2013 (note 24(a))	Company controlled by Mr. Yip	Company controlled by Mr. Yip	Company controlled by Mr. Wong Hei Yan	Company controlled by Mr. Wong Hei Yan	Company controlled by Mr. Yip	Company controlled by Mr. Yip	Company controlled by Mr. Lam Jhug Ching
<b>Terms of the loan</b>										
- duration and repayment terms	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand	Repayable on demand
- interest rate	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free	Interest-free
- security/guarantee	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance of the loan</b>										
- at 1 April 2012	HK\$Nil	HK\$3,390,000	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil
- at 31 March 2013 and 1 April 2013	HK\$1,677,000	HK\$3,390,000	HK\$1,000	HK\$Nil	HK\$577,000	HK\$105,000	HK\$310,000	HK\$513,000	HK\$350,000	HK\$120,000
- at 31 March 2014	HK\$2,160,000	HK\$Nil	HK\$Nil	HK\$31,000	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil	HK\$Nil
<b>Maximum balance outstanding</b>										
- during 2014	HK\$2,160,000	HK\$3,390,000	HK\$1,000	HK\$31,000	HK\$577,000	HK\$105,000	HK\$310,000	HK\$513,000	HK\$350,000	HK\$120,000
- during 2013	HK\$1,677,000	HK\$3,390,000	HK\$1,000	HK\$Nil	HK\$577,000	HK\$105,000	HK\$310,000	HK\$513,000	HK\$350,000	HK\$120,000

The above amounts were fully settled in April 2014. There were no amounts due but unpaid, nor any provision made against the principal amount at 31 March 2013 and 2014.

## 19 AMOUNTS DUE FROM/(TO) SUBSIDIARY, RELATED PARTY AND CONTROLLING SHAREHOLDER

The amounts due from/(to) subsidiary, related party and controlling shareholder are unsecured, interest free and recoverable/(repayable) on demand.

## 20 PLEDGED BANK DEPOSITS

The amounts are pledged to secure (i) bank guarantee issued to the landlord which the Group entered into a tenancy agreement; (ii) banking services relating to credit card sale arrangement; and (iii) banking facilities.

## 21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	1,854	3,217	-	-
Other payables and accrued charges	19,254	13,789	87	-
Receipts in advance	13,095	13,700	-	-
	<u>34,203</u>	<u>30,706</u>	<u>87</u>	<u>-</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Receipts in advance represent the prepayments from customers in respect of the membership schemes operated by the Group.

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:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Within 3 months	<u>1,854</u>	<u>3,217</u>

## 22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## (a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	4,094	6,715
Provisional Profits Tax paid	<u>(4,600)</u>	<u>(6,243)</u>
	(506)	472
Balance of Profits Tax provision relating to prior years	<u>(961)</u>	<u>811</u>
	<u><u>(1,467)</u></u>	<u><u>1,283</u></u>
<b>Represented by:</b>		
Tax recoverable	(1,467)	(1,012)
Tax payable	<u>–</u>	<u>2,295</u>
	<u><u>(1,467)</u></u>	<u><u>1,283</u></u>

## (b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

**The Group**

	Depreciation less than/ (in excess of) the related depreciation allowances <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Deferred tax arising from:</b>				
At 1 April 2012	60	118	–	178
Credited to profit or loss	<u>(298)</u>	<u>(49)</u>	<u>(304)</u>	<u>(651)</u>
At 31 March 2013	<u>(238)</u>	<u>69</u>	<u>(304)</u>	<u>(473)</u>
At 1 April 2013	(238)	69	(304)	(473)
Credited to profit or loss	<u>(766)</u>	<u>(49)</u>	<u>(695)</u>	<u>(1,510)</u>
At 31 March 2014	<u><u>(1,004)</u></u>	<u><u>20</u></u>	<u><u>(999)</u></u>	<u><u>(1,983)</u></u>

## 23 CAPITAL, RESERVES AND DIVIDENDS

## (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

## The Company

	Share capital HK\$'000 <i>(note 23(c))</i>	Share premium HK\$'000 <i>(note 23(d)(i))</i>	Accumulated losses HK\$'000	Total HK\$'000
<b>Balance at 14 January 2013 (date of incorporation)</b>	–	–	–	–
<b>Changes in equity for the period ended 31 March 2013:</b>				
Share issued <i>(note 23(c))</i>	–*	–	–	–*
Loss and total comprehensive income for the period	–	–	(2,539)	(2,539)
<b>Balance at 31 March 2013 and 1 April 2013</b>	–	–	(2,539)	(2,539)
<b>Changes in equity for year ended 31 March 2014:</b>				
Shares issued <i>(note 23(c))</i>	–*	–	–	–*
Dividend paid <i>(note 23(b))</i>	–	–	(10,000)	(10,000)
Capitalisation issue <i>(note 23(c)(i))</i>	2,160	(2,160)	–	–
Shares issued under initial public offering, net of share issuance expenses <i>(note 23(c)(ii))</i>	966	122,693	–	123,659
Loss and total comprehensive income for the year	–	–	(559)	(559)
<b>Balance at 31 March 2014</b>	<b>3,126</b>	<b>120,533</b>	<b>(13,098)</b>	<b>110,561</b>

\* Represented amount less than HK\$1,000

**(b) Dividend**

On 24 October 2013, the Company declared a dividend of HK\$10,000,000 to the controlling shareholder. Such dividend represented dividend declared prior to the initial public offering of the Company. The rate of dividend per share is not presented as it does not indicate of the rate at which future dividends will be declared.

The directors do not recommend the payment of final dividend for the year ended 31 March 2014.

**(c) Share capital**

	2014		2013	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 April 2013/14 January 2013 (date of incorporation)	–*	–*	–	–
Shares issued	10	–*	–*	–*
Capitalisation issue ( <i>note (i)</i> )	215,990	2,160	–	–
Shares issued under initial public offering ( <i>note (ii)</i> )	96,600	966	–	–
At 31 March	312,600	3,126	–*	–*

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

The Company was incorporated on 14 January 2013 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each. On 14 January 2013 and 19 April 2013, 1 share and 9,999 shares of HK\$0.01 were allotted and issued as fully paid at par respectively.

Upon the completion of the Reorganisation on 15 April 2013, the Company became the holding company of the Group.

Since the Reorganisation was not completed on 31 March 2013, the share capital in the consolidated statement of financial position as at 31 March 2013 represented an aggregate amount of the paid-in capital of the companies comprising the Group.

As at 31 March 2014, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

*Notes:*

- (i) Pursuant to written resolutions of the Company's shareholders passed on 7 January 2014, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the initial public offering, the directors were authorised to allot and issue a total of 215,990,000 shares, by way of capitalisation of the sum of HK\$2,160,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the controlling shareholder.
- (ii) On 23 January 2014 and 10 February 2014, the Company issued 84,000,000 shares and 12,600,000 shares (i.e. over-allotment) respectively with a par value of HK\$0.01 each, at a price of HK\$1.5 per share by way of a global initial public offering to Hong Kong and international investors. Net proceeds from such issue amounted to HK\$123,659,000 (after offsetting share issuance expenses of HK\$21,241,000), of which HK\$966,000 and HK\$122,693,000 were recorded in share capital and share premium respectively.

**(d) Nature and purpose of reserves**

*(i) Share premium*

The share premium represents the difference between the nominal value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Cayman Companies Law, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of the business.

*(ii) Capital reserve*

The capital reserve represents the cash paid for the acquisition of subsidiaries contributed by the controlling shareholder in September 2010.

**(e) Distributability of reserves**

As at 31 March 2014, the Company's reserves available for distribution to equity shareholders of the Company was HK\$107,435,000 (2013: HK\$Nil).

**(f) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. At 31 March 2014 and 2013, the ratio of the Group's total liabilities over its total assets was 17% and 43% respectively.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

## 24 ACQUISITION OF SUBSIDIARIES

- (a) On 15 April 2013, the Group acquired Prime Sunlight Limited, Asiatic Century, Best Season Corporation Limited and Dragon Praise Limited from Mr. Wong Hei Yan at a total consideration of less than HK\$1,000. The principal activities of these companies are provision of administrative services to the subsidiaries of the Group.

The management determined that these subsidiaries would not have significant impact to the consolidated turnover and consolidated loss of the Group for the year ended 31 March 2014 if the acquisition had occurred on 1 April 2013.

The identifiable assets acquired and liabilities assumed from the acquisition are as follows:

	Pre-acquisition carrying amounts <i>HK\$'000</i>	Recognised values on acquisition <i>HK\$'000</i>
Amounts due from related parties	8	8
Cash at bank and in hand	14	14
Trade and other payables	(10)	(10)
Total identifiable net assets	<u>12</u>	<u>12</u>
Gain on bargain purchase ( <i>note 6</i> )		<u>(12)</u>
Total consideration		<u><u>-*</u></u>
Net cash inflow arising on acquisition: – cash acquired		<u><u>14</u></u>

\* Represented amount less than HK\$1,000

- (b) On 28 March 2013 and 31 March 2013, the Group acquired the entire shareholdings of Clubbing Kingdom Management Limited, Ease Goal Management Limited, Easy Large Limited, Joyful Mercy Limited and Honor Legend Limited (collectively known as the “2013 Acquired Subsidiaries”), from Mr. Wong Hei Yan and Mr. Lam Jhug Ching at a total consideration of less than HK\$1,000. The principal activities of the 2013 Acquired Subsidiaries are mainly the provision of management services to the subsidiaries of the Group.

The management determined that the 2013 Acquired Subsidiaries would not have significant impact to the consolidated turnover and consolidated profit for the year ended 31 March 2013 if the acquisitions had occurred on 1 April 2012.



The identifiable assets acquired and liabilities assumed from the acquisition are as follows:

	Pre-acquisition carrying amounts <i>HK\$'000</i>	Recognised values on acquisition <i>HK\$'000</i>
Trade and other receivables	3,347	3,347
Trade and other payables	(3,347)	(3,347)
	<hr/>	<hr/>
Total identifiable net assets	—	—
	<hr/> <hr/>	<hr/> <hr/>
Total consideration		—*
		<hr/> <hr/>

\* Represented amount less than HK\$1,000

- (c) On 29 May 2012, the Group acquired the entire shareholdings of Club Kingdom The Central Group Limited from Mr. Wong Hei Yan at a consideration of less than HK\$1,000. The identifiable assets acquired and liabilities assumed from the acquisition are less than HK\$1,000. The principal activity of this company is the holding of trademarks.

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to credit risk on an ongoing basis. Credit risk in respect of trade receivables is limited as the balances are due from financial institutions with high individual credit rating.

The Group does not provide any guarantees which would expose the Group to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

### (b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All of the Group's liabilities are carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

**(c) Interest rate risk**

The Group has no interest-bearing liability and thus the directors consider the Group's exposure to interest rate risk is minimal.

**(d) Currency risk**

The Group's businesses are principally conducted in Hong Kong dollars and most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant.

**(e) Fair values**

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 2013.

**26 COMMITMENTS**

At 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	32,005	30,580
After 1 year but within 5 years	22,133	38,037
	54,138	68,617

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to eight years with an option to renew the lease. None of the leases includes contingent rentals.

**27 MATERIAL RELATED PARTY TRANSACTIONS**

During the years ended 31 March 2014 and 2013, transactions with the following parties are considered to be related party transactions:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Mr. Yip	Director and the controlling shareholder
Mr. Wong Hei Yan	Director (resigned on 27 June 2013) and key management personnel
Asiatic Century	Controlled by Mr. Wong Hei Yan before 15 April 2013 ( <i>note 24(a)</i> )
BSSI	Controlled by Mr. Yip

**(a) Transactions with related parties**

In addition to the transactions and balance disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Club management fee paid to – Asiatic Century	–	204
Consultancy fee paid to – BSSI	–	400

**(b) Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other short-term employee benefits	3,442	2,839
Retirement scheme contributions	90	78
	<u>3,532</u>	<u>2,917</u>

Total remuneration is disclosed in "staff costs" (see note 7(a)).

**28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At 31 March 2014, the directors consider the immediate parent of the Group to be Rainbow Key Investments Limited, which is incorporated in the BVI, and the ultimate controlling party of the Group to be Mr. Yip. None of the parties produces financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	Not yet established by HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and a new standard is expected to be in the period of initial application. So far it has concluded that their adoption is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

### 3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The following is the full text of the unaudited consolidated financial statements of the Group for the six months ended 30 September 2014 as extracted from the interim report of the Company for the six months ended 30 September 2014. There were no exception items because of size, nature or incidence in respect of the unaudited consolidated financial statements of the Group for the six months ended 30 September 2014.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2014 – unaudited (Expressed in Hong Kong dollars)*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2014</b>	<b>2013</b>
		\$'000	\$'000
<b>Turnover</b>	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)
		<hr/>	<hr/>
<b>Profit before taxation</b>	6	13,256	9,871
Income tax	7	(2,006)	(2,347)
		<hr/>	<hr/>
<b>Profit and total comprehensive income for the period</b>		<b>11,250</b>	<b>7,524</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>	8		
Basic and diluted		3.6 cents	3.5 cents
		<hr/> <hr/>	<hr/> <hr/>

## 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
	<i>Note</i>		
<b>Non-current assets</b>			
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
		-----	-----
		26,498	17,339
		-----	-----
<b>Current assets</b>			
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	11	7,020	7,004
Cash at bank and in hand		127,507	136,379
		-----	-----
		176,069	181,336
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	12	26,430	34,203
Current taxation		415	–
		-----	-----
		26,845	34,203
		-----	-----
<b>Net current assets</b>		-----	-----
		149,224	147,133
		-----	-----
<b>NET ASSETS</b>		-----	-----
		175,722	164,472
		-----	-----
<b>CAPITAL AND RESERVES</b>	13		
Share capital		3,126	3,126
Reserves		172,596	161,346
		-----	-----
<b>TOTAL EQUITY</b>		-----	-----
		175,722	164,472
		-----	-----

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2014 – unaudited (Expressed in Hong Kong dollars)*

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 April 2013</b>	400	–	2,500	48,898	51,798
<b>Changes in equity for the six months ended 30 September 2013:</b>					
Reorganisation	(400)	–	–	–	(400)
Profit and total comprehensive income for the period	–	–	–	7,524	7,524
<b>Balance at 30 September 2013 and 1 October 2013</b>	–*	–	2,500	56,422	58,922
<b>Changes in equity for the six months ended 31 March 2014:</b>					
Dividend paid	–	–	–	(10,000)	(10,000)
Capitalisation issue	2,160	(2,160)	–	–	–
Shares issued under initial public offering, net of share issuance expenses	966	122,693	–	–	123,659
Loss and total comprehensive income for the period	–	–	–	(8,109)	(8,109)
<b>Balance at 31 March 2014 and 1 April 2014</b>	3,126	120,533	2,500	38,313	164,472
<b>Changes in equity for the six months ended 30 September 2014:</b>					
Profit and total comprehensive income for the period	–	–	–	11,250	11,250
<b>Balance at 30 September 2014</b>	<u>3,126</u>	<u>120,533</u>	<u>2,500</u>	<u>49,563</u>	<u>175,722</u>

\* Represented an amount less than \$1,000

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2014 – unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	30 September 2014 \$'000	2013 \$'000
<b>Operating activities</b>		
Cash generated from operations	2,666	9,694
Tax paid	(362)	–
<b>Net cash generated from operating activities</b>	2,304	9,694
<b>Investing activities</b>		
Prepayments for property, plant and equipment	(7,186)	–
Payment for the purchase of property, plant and equipment	(6,002)	(1,267)
Other cash flows arising from investing activities	2,012	5,417
<b>Net cash (used in)/generated from investing activities</b>	(11,176)	4,150
<b>Net cash used in financing activity</b>	–	(6,151)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(8,872)	7,693
<b>Cash and cash equivalents at beginning of the period</b>	136,379	22,239
<b>Cash and cash equivalents at end of the period</b>	127,507	29,932



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

*(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 financial report 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 financial report 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 preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the financial year ended 31 March 2014. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 19 and 20.

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
	<u>917</u>	<u>22</u>

**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
	<u>(33)</u>	<u>12</u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2014 \$'000	2013 \$'000
<b>(a) Staff costs (including directors' remuneration)</b>		
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>(b) Property rentals</b>		
Operating lease charges: minimum lease payments – property rentals	15,386	14,545
Less: Property rentals capitalised into property, plant and equipment	(1,160)	–
	<u>14,226</u>	<u>14,545</u>
<b>(c) Other items</b>		
Amortisation of intangible asset	121	146
Depreciation	2,985	2,386
Cost of inventories sold	17,508	16,295
	<u>17,934</u>	<u>16,295</u>

## 7 INCOME TAX

	Six months ended 30 September	
	2014 \$'000	2013 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	2,244	2,756
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(238)	(409)
	<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	69	69
Total trade receivables	2,096	2,275
Deposits, prepayments and other receivables	35,270	29,148
	<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 PLEDGED BANK DEPOSITS**

The amounts are pledged to secure (i) bank guarantee issued to the landlord which the Group entered into a tenancy agreement; (ii) banking services relating to credit card sale arrangement; and (iii) banking facilities.

## 12 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	12,474	13,095
	<u>26,430</u>	<u>34,203</u>

## 13 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
<b>Authorised:</b>				
Ordinary shares of \$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
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

## 14 COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2014 not provided for in this interim financial report were as follows:

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Contracted for	14,277	–

- (b) At 30 September 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Within 1 year	29,443	32,005
After 1 year but within 5 years	8,636	22,133
	<u>38,079</u>	<u>54,138</u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to eight years with an option to renew the lease. None of the leases includes contingent rentals.

## 15 MATERIAL RELATED PARTY TRANSACTIONS

**Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended	
	30 September 2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	2,183	1,686
Retirement scheme contributions	52	45
	<u>2,235</u>	<u>1,731</u>

**4. INDEBTEDNESS**

At the close of business on 28 February 2015, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Offer Document, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee.

**5. MATERIAL CHANGE**

As at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.



## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statements in this Composite Offer Document misleading.

The sole director of the Offeror and Ze Hui accepts full responsibility for the accuracy of the information contained in this Composite Offer Document (other than that relating to the Group and parties acting in concert with it) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Group and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statements in this Composite Offer Document misleading.

## 2. CORPORATE INFORMATION OF THE COMPANY

The Company is incorporated in the Cayman Islands with limited liability. Its registered office is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108 Cayman Islands and its headquarters and principal place of business in Hong Kong is at 22/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong. The joint company secretaries of the Company are Ms. Tsang Kwok Shan, Sandy and Mr. Chan Hon Ki.

## 3. SHARE CAPITAL OF THE COMPANY

### Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<b>Shares</b>	<i>HK\$</i>
<i>Authorised:</i>	
10,000,000,000	100,000,000
Authorised share capital of HK\$100,000,000 divided into 10,000,000,000 Shares	
<i>Issued and fully paid:</i>	
314,190,000	3,141,900
Issued and paid up share capital of HK\$3,141,900 divided into 314,190,000 Shares	

Since 31 March 2014 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company save for the issue of Shares pursuant to exercise of Options as disclosed below:

<b>Date of exercise of Options</b>	<b>Number of Shares issued pursuant to the exercise of such outstanding Options</b>
9 February 2015	162,000
26 February 2015	32,000
12 March 2015	186,000
24 March 2015	466,000
30 March 2015	556,000
13 April 2015	188,000

All of the Shares currently in issue are fully paid up and rank pari passu in all respects with each other, including, in particular, as to dividends, voting and capital.

As at the Latest Practicable Date, the Company had 1,094,000 outstanding Options.

Save for the Shares and the outstanding Options, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Interests of the Directors in the Shares or Options

As at the Latest Practicable Date, the interests of the Directors in the Shares and Options were as follows:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares interested</b> <i>(Note 2)</i>	<b>Approximate percentage of the existing issued share capital of the Company</b> <i>(Note 1)</i>
Mr. Chan Chi Wah	Beneficial owner	150,000	0.05%
Ms. Mok Kung Yee	Beneficial owner	150,000	0.05%
Ms. Tsang Kwok Shan, Sandy	Beneficial owner	150,000	0.05%
Mr. Lam Jhug Ching	Beneficial owner	150,000	0.05%

Name of Director	Nature of interest	Number of Shares interested (Note 2)	Approximate percentage of the existing issued share capital of the Company (Note 1)
Mr. Yung Ha Kuk, Victor	Beneficial owner	100,000	0.03%
Mr. Leung Chun Kuen, Noel	Beneficial owner	100,000	0.03%
Mr. Lam Kwok Fai, Osmond	Beneficial owner	100,000	0.03%

*Notes:*

1. On the basis of 314,190,000 Shares in issue as at the Latest Practicable Date.
2. These Shares represented certain outstanding Options granted to the following persons, details of which are set out below:

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Mr. Chan Chi Wah	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Ms. Mok Kung Yee	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Ms. Tsang Kwok Shan, Sandy	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Mr. Lam Jhug Ching	28 November 2014	0.99	28 November 2014 to 27 November 2017	150,000
Mr. Yung Ha Kuk, Victor	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000
Mr. Leung Chun Kuen, Noel	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Mr. Lam Kwok Fai, Osmond	28 November 2014	0.99	28 November 2014 to 27 November 2017	100,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any Shares or other securities of the Company carrying voting rights, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights.

**(b) Interests of the Offeror, its sole director, Mr. Zheng Jian Jiang and parties acting in concert with any of them in the Shares**

As at the Latest Practicable Date, save as disclosed below, none of the Offeror, its sole director, Mr. Zheng Jian Jiang and parties acting in concert with the Offeror had interests in any Shares or other securities carrying voting rights, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company (Note)
the Offeror	Beneficial owner	216,000,000	68.75%

*Note:* On the basis of 314,190,000 Shares in issue as at the Latest Practicable Date.

(c) **Other interests**

As at the Latest Practicable Date,

- (1) save as disclosed in sub-paragraphs (a) and (b) of paragraph 4 above:
  - (i) none of the Offeror, its sole director or any parties acting in concert with any of them had any interests in or owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights; and
  - (ii) none of the Directors had any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives in respect of Shares or other securities of the Company carrying voting rights or of the equity share capital or any convertible securities, warrants, options or derivatives in respect of the equity share capital of the Offeror;
- (2) there is no shareholding in the Company owned or controlled by any persons who, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the Offers;
- (3) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with the Offeror in relation to the shareholdings in the Company;
- (4) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code in relation to the shareholdings in the Company;
- (5) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights which the Offeror or any parties acting in concert with it has borrowed or lent;
- (6) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of Shares or other securities of the Company carrying voting rights which the Company or any Directors had borrowed or lent;

- (7) the Company had no interest in the equity share capital or any convertible securities, warrants, options or derivatives in respect of the equity share capital of the Offeror;
- (8) save that Mr. Chan Nim Leung Leon, an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code, owned 106,000 Shares as at the Latest Practicable Date, no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of Shares or other securities of the Company carrying voting rights was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser);
- (9) there is no agreement or arrangement to which the Offeror, Mr. Zheng Jian Jiang or parties acting in concert with any of them is a party which relates to circumstances in which it/he may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (10) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights were managed on a discretionary basis by non-exempt discretionary fund managers or principal traders connected with the Offeror; and
- (11) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights were managed on a discretionary basis by non-exempt discretionary fund managers or principal traders connected with the Company.

## 5. DEALINGS IN SECURITIES

During the Relevant Period,

- (i) save for the purchase of the Sale Shares by the Offeror under the Share Purchase Agreement, none of the Offeror, its sole director, Mr. Zheng Jian Jiang nor any parties acting in concert with any of them had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights;
- (ii) no person, with whom the Offeror or any parties acting in concert with it has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights;

- (iii) the Company had not dealt for value in the equity share capital or any convertible securities, warrants, options or derivatives in respect of the equity share capital of the Offeror;
- (iv) save for the sale of the Sale Shares by Rainbow Key (a company wholly-owned by Mr. Yip, a non-executive Director) under the Share Purchase Agreement, none of the Directors had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights, or the equity share capital or any convertible securities, warrants, options or derivatives in respect of the equity share capital of the Offeror;
- (v) save that on 30 March 2015, 100,000 Shares were allotted and issued to Mr. Chan Nim Leung Leon, an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code, upon exercise of his options at an exercise price of HK\$0.99 per Share, none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights;
- (vi) no person, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights; and
- (vii) no fund managers connected with the Company had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights.

## 6. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$3.07 per Share (on 23 March 2015) and HK\$0.90 per Share (on 7, 10 and 11 November 2014 and 12 January 2015) respectively.

- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	<b>Closing price</b> (HK\$)
31 July 2014	1.14
29 August 2014	1.02
30 September 2014	0.92
31 October 2014	0.92
28 November 2014	0.99
31 December 2014	0.91
30 January 2015	1.27
27 February 2015	1.84
12 March 2015 (being the Last Trading Day)	1.77
31 March 2015	2.70
21 April 2015 (being the Latest Practicable Date)	2.83

*Note:* trading was halted on 29 January 2015 and from 13 March 2015 to 18 March 2015, both dates inclusive.

## 7. MATERIAL LITIGATION

To the best of Directors' knowledge, information and belief, no member of the Group was engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

## 8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

## 9. MATERIAL CONTRACTS

The following material contract (being contracts that were not entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by member(s) of the Group within the two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date:

- (a) the deed of non-competition dated 3 January 2014 and executed by Rainbow Key and Mr. Yip in favour of the Company, pursuant to which Rainbow Key and Mr. Yip undertook to the Company (for itself and for the benefit of each member of the Group) that, with effect from the date on which the Shares are listed on the Stock Exchange and for so long as the Shares remain so listed on



the Stock Exchange and Rainbow Key and Mr. Yip are individually or collectively with any of their associates interested directly or indirectly in not less than 30% of the issued share capital in the Company, Rainbow Key, Mr. Yip or their respective associates shall not (i) directly or indirectly engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business carried on by the Group; and (ii) indirectly or indirectly take any action which constitutes an interference with or a disruption of the business carried on by the Group;

- (b) the deed of indemnity dated 3 January 2014 and executed by Rainbow Key and Mr. Yip in favour of the Company (for itself and for benefit of its then subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters: (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property to any member of the Group at any time on or before the listing of the Shares on the Stock Exchange (“**Listing Date**”); (b) tax liabilities which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date; and (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of the Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations occurred on or before the Listing Date; and
- (c) the conditional Hong Kong underwriting agreement dated 10 January 2014 entered into by, among others, the Company, BOCOM International Securities Limited and other Hong Kong underwriters pursuant to which, inter alia, the Hong Kong underwriters severally agreed to underwrite the 8,400,000 new Shares initially being offered by the Company for subscription by public, subject to adjustments in accordance with the terms thereof.

## 10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Offer Document:

<b>Name</b>	<b>Qualification</b>
Haitong International Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
Haitong International Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance
Fortune Financial	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

Each of Haitong International Capital, Haitong International Securities and Fortune Financial has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter or advice and/or references to its name, in the form and context in which it appears.

#### 11. GENERAL

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (b) As at the Latest Practicable Date, save for the arrangement set out under the section headed “Change of board composition of the Company” in the “Letter from Haitong International Securities” of this Composite Offer Document, where it is expected that all eight members of the existing Board, namely (i) Mr. Chan Chi Wah (executive Director), (ii) Ms. Mok Kung Yee (executive Director), (iii) Ms. Tsang Kwok Shan, Sandy (executive Director), (iv) Mr. Lam Jhug Ching (executive Director), (v) Mr. Yip (non-executive Director), (vi) Mr. Yung Ha Kuk, Victor (independent non-executive Director), (vii) Mr. Leung Chun Kuen Noel (independent non-executive Director) and (viii) Mr. Lam Kwok Fai, Osmond (independent non-executive Director), will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being after the close of the Offers), there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the Offers.
- (c) Up to the Latest Practicable Date, (i) Mr. Yung Ha Kuk, Victor, Mr. Leung Chun Kuen, Noel and Mr. Lam Kwok Fai, Osmond, all being independent non-executive Directors and holders of such Options as set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Offer Document, intended to accept the Option Offer in respect of all the Options owned by him/her and (ii) none of Mr. Chan Chi Wah, Ms. Mok Kung Yee, Ms. Tsang Kwok Shan, Sandy and Mr. Lam Jhug Ching, all being executive Directors and holders of such Options as set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Offer Document, intended to accept or reject the Option Offer in respect of all the Options owned by him/her.
- (d) Save for the Share Purchase Agreement entered into between the Offeror, Rainbow Key and Mr. Yip in which Mr. Yip (being a non-executive Director) has a material personal interest, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

- (e) As at the Latest Practicable Date, the Offeror had no intention to transfer, charge or pledge any Shares validly tendered for acceptance under the Share Offer to any person.
- (f) As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within six months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.
- (g) The joint company secretaries of the Company are Ms. Tsang Kwok Shan, Sandy and Mr. Chan Hon Ki. Ms. Tsang Kwok Shan, Sandy is a fellow member of the Association of Chartered Certified Accountants. Mr. Chan Hon Ki is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (h) The registered office of the Company is at Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman, KY1-1108, Cayman Islands. The headquarters and principal place of business in Hong Kong of the Company is at 22/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong.
- (i) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is Suite 4018, 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (j) The principal parties acting in concert with the Offeror are Ze Hui and Mr. Zheng Jian Jiang.
- (k) Mr. Zheng Jian Jiang, who is a party acting in concert with the Offeror under the Takeovers Code, is the sole beneficial owner and sole director of Ze Hui, which in turn is the sole beneficial owner of the Offeror. Mr. Zheng Jian Jiang is also the sole director of the Offeror. The address of Mr. Zheng Jian Jiang is Suite 4018, 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (l) The registered office of Ze Hui is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Ze Hui in Hong Kong is Suite 4018, 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

- (m) The financial adviser to the Offeror in respect of the Offers is Haitong International Capital. The fellow subsidiary of Haitong International Capital, Haitong International Securities, is making the Offers on behalf of the Offeror. The registered address of both of Haitong International Capital and Haitong International Securities is 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (n) The Cayman Islands share registrar and transfer office of the Company is Appleby Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman, KY1-1108, Cayman Islands.
- (o) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (p) The registered office of Fortune Financial is at 35/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (q) The English text of this Composite Offer Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in the case of inconsistency.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m.) on Monday to Friday, except for public holidays, at (i) the principal place of business of the Company at 22/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong; and (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the website of the Company at ([www.magnumentertainment.com.hk](http://www.magnumentertainment.com.hk)) for so long as the Offers remain open for acceptance during the period from the date of this Composite Offer Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of the Company valid as at the Latest Practicable Date;
- (b) the memorandum and articles of association of the Offeror valid as at the Latest Practicable Date;
- (c) the Company's prospectus dated 13 January 2014, which contains, among others, the consolidated financial statements of the Company for the year ended 31 March 2013;
- (d) the annual report of the Company for the year ended 31 March 2014;
- (e) the interim report of the Company for the six months ended 30 September 2014;

- (f) the letter from Haitong International Securities as set out on pages 7 to 21 of this Composite Offer Document;
- (g) the letter from the Board as set out on pages 22 to 29 of this Composite Offer Document;
- (h) the letter from the Independent Board Committee as set out on pages 30 and 31 of this Composite Offer Document;
- (i) the letter from the Independent Financial Adviser as set out on pages 32 to 52 of this Composite Offer Document;
- (j) the written consents from the experts referred to in the paragraph headed "10. Experts and Consents" in this Appendix; and
- (k) the material contracts referred to in the paragraph headed "9. Material contracts" in this Appendix.