世紀娛樂國際控股有限公司

CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

References are made to the announcements of Century Entertainment International Holdings Limited (the "**Company**") dated 29 June 2021 and 5 February 2021 (the "**Announcements**") in relation to the annual results for the year ended 31 March 2021 and the Amendments respectively. Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements unless otherwise defined.

The Company would like to provide the following supplemental information in relation to the Announcements pursuant to Code Provision C.1.3 of Appendix 14.

DISCLAIMER OF OPINION

The Company's auditors, Prism CPA Limited, issued a disclaimer of opinion on the Company's financial statements for the year ended 31 March 2021 (the "**Disclaimer of Opinion**"). When the management first met the auditors to discuss the audit engagement, among all other potential audit issues, there was a detailed discussion on the going concern issue of the Company for the year ended 31 March 2021. It was understood that the valuation to be conducted for the intangible assets of the Company (i.e. the intangible asset arising from the non-competition agreement in connection with the Group's AR/VR applications operation and the intangible asset arising from the license right of gaming tables in connection with the Group's gaming table business in Cambodia) would be critical and would affect their opinion to be expressed in relation to the going concern issue.

After the engagement of the auditors on 26 May 2021, the management has been discussing with the auditors regularly on the audit issues throughout the audit. A pre-audit meeting had been held between the audit committee and the auditors on 28 May 2021 to discuss on the auditors' preliminary assessment on the key audit matters, particularly, the going concern issue. The audit committee was fully aware of the potential issue of going concern in the announcement of the annual results for the year ended 31 March 2021.

During the audit, an independent professional valuer had been engaged to conduct valuations on the Company's intangible assets in accordance with the requirements of the accounting standards. The working paper of the valuation reports became available on 8 June 2021 and several meetings had been held among the management, the auditors and the valuer until the announcement of the annual results on 29 June 2021 to discuss, including but not limited to, the valuation approach, assumptions, projection and details of the valuation reports. The auditors were of the view that as a result of the severe business interruption in Cambodia due to the outbreak of COVID-19, the resumption of the casino's business was subject to the development of COVID-19 epidemic. The auditors understood that the Company has been undertaking measures (as detailed below) to improve the Group's liquidity and financial position, however, the validity of the going concern basis depends on the outcome of these measures and therefore issued the Disclaimer of Opinion regarding going concern.

On 29 June 2021, a meeting was held between the audit committee and the auditors to discuss the auditor's report and the audit issues. During the meeting the auditors explained the basis for Disclaimer of Opinion regarding going concern and the Company's proposed measures to address this issue. The chairman of the audit committee discussed with the auditors on this issue and the potential impact to the Group. He also inquired the management's view regarding the Disclaimer of Opinion and the management's corresponding action plans to resolve the going concern issues.

The management is of the view that, given:

1. The borrowings from Mr. Ng Man Sun ("**Mr. Ng**"), the executive director, Chairman, Chief Executive Officer and substantial shareholder of the Company, of HK$25,461,000 was included in other borrowings of the Group;

2. Mr. Ng undertook that he will not call for repayment of the abovementioned sum and will further provide sufficient financial supports for the Group's working capital for a period of at least 12 months until 29 June 2022;

3. Mr. Ng is willing to provide the Company with financial assistance to fill the shortfall of the Company's working capital for the next 12 months;

4. included in the other borrowings, there is a sum of HK$60,600,000 due to independent third parties which are personally guaranteed by Mr. Ng; and

5. a convertible bond amounted to HK$40,137,000 in fair value is held by Mr. Ng and he is able to convert the convertible bond into equity shares subject to the compliance of the terms and conditions of the convertible bond and/or corresponding Listing Rules and Takeover Codes,

the net liabilities position of the Company would not lead to significant financial impact to the Company in the next 12 months.

In addition, the management of the Company also have implemented the re-opening plan of the Gaming Table Business to be located in a new casino in Dara Sakor Investment Zone, Cambodia and target to commence the operation in early October 2021. Upon the commencement and satisfactory operation of the Gaming Table Business, there will have sufficient working capital to support the operations of the Company.

As at 31 March 2021, the Group has a net liabilities position of approximately HK$23 million mainly attributable to (i) other borrowings from independent third parties of approximately HK$60.6 million which consisted of principal amounted to HK$58 million and interests amounted to approximately HK$2.6 million; and (ii) convertible bond of face value of HK$50 million.

In this regard, the Board will use their best endeavours to take practicable and feasible actions to resolve the issue, including but not limited to the following:

1. The management will closely monitor the development of the Gaming Table Business and put it into operation as soon as possible. Upon the commencement of the Gaming Table Business, the projected annual net cash inflow (as detailed below) are sufficient to cover the expected annual operating costs of the Group. The Company has been informed that the training and testing of the casino system are scheduled to start in September 2021 and it is expected that the casino will be re-opened and the Gaming Table Business will commence operation in early October 2021 after the completion of the above procedures. At the initial stage of the re-opening of the casino, it is planned that a total of two mass gaming tables would be operated under the Assignment Agreement and would be subsequently adjusted subject to regular operation review. The final number of gaming tables will be determined after the fulfillment of conditions precedent as detailed in the Supplemental Framework Agreement. The Board is of the view that, given the situation above, the timing of commencement of the Gaming Table Business in early October 2021 is feasible. In any event that there would be further delay on the commencement of the Gaming Table Business, the Company would assess the impact on the Company's going concern and operations and Mr. Ng is willing to provide financial assistance as mentioned above with a view to mitigate such impact on the Company.

2. The management will negotiate with creditors of the Group to propose debt reconstruction with the view to reducing the liabilities to the Group. The management has had internal discussion on the possible timeline and the negotiation terms and is currently seeking legal advice and further announcement will be published in due course.

3. The management will discuss with the holder of the convertible bond, that is, Mr. Ng, on the possibilities to convert the convertible bond into equity shares prior to the maturity date. As at the date of this announcement, the Company has yet to discuss with Mr. Ng on this issue.

It was noted that there is no urgency for the Company to repay the above indebtedness in the next 12 months until 29 June 2022 as they are personally guaranteed by or due to Mr. Ng. In addition, Mr. Ng is willing to provide the Company with financial assistance to fill the shortfall of the working capital of the Company.

A Board meeting was held on 29 June 2021 and the issues of going concern and sufficient operation of the Company had been discussed. The Board was aware of the Disclaimer of Opinion issue and the management's proposed action plans. The action plans have been communicated with the auditors prior to the publication of the 2021 results announcement and no negative feedback has been expressed by them. The auditors understood and agreed that successful implementation of the action plans would remove the Disclaimer of Opinion for the year ending 31 March 2022 and their concerns on these plans had been detailed in their Auditor's Report. The Board agreed that the going concern issue could be resolved and the Disclaimer of Opinion would be removed in the Company's financial statements for the year ending 31 March 2022 if the proposed action plans are successfully executed and requested the management to act promptly. Although a concrete timeline has not been made, the Board is of the view that if points 2 and 3 of the abovementioned action plan could be confirmed by January 2022, it is expected that the net assets position of the Group could be restored before 31 March 2022. Whether the Company's operation can generate sufficient working capital, however, is subject to the development of the Gaming Table Business. In addition, the audit committee has reviewed and agreed with the Board and the management's position concerning the going concern issue.

Due to the ongoing impacts of the widespread of COVID-19, the Company believed that it is appropriate to focus on the existing Gaming Table Business rather than explore other gaming related business opportunities for the time being as most of the leading land-based casinos in Asia-Pacific are currently encountering unprecedented challenges due to travel restrictions and the post-impacts of COVID-19 to the land-based casinos industry are still unclear.

A breakdown of the Company's indebtedness as at 31 March 2021 and as at 31 July 2021 is detailed below:

Other Payables

	31 March 2021 *HK$'000*	**31 July 2021** *HK$'000*
Accruals and other payables	7,946	5,756
Advance from an independent third party	305	305
	8,251	6,061

All the accruals and other payables are expected to be settled within one year.

The advance from an independent third party and amount due to a related company was unsecured, interest free and repayable on demand.

Other Borrowings

	31 March 2021 *HK$'000*	**31 July 2021** *HK$'000*
Loan from a director *(note a)*	25,461	32,567
Other loans from independent third parties *(note b)*	60,629	61,576
	86,090	94,143

Notes:

(a) Loan from a director, Mr. Ng, is unsecured, interest free and repayable on demand.

(b) Other loans from independent third parties with an amount of HK$30,000,000 was transferred from the convertible bonds with principal amount of HK$30,000,000 (CB1) on the maturity date of 23 October 2020. Such other loans are unsecured, interest free and repayable on demand.

The remaining amount of other loans from independent third parties are unsecured, subject to interest at 10% p.a., and repayable on demand.

Movements of the other borrowings are as below:

	Loan from a director HK$'000	Other loans from independent third parties HK$'000	Total HK$'000
At 1 April 2019	10,385	–	10,385
Loan from a director	42,194	–	42,194
Transfer from promissory notes	20,000	30,000	50,000
Interest	–	563	563
Repayment	(16,163)	(2,234)	(18,397)
At 31 March 2020 and 1 April 2020	56,416	28,329	84,745
Loan from a director	19,045	–	19,045
Transfer from convertible bonds	–	30,000	30,000
Interest	–	2,800	2,800
Repayment	–	(500)	(500)
Settlement by issuance of convertible bonds	(50,000)	–	(50,000)
At 31 March 2021	**25,461**	**60,629**	**86,090**
Loan from a director	7,106	–	7,106
Interest	–	947	947
At 31 July 2021	**32,567**	**61,576**	**94,143**

Promissory Notes

	31 March 2021 HK$'000	31 July 2021 HK$'000
Issued on 30 March 2020 with balancing principal amount of HK$6 million (2020: principal amount of HK$62 million)	775	775

Movements of the carrying amounts of the promissory notes are as follow:

	Promissory notes issued on 23 July 2018 *HK$'000* *(note a)*	Promissory note issued on 30 March 2020 *HK$'000* *(note b)*	Total *HK$'000*
At 1 April 2019	46,475	–	46,475
Effective interest on promissory notes	3,525	–	3,525
Transfer to other borrowings	(50,000)	–	(50,000)
Issuance of promissory notes	–	62,000	62,000
Fair value loss adjustment on issue date	–	(47,583)	(47,583)
At 31 March 2020 and 1 April 2020	–	14,417	14,417
Effective interest on promissory notes	–	8,684	8,684
Fair value loss recognised in profit or loss	–	8,824	8,824
Settlement of profit guarantee compensation	–	(31,150)	(31,150)
At 31 March 2021 and 31 July 2021	**–**	**775**	**775**

Notes:

(a) By an ordinary resolution passed on the special general meeting of the Company held on 19 June 2018, the Company was approved to complete the requirements under the deed of settlement (the "**Deed of Settlement**") entered by the Company on 29 December 2017 in relation to the settlement of the disputes between the Company, Ms. Lee Bing ("**Ms. Lee**") and Mr. Wu Weide ("**Mr. Wu**") (collectively the "**Holders**") on the HK$190 million promissory notes that issued by mistakes in 2006 (the "**PNs**"). Details of the disputes are set out in circular dated 31 May 2018 and announcements dated 29 December 2017, 24 January 2018 and 1 March 2018.

On 23 July 2018, the Company issued the following promissory notes and convertible bonds in favour of the Holders pursuant to the Deed of Settlement:

(i) the Promissory Notes with aggregated principal amount of HK$20,000,000 ("**PN1**") and due on 23 April 2019;

(ii) the Promissory Notes with aggregated principal amount of HK$30,000,000 ("**PN2**") and due on 23 January 2020; and

(iii) the Convertible Bonds with aggregated principal amount of HK$30,000,000 ("**CB1**") at a conversion price of HK$0.249 per share and due on 23 October 2020.

Further, the Holders returned those concerned PNs with aggregated principal amount of HK$104,500,000 for cancellation purpose, and assigned and transferred a total sum of the same principal amount of promissory note in favour of Mr. Ng ("**Ng PN**") in according to the terms of the Deed of Settlement.

On the same date, the Company also issued the Convertible Bond with principal amount of HK$104,500,000 in favour of Mr. Ng ("**CB2**"), in accordance with the second deed of settlement entered between the Company and Mr. Ng on 1 March 2018 for settlement of the Ng PN, at a conversion price of HK$0.3 per share and with maturity date on 23 July 2019.

The PN1 and PN2 were unsecured, interest free and fall due on 23 April 2019 and 23 January 2020 respectively. The fair values of PN1 and PN2 at the date of issuance were approximately HK$18,064,000 and HK$24,083,000 respectively. The PN1 and PN2 are subsequently measured at amortised cost, using effective interest rates of 14.53% and 15.73% respectively.

During the year ended 31 March 2020, the PN1 with principal amount of HK$20,000,000 was settled by Mr. Ng on behalf of the Company on maturity date and recognised as other borrowing from a director; while the PN2 with principal amount of HK$30,000,000 was transferred to other borrowings from independent third parties on maturity date.

(b) On 31 March 2020, the Company issued unsecured promissory note with principal amount of HK$62,000,000 in favour of Mr. Ng for acquisition of the license right of gaming tables of a casino in Cambodia for 5 years from a related company. The promissory note are interest free and fall due on 29 September 2022. Pursuant to the Assignment Agreement, the promissory note is subject to change in accordance with the profits guarantee as follows:

(i) The profits guarantee for the first 12 months is HK$28,000,000 ("**First Guaranteed Profit**"); and

(ii) The profits guarantee for the second 12 months is HK$32,000,000 ("**Second Guaranteed Profit**").

In the event that the actual profit for the first 12 months ("**First Actual Profit**") failed to meet the First Guaranteed Profit, Mr. Ng will firstly use the promissory note to settle the first compensation amount as follow:

The first compensation amount = (First Guaranteed Profit – First Actual Profit) x 2

In the event that the actual profit for the second 12 months ("**Second Actual Profit**") failed to meet the Second Guaranteed Profit, Mr. Ng will firstly use the promissory note and following by cash payment to settle the second compensation amount as follow:

The second compensation amount = (Second Guaranteed Profit – Second Actual Profit) x 2

In the event the net profit after tax of the relevant guarantee period exceeds the guaranteed profits, the consideration shall not be adjusted.

Based on the above-mentioned consideration adjustment mechanism, the aggregate maximum compensation amount would be HK$120 million in case the license right of gaming tables earn zero profit during the 24-month period after the commencement of Assignment Agreement.

The fair value of the promissory note at the date of issue is approximately HK$14,417,000. The promissory note was treated as contingent consideration payable and is subsequently measured at FVTPL taking into account the possibility of any fair value change should the abovementioned circumstances trigger the profit adjustment on the principal amount of the promissory note.

On 31 March 2021, based on the audited financial result of gaming table business segment for the first 12-month period, Mr. Ng agreed to pay the first compensation amount of HK$56,000,000 to the Group by reducing the principal amount of the promissory note in the sum equal to such compensation amount and the Group recognised the profit guarantee compensation of HK$31,150,000 as other income and gains in profit or loss for the year.

Convertible Bonds

	31 March 2021 *HK$'000*	31 July 2021 *HK$'000*
CB1 – principal amount of HK$30 million *(note a)*	–	–
CB2 – principal amount of HK$104.5 million *(note a)*	–	–
CB3 – principal amount of HK$50 million *(note b)*	40,137	40,137
	40,137	40,137
Analysis:		
Current liabilities	–	–
Non-current liabilities	40,137	40,137
	40,137	40,137

Movements of the carrying amounts of the liability component of convertible bonds are as follow:

	CB1 *HK$'000* *(note a)*	CB2 *HK$'000* *(note a)*	CB3 *HK$'000* *(note b)*	Total *HK$'000*
At 1 April 2019	24,237	14,410	–	38,647
Effective interest on convertible bonds	3,486	590	–	4,076
Conversion into ordinary shares	–	(15,000)	–	(15,000)
At 31 March 2020 and 1 April 2020	27,723	–	–	27,723
Effective interest on convertible bonds	2,277	–	–	2,277
Transfer to other borrowings on maturity date	(30,000)	–	–	(30,000)
Measured at fair value on initial recognition	–	–	50,000	50,000
Transfer to reserve the equity component (being the conversion option)	–	–	(9,863)	(9,863)
At 31 March 2021 and 31 July 2021	**–**	**–**	**40,137**	**40,137**

Notes:

(a) The Company issued CB1 to Ms. Lee and Mr. Wu and CB2 to Mr. Ng on 23 July 2018 for settlement part of the PNs concerned.

CB1

The CB1 was unsecured and non-interest bearing. The holders of the CB1 had the rights to convert the outstanding principal amount into ordinary shares of the Company at a conversion price of HK$0.249 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date at 23 October 2020. The Company did not entitle to redeem all or part of the principal amount of CB1 before the maturity date. In case the Holders intend to sell, transfer, assign or dispose of the CB1 or any part thereof to a third party, the Holders should first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng.

CB2

The CB2 was unsecured and non-interest bearing. The holder of the CB2 had the right to convert the outstanding principal amount in whole or in part (in multiples of HK$500,000) into ordinary shares of the Company at a conversion price of HK$0.3 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date at 23 July 2019. The Company did not entitle to redeem all or part of the principal amount of CB2 before the maturity date.

(b) On 31 March 2021, the Company issued the convertible bonds ("CB3") with principal amount of HK$50 million to Mr. Ng for settlement part of the other borrowings.

CB3

The CB3 is unsecured and non-interest bearing. The holder of the CB3 will be able to convert the outstanding principal amount into ordinary shares of the Company at a conversion price of HK$0.5 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date at 30 September 2022. The Company is not entitled to redeem all or part of the principal amount of CB3 before the maturity date.

The CB1, CB2 and CB3 are determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of the convertible bonds on respective maturity dates if the convertible bonds are not converted or redeemed).

On initial recognition of the CB1, CB2 and CB3, the equity component of each convertible bond is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the convertible bonds as a whole.

Moreover, a working capital forecast of the Company for the 12 months ending 30 June 2022 is detailed below:

	Notes	**July 2021 to June 2022**
Cash inflows:		
Settlement of receivables		**8,000,000**
Cash Inflow generated from operations	*i*	**20,970,000**
Financial assistance from Mr. Ng	*ii*	**66,400,000**
Total Cash inflow:		**95,370,000**
Cash outflows:		
Repayment of other borrowings	*ii*	**(66,400,000)**
Cash outflow for operations	*iii*	**(16,724,139)**
Total Cash outflow:		**(83,124,139)**
Net cash inflow		**12,245,861**

Assumptions:

i) It is expected that the Gaming Table Business will commence operation in early October 2021 and the revenue is projected based on a consultancy report prepared by an independent business consultant.

ii) The sum to be settled prior to negotiation with the independent borrowers and the sum is personally guaranteed by Mr. Ng.

iii) The projection is prepared based on historical records and commitments.

Based on the above working capital forecast, which has been reviewed by the Board and the audit committee, the Company would have sufficient working capital to finance its operations and financial obligations.

THE IMPAIRMENTS

The Company made impairment losses on intangible assets and goodwill of HK$6.8 million and HK$14.3 million respectively (the "**Impairments**") for the year ended 31 March 2021. The acquisition of the Explicitly Grand Investments Limited and its subsidiaries (collectively the "**Explicitly Grand Group**"), which had been approved by the shareholders at the special general meeting of the Company on 15 September 2017, was completed on 18 October 2017.

The Explicitly Grand Group specialised in providing AR/VR and mobile game solution to its client and subsequently blockchain solution was also available for its clients in Hong Kong and the PRC.

Since its acquisition, the financial performance of the Explicitly Grand Group has been satisfactory and contribute stream of revenue and cashflow support to the Group until the past two years when the market was adversely affected by COVID-19. The revenue of Explicitly Grand Group for the years ended 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021 were HK$5.53 million, HK$7.16 million, HK$1.98 million and HK$0.73 million respectively.

The Company assessed the recoverable amounts of the intangible assets and the goodwill in relation to the Explicitly Grand Group regularly and engaged professional valuers to prepare independent valuation on the Explicitly Grand Group (the cash generating units, or "**CGU**") when preparing the annual financial results. Based on the valuation reports, no impairment was required to be made for the years ended 31 March 2018 and 31 March 2019.

For the year ended 31 March 2020, the business of the Explicitly Grand Group had been affected by the on-going trade-war between the United States and China and the outbreak of COVID-19 since early January 2020, which led to some of the potential deals under negotiation could not be sealed. As a result, a more conservative approach on valuation had been adopted by the Company, which led to the recognition of impairment loss on goodwill of HK$27.5 million.

The Company believed that, at the time of conducting 2020 valuation, the COVID-19 would not last long and also expected the adverse impact to the CGU would be temporary as several services agreements could still be sealed. Therefore, a partial impairment on goodwill, rather than full impairment, had been provided.

Subsequently, due to the ongoing impact of COVID-19 epidemic together with the recent policies adopted by the PRC government towards cryptocurrencies, the business operations of the CGU encountered unprecedented challenges. As most of the committed and potential customers of the CGU were engaged in the catering and the blockchain sectors, both have been adversely affected which caused deals under negotiation could not be sealed or committed projects has been terminated.

Given the circumstance described above, when conducting the valuation exercise of the CGU for the year ended 31 March 2021, it was not able to make projection for the revenue of the CGU for the next 5 years as there was no potential or committed services agreement. In this regard, the Board was of the view that it was appropriate to make the impairment losses on intangible assets and goodwill of HK$6.8 million and HK$14.3 million respectively.

The valuation exercise was conducted by an independent valuer by adopting discount cash flow model based on the projection in determining the recoverable amount of the CGU. The impairment was the excess of the recorded carrying amount of the CGU over its recoverable amount.

The Company has announced the Impairments via the Company's announcement dated 18 June 2021 in relation to the annual results of the Company for the year ended 31 March 2021.

As disclosed in the circular of the Company dated 30 August 2017, completion of the acquisition is subject to fulfillment of various conditions which included, but not limited to:

(a) the legal and financial due diligence, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure, of the Explicitly Grand Group being completed to the satisfaction of the Group in its sole discretion;

(b) the business valuation on the Explicitly Grand Group conducted by an independent professional valuer appointed and engaged by the Group confirms that the market value of the Explicitly Grand Group is not less than HK$64,400,000;

(c) provision of the management accounts of the Explicitly Grand Group from the respective dates of incorporation of each group company up to 30 April 2017 to the Group;

(d) the shareholder loan has been fully settled or waived;

(e) the warranties made by the vendors in the Sale and Purchase Agreement remain true, accurate and not misleading in all material respects;

(f) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or the Securities and Futures Commission or other regulatory authorities or any applicable laws and regulations which requires compliance in relation to the transactions contemplated under the Sale and Purchase Agreement, including the Listing Committee having granted the listing of, and permission to deal in, the consideration shares;

(g) all necessary waivers, consents and approvals required to be obtained from relevant governmental authority or any other third parties on the part of the vendors and members of the Explicitly Grand Group in respect of the Sale and Purchase Agreement and the transaction contemplated thereby having been obtained; and

(h) the 2 key personnels of the Explicitly Grand Group, Mr. Hui Chi Tat and Mr. Wong Kam Wah having entered into respective management undertakings pursuant to which, among others, each of them shall irrevocably undertake to be an employee of the relevant member of the Target Group for a minimum of five years after completion and that each of them shall not participate whether directly or indirectly, in any business or activities which will or may compete with the business of the Explicitly Grand Group during the six-month period upon their respective ceasing to be an employee of the relevant member of the Explicitly Grand Group.

The Board were of the view that the above due diligence procedures performed were sufficient and reasonable to justify the acquisition entered into by the Company. Besides, the Company had obtained the approval of the Shareholders for the acquisition, the Sale and Purchase Agreement and the transactions contemplated, and been granted the specific mandate to the Directors for issuance of the consideration shares at the special general meeting of the Company held on 15 September 2017. Moreover, pursuant to the supplemental agreement signed and as disclosed in the announcement dated 15 August 2017, the vendors provided profits and performance guarantees to the Company respectively for the first two years so as to further protect the interests of the Group and shareholders.

When preparing the valuations, Income Approach had been applied for estimating the value in use of 100% equity interest of the CGU at the time of acquisition and 31 March 2021 for impairment assessment on the goodwill. This was in compliance with the requirements set out in "Hong Kong Accounting Standard 36 Impairment of Assets" that Income Approach (i.e. Discounted Cashflow) shall be applied when estimating the value in use of assets.

The Income Approach applied the Capital Asset Pricing Model ("**CAPM**") adjusted for specific risks associated with the industry of the CGU. The CAPM is a generally accepted method for estimating investors' yield requirement and hence a company's cost of equity capital. The CAPM is represented by the following algebraic equation:

CAPM = Risk-Free Rate + (Relevered Beta * Market Risk Premium) +
Small Stock Premium + Company-Specific Risk Premium

The following factors were taking into consideration when conducting the valuation under the Income Approach:

(a) Projected revenue was made based on the actual financial performances of current year and the secured contract sums of coming financial year. Given there was no secured contract of coming financial year and the CGU was making a loss at 31 March 2021, there was no projected revenue and resulted in projected loss accordingly and leading to impairment on the value in use of the CGU.

(b) The growth rate adopted for estimating the projected revenue at the time of acquisition was 30% and was not applicable at 31 March 2021.

(c) When assessing the WACC adopted under the Income approach, a list of companies were selected as comparable companies. Save for the company specific risk has been increased by the independent valuer based on professional judgment to reflect the increase in business risk of the CGU, all other parameters of the WACC were derived based on substantially the same data sources and there was no variance on the selection criteria of the selected companies as comparable companies for the Company at the time of acquisition and at 31 March 2021. Any changes in value were results of normal market data fluctuation due to different timing in preparing the valuations.

(d) The WACC at the time of acquisition and at 31 March 2021 were 20% and 27% respectively.

(e) No other major variance on the assumptions has been noted.

By order of the Board
Century Entertainment International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

Hong Kong, 30 August 2021

As at the date hereof, Mr. Ng Man Sun (Chairman and Chief Executive Officer) and Ms. Ng Wai Yee are the executive directors of the Company; and Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia are the independent non-executive directors of the Company.