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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 RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

Reference is made to the announcement of the Company dated 27 February 2023 (the “**Announcement**”) and the annual report of the Company for the year ended 31 March 2023 published on 28 July 2023 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement and the Annual Report.

In addition to the information disclosed in the Annual Report, the Company would like to provide the following supplementary information to the Shareholders and potential investors of the Company.

DISCLAIMER OF OPINION

The Company’s auditors, Elite Partners CPA Limited, issued a disclaimer of opinion on the Company’s financial statements for the year ended 31 March 2023. The management of the Company, including the Directors, maintains discussion with the auditors from time to time on the audit engagement and audit findings, including but not limited to the going concern issue of the Company for the year ended 31 March 2023. It was understood that the proposed very substantial acquisition in relation to the assignment of the new gaming table business in Cambodia as mentioned in the announcement of the Company dated 27 February 2023 (the “**VSA**”) is critical and would affect their opinion to be expressed in relation to the going concern issue.

Through the continuous communications between the management, the Audit Committee and the auditors during the audit for the year ended 31 March 2023, the management and the Audit Committee realised the key audit matters and going concern issue of the Company for the year ended 31 March 2023.

During the audit for the year ended 31 March 2023, the auditors were engaged to produce an accountant's report for the VSA, which would make the auditors understand the conditions and progress better from time to time. In the meantime, the auditors understood that the Company has been undertaking various measures in order to improve the Group's liquidity and financial position. The management understood that the validity of the going concern basis depends on the outcome of these measures and therefore issued the disclaimer of opinion regarding going concern.

The management is of the view on the disclaim of opinion, with concurrence of the Audit Committee, that the net liabilities position of the Group would not lead to significantly adverse financial impact to the Company for the year ending 31 March 2024, given that:

1. the borrowings from Mr. Ng Man Sun (“**Mr. Ng**”), an executive Director, the chairman of the Board, the chief executive officer of the Company and a substantial shareholder of the Company, of HK\$54,677,000 was included in other borrowings of the Group for the year ended 31 March 2023, which Mr. Ng undertook to the Company that he will not call for repayment;
2. Mr. Ng undertook to the Company that he will further provide sufficient financial assistance to the Group as and when necessary for the purpose of working capital for a period of at least 12 months until 30 June 2024;
3. Mr. Ng has provided personal guarantee to the borrowings due to independent third parties at a sum of HK\$36,229,000 included in the other borrowings for the year ended 31 March 2023; and
4. A convertible bond amounted to HK\$50,000,000 in fair value is held by Mr. Ng and he is able to convert the convertible bond into equity shares subject to the compliance with the terms and conditions of the convertible bond and/or corresponding Listing Rules and Takeovers Codes.

Following the relief of COVID-19 pandemic and the release of border restrictions among the countries, in particular China and Cambodia, the Company has been working closely with the professional parties towards the VSA, and it is expected that the circular will be issued to the shareholders of the Company for the VSA according to the Listing Rules on or before 31 January 2024. The Directors believe that the Group will have sufficient working capital to support its operations upon the commencement the satisfactory operations of the gaming table business.

As at 31 March 2023, the Group had a net liabilities position of approximately HK\$67.5 million mainly attributable to (i) other borrowings of approximately HK\$112.7 million and (ii) convertible bond of approximately HK\$30.4 million.

In this regard, the Board has been taking practicable and feasible actions with its best effort to resolve the issues, including but not limited to the following:

1. The Company has been monitoring the progress of the VSA closely, and the circular for the VSA is expected to be issued on or before 31 January 2024. The Company has been informed that the new casino has been re-opened and will continue its business activities. Pursuant to the new assignment agreement dated 27 February 2023 entered into between VMG, Lion King and Mr. Ng, the rights and entitlement to the net profit of a total of eight gaming tables at the new casino will be assigned to VMG for a period of five years commencing from the completion date of the assignment;
2. The Company enforced the profit guarantees pursuant to the terms of the original assignment agreement dated 28 October 2019 entered into between Lion King, VMG and Mr. Ng for the assignment of the gaming table business rights to recover the entire consideration for the original assignment in light of the protection of the interests of the Company and its shareholders as a whole by recovery in full of the costs of its investment in the gaming table business rights amounted to HK\$120 million (please refer to the announcement of the Company dated 27 February 2023 for details);
3. Mr. Ng is willing to maintain his continuous financial assistance to the Group as mentioned above for mitigating adverse financial impact to the Group;
4. The management will negotiate with creditors of the Group to propose debt reconstruction with the view to reducing the liabilities of the Group. The management (i) has maintained internal discussion on the possible timeline and the negotiation terms; (ii) has been seeking legal advice; and (iii) will make further announcement as and when necessary;
5. The management will discuss with the holder of the convertible bond, Mr. Ng, on the possibilities to convert the convertible bond into equity shares prior to the maturity date; and
6. The Company will continue to take active measure to control administrative costs and containment of capital expenditures.

It is noted that there is no urgency for the Company to repay the indebtedness above-mentioned currently as they are personally guaranteed by or due to Mr. Ng. In addition, Mr. Ng is willing to maintain his financial assistance to the Group for the purpose of working capital of the Group.

Mutual and continuous communications between the Company and its auditors on the proposed actions plans are established and the auditors do not have negative feedback, and the auditors is satisfied and agreeable that successful implementation of the proposed action plans would lead to removal of disclaimer of opinion for the year ending 31 March 2024 and their concerns as detailed in their auditor's report contained in the annual report of the Company for the year ended 31 March 2023. The Board agrees that the going concern issue can be resolved and the disclaimer of opinion will be removed in the Company's financial statements for the year ending 31 March 2024 if the proposed action plans are successful executed.

Whether the Company's operation can generate sufficient working capital is subject to the completion of the VSA. The audit committee has reviewed and agreed with the Board and the management's position concerning the going concern issue.

Following the release of border restrictions among the countries, re-open of the new casino and the recovery of the tourism of Cambodia, the Company believes that it is appropriate to focus on the new gaming table business rather than exploring other gaming related business opportunities for the time being as most of the leading land-based casinos in Asia-Pacific are resuming significantly after the relief of COVID-19 pandemic.

IMPAIRMENT LOSS ON INTANGIBLE ASSETS AND ACCOUNT RECEIVABLES

Reference is made to the announcement of the dated 27 February 2023. The Group considered that the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement in relation to the license right of gaming tables has been repudiated by the Group as a result of enforcement of the profit guarantee and therefore ceased to have any effect and its carrying amount was written down to zero. Therefore, the Group was not entitled to the gaming table business rights under the Original Assignment Agreement and the license rights were fully written-off.

The table below shows the nature and breakdown of the impairment loss on accounts and other receivables of HK\$16 million.

Classification	Nature	Impairment/ (reversal) during the year HK\$	Circumstance leads to impairment (notes)
Account receivables	Unpaid IT income	(50,166)	a
Deposits paid	Operating deposits for casino	1,688,730	b
Other receivables	Operating deposits for casino	6,935,186	c
Other receivables	Operating deposits for casino	(541,452)	d
Other receivables	Profit guarantee	10,208,903	d
Other receivables	Consideration for disposal of mobile game apps	(2,244,384)	d
		15,996,816	

Notes:

- a. Subsequent measurement with reference to HKFRS 9 simplified approach with provision matrix.
- b. Subsequent measurement with reference to HKFRS 9. Internal credit rating: 12 months.
- c. Subsequent measurement with reference to HKFRS 9. Internal credit rating: Written off.
- d. Subsequent measurement with reference to HKFRS 9. Internal credit rating: Performing.

In respect of written off of intangible assets, please refer to the paragraphs under section headed “The enforcement of the Profit Guarantees” in the Announcement for details.

In respect of the deposits paid, they are refundable, and the Group was in the view that the deposits were performing and low risk of default, the expected credit losses (“ECL”) is with 12 months ECL under HKFRS 9 prescribed general approach, for which the financial instrument has no significant increase in credit risk. Please refer to Note 5(b)(iii) to the consolidated financial statements for the year ended 31 March 2023 in the Annual Report (the “Financial Statements”).

In respect of account receivables, the Group measures the loss allowance at an amount equal to lifetime ECL. The ECL on account receivables is estimated using a provision matrix by reference to past default experience of debtors and analysis of debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions.

In respect of other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL. The Group was in the view that the other receivables (including deposits and profit guarantee receivables) were performing and low risk of default, the ECL is with 12 months ECL under HKFRS 9 prescribed general approach, for which the financial instrument has no significant increase in credit risk. Nevertheless, after assessment of the independent valuer and concurrence of the auditors of the Company, the other receivables amounting to HK\$6,935,186 in relation to operating deposits for casino were written off taking into account (i) the other receivables have aged over 3 years and therefore these amounts shall be fully impaired according to the Company's credit policy; (ii) the other receivables did not have any assets pledged to secure the recoverability and the default risk was considered high; and (iii) no favourable results were reached after communications between the Company and the debtors.

The Group has developed and maintained its credit risk grading to categorise exposures according to their degree of risk of default. The credit ratings of the Group's counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Definition	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (referred to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (referred to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (referred to as Stage 3)	Lifetime ECL – credit impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount written-off

The key assumption and basis used in determining the ECL are in line with the current credit risk grading.

The tables below show the comparison with details and information about the impairment review or valuation.

Other receivables

	2023	2022
Probability of default (PD)	26.11%	26.55%
Forward factor	1.026082	1.437216
Forward PD	26.79%	38.16%
Loss given default (LGD)	65.70%	65.74%
Recovery rate (RR)	34.30%	34.27%

Account receivables

Probability of Default (provision matrix)

	2023	2022
Current (not past due)	5.65%	21.07%
Less than 3 months past due	6.64%	23.57%
3-12 months past due	14.49%	38.16%
Over 12 months past due	100.00%	100.00%

Remark:

The forward factor applied was estimated with reference to actual and forecast default rate. The sources of the data for both parameters were from the latest available annual default study published by Moody's Investors Services as of 31 March 2022 and 31 March 2023.

For the year ended 31 March 2022

2021 Actual default rate

0.8%

2022 Forecast default rate

1.1%

Forward Rate

1.44 (= 2022 ÷ 2021)

Source:

Moody's Investors Services

Annual default study: After a sharp decline in 2021, defaults will rise modestly this year

For the year ended 31 March 2023

2021 Actual default rate

4.3%

2022 Forecast default rate

4.4%

Forward Rate

1.03 (= 2023 ÷ 2022)

Source:

Moody's Investors Services

Annual default study: Corporate default rate will rise in 2023 and peak in early 2024

By order of the Board

Century Entertainment International Holdings Limited

Ng Man Sun

Chairman and Chief Executive Officer

Hong Kong, 24 November 2023

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