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世紀娛樂國際控股有限公司

CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Amax International Holdings Limited 奧瑪仕國際控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Century Entertainment International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 (the “**Period under Review**”), together with the unaudited comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

		Six months ended 30 September	
	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	5	2,709	21,480
Cost of Sales		<u>(600)</u>	<u>(14,068)</u>
Gross profit		2,109	7,412
Other income and other gain	6	15,636	422
General and administrative expenses		(20,816)	(16,987)
Finance costs	7	<u>(3,495)</u>	<u>(4,573)</u>
Loss before taxation	8	(6,566)	(13,726)
Income tax	9	<u>398</u>	<u>366</u>
Loss for the period from continuing operations		(6,168)	(13,360)
Discontinued operation			
Loss for the period from discontinued operation		<u>–</u>	<u>(181)</u>
Loss for the period		<u><u>(6,168)</u></u>	<u><u>(13,541)</u></u>
Loss for the period attributable to owners of the Company			
– from continuing operations		(6,168)	(13,360)
– from discontinued operation		<u>–</u>	<u>(1,303)</u>
		<u><u>(6,168)</u></u>	<u><u>(14,663)</u></u>
Profit for the period attributable to non-controlling interests			
– from continuing operations		–	–
– from discontinued operation		<u>–</u>	<u>1,122</u>
		<u>–</u>	<u>1,122</u>
Loss for the period		<u><u>(6,168)</u></u>	<u><u>(13,541)</u></u>
Loss per share			
Basic and diluted (HK cents)	11		
– From continuing and discontinued operations		(0.48)	(1.17)
– From continuing operations		<u>(0.48)</u>	<u>(1.07)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss and total comprehensive expense for the period	<u>(6,168)</u>	<u>(13,541)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(6,168)	(14,663)
Non-controlling interests	<u>-</u>	<u>1,122</u>
	<u>(6,168)</u>	<u>(13,541)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2020*

		30 September 2020	31 March 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		1,334	1,576
Right-of-use assets		2,430	9,082
Intangible assets		71,041	80,251
Goodwill		14,257	14,257
Deposits paid for acquisition of computer software and property, plant and equipment		1,248	1,248
		90,310	106,414
Current assets			
Trade and other receivables	12	52,822	47,393
Cash and cash equivalents		3,650	3,217
		56,472	50,610
Current liabilities			
Trade and other payables	13	8,513	7,467
Other borrowings		96,046	84,745
Lease liabilities		2,606	8,297
Convertible bonds	15	29,650	27,723
Tax payables		999	999
		137,814	129,231
Net current liabilities		(81,342)	(78,621)
Total assets less current liabilities		8,968	27,793
Non-current liabilities			
Lease liabilities		–	1,213
Promissory notes	14	3,371	14,417
Deferred tax liabilities		1,624	2,022
		4,995	17,652
NET ASSETS		3,973	10,141
Capital and reserves			
Share capital		256,495	256,495
Reserves		(252,522)	(246,354)
TOTAL EQUITY		3,973	10,141

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

Century Entertainment International Holdings Limited (the “Company”) was incorporated and domiciled in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company is Suite 6303-04, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are investment holdings, operating the gaming tables in Cambodia, the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients, and operating the VIP room in Cambodia which had been terminated with effect from 1 June 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2020.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Group, rounded up to the nearest thousand, unless otherwise indicated.

(b) Going concern

In preparing the unaudited condensed consolidated interim financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 September 2020. The Group incurred a consolidated net loss after taxation attributable to owners of the Company of approximately HK\$6,168,000 for the six months ended 30 September 2020, and had consolidated net current liabilities of approximately HK\$81,342,000 as at 30 September 2020. The consolidated net current liabilities of approximately HK\$81,342,000 were mainly contributed by the loan of approximately HK\$66,817,000 due to Mr. Ng Man Sun. The loan is interest free, unsecured and has no fixed repayment terms.

The directors adopted the going concern basis in the preparation of the unaudited condensed consolidated interim financial statements by obtaining financial support from Mr. Ng Man Sun.

In the opinion of the directors, in light of the aforesaid arrangement implemented to date, the Group will have sufficient working capital for its current requirements and it is reasonable to expect that the Group will remain as a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

(c) Judgments and estimates

Preparing the unaudited condensed consolidated interim financial statements requires the directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, significant judgments made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 March 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2020, except for the adoption of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to the Group's operations and are effective for the Group's financial year beginning on 1 April 2020 as described below.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

4. SEGMENT REPORT

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the executive directors) ("CODM") in order to allocate resources to segments and to assess their performance.

During the six months ended 30 September 2020 and 30 September 2019, the Group's operating activities are attributable to two operating segments focusing on (i) gaming and entertainment related businesses; and (ii) AR/VR and mobile games solutions.

These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. Also, the gaming business in Vanuatu was disposed of on 31 March 2020 and was classified as discontinued operation. The following is an analysis of the Group's revenue and results by reportable and operating segments:

(a) Segment revenue and results

	Six months ended 30 September 2020 (Unaudited)		
	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External	–	2,709	2,709
Timing of revenue recognition			
Point in time	–	2,709	2,709
Segment results	(1,391)	2,104	713
Reconciliation:			
Other income			15,636
Amortisation of intangible assets			(9,210)
Impairment of trade receivables			(293)
Impairment of other receivables			(755)
Unallocated corporate expenses			(9,162)
Unallocated finance costs			(3,495)
Loss before taxation			(6,566)

	Six months ended 30 September 2019 (Unaudited)				
	Continuing operations AR/VR and mobile games solutions <i>HK\$'000</i> (Re-presented)	Discontinued operation Gaming and entertainment <i>HK\$'000</i> (Re-presented)	Subtotal <i>HK\$'000</i> (Re-presented)	Total <i>HK\$'000</i> (Re-presented)	
Segment revenue					
External	19,500	1,980	21,480	7,021	28,501
Timing of revenue recognition					
Point in time	19,500	1,980	21,480	7,021	28,501
Segment results	1,182	1,190	2,372	2,807	5,179
Reconciliation:					
Amortisation of intangible assets			(2,410)	(2,988)	(5,398)
Unallocated corporate expenses			(9,115)	–	(9,115)
Unallocated finance costs			(4,573)	–	(4,573)
Loss before taxation			(13,726)	(181)	(13,907)

Segment profit/(loss) represents the profit/(loss) incurred by each segment include depreciation, but without allocation of certain amortisation, impairment, corporate administration costs, other income and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	30 September 2020 (Unaudited)			31 March 2020 (Audited)		
	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	<u>78,174</u>	<u>59,996</u>	<u>138,170</u>	<u>117,113</u>	<u>29,910</u>	<u>147,023</u>
Unallocated corporate assets			<u>8,612</u>			<u>10,001</u>
Consolidated total assets			<u>146,782</u>			<u>157,024</u>
Liabilities						
Segment liabilities	<u>1,404</u>	<u>3,940</u>	<u>5,344</u>	<u>19,993</u>	<u>3,838</u>	<u>23,831</u>
Unallocated corporate liabilities			<u>148,510</u>			<u>123,052</u>
Consolidated total liabilities			<u>153,854</u>			<u>146,883</u>

(c) Other segment information

	Six months ended 30 September 2020 (Unaudited)			
	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Amounts included in the measure of segment profit or loss or segment assets				
Depreciation of property, plant and equipment	55	–	187	242
Depreciation of right-of-use assets	1,332	–	1,325	2,657
Finance costs	17	–	3,478	3,495
Income tax credit	–	(398)	–	(398)
Amortisation of intangible assets	<u>6,800</u>	<u>2,410</u>	<u>–</u>	<u>9,210</u>

Six months ended 30 September 2019 (Unaudited)						
	Continuing operations			Discontinued operation		
	Gaming and entertainment	AR/VR and mobile games solutions	Other	Subtotal	Gaming and entertainment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)

Other segment information

Amounts included in the measure of segment profit or loss or segment assets

Depreciation of property, plant and equipment	55	27	151	233	1,312	1,545
Depreciation of right-of-use assets	–	–	1,420	1,420	–	1,420
Finance costs	–	–	4,573	4,573	–	4,573
Income tax credit	–	(366)	–	(366)	–	(366)
Amortisation of intangible assets	–	2,410	–	2,410	2,988	5,398

(d) Major customer

Revenue from external customers contributing 10% or more to the Group's revenue for the six months ended 30 September 2020 are as follows:

Customer	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
A	1,600	N/A (Note)
B	909	N/A (Note)

Other than as disclosed above, no other sales to a single customer of the Group accounted for 10% or more of total revenue of the Groups for the both periods.

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

(e) **Geographical**

The Group's revenue from external customers by geographical market is as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Hong Kong	2,709	1,980
Kingdom of Cambodia ("Cambodia")	–	19,500
	<u>2,709</u>	<u>21,480</u>
Discontinued operation		
Republic of Vanuatu ("Vanuatu")	–	7,021
	<u>–</u>	<u>7,021</u>
Total	<u>2,709</u>	<u>28,501</u>

The Group's information about its non-current assets by geographical location of the assets is as follows:

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	27,624	31,548
Cambodia	62,686	74,866
	<u>90,310</u>	<u>106,414</u>

5. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Revenue from investments in gaming and entertainment related businesses		
– Investment in VIP room in Cambodia		
Net gaming win	–	26,170
Less: Commission	–	(6,670)
Service income derived from AR/VR and mobile games solutions	2,709	1,980
	<u>2,709</u>	<u>21,480</u>

6. OTHER INCOME AND OTHER GAIN

An analysis of the Group's other income and other gain are as follows:

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Consultancy fee income	4,000	–
Bank interest income	32	–
Fair value gain on promissory notes	11,046	–
Gain on disposal of property, plant and equipment	–	419
Gain on disposal of right-of-use assets	195	–
Government subsidy	363	–
Sundry income	–	3
	<hr/>	<hr/>
	15,636	422
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Interest on promissory notes	–	2,187
Interest on convertible bonds	1,927	2,274
Interest on lease liabilities	168	90
Finance charges on obligations under a finance lease	–	1
Interest on other borrowings	1,400	21
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	3,495	4,573
	<hr/> <hr/>	<hr/> <hr/>

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
(a) Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	2,949	3,477
Contributions to defined contribution retirement plans	46	105
	<u>2,995</u>	<u>3,582</u>
(b) Other items		
Depreciation of property, plant and equipment	242	233
Depreciation of right-of-use assets	2,657	1,420
Amortisation of intangible assets	9,210	2,410
Expense related to short-term lease	538	4,340
Impairment of trade receivables	293	–
Impairment of other receivables	755	–
	<u>755</u>	<u>–</u>

9. INCOME TAX

Pursuant to the rules and regulations of Bermuda, British Virgin Islands (“BVI”), Cambodia and Vanuatu, the Group is not subject to any income tax in Bermuda, BVI, Cambodia and Vanuatu.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Continuing operations		
Hong Kong profits tax		
Current period provision	–	(32)
Deferred tax		
In respect of current period	<u>398</u>	<u>398</u>
Total tax credit for the period	<u>398</u>	<u>366</u>

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share was based on the unaudited loss from continuing operations and loss from discontinued operation attributable to owners of the Company of approximately HK\$6,168,000 (2019: HK\$14,663,000) and the weighted average number of 1,282,475,000 (2019: 1,250,782,000) ordinary shares in issue during the Period under Review.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2020 and 30 September 2019 in respect of a potential dilution of share options and convertible bonds as the impact of the share options and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

12. TRADE AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	4,049	2,840
Less: Allowance for credit losses	<u>(841)</u>	<u>(548)</u>
	3,208	2,292
Other receivables	56,116	52,116
Less: Allowance for credit losses	<u>(10,599)</u>	<u>(9,844)</u>
	45,517	42,272
Rental and other deposits	<u>2,090</u>	<u>1,050</u>
	50,815	45,614
Prepayments	<u>2,007</u>	<u>1,779</u>
	<u>52,822</u>	<u>47,393</u>

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables		600	–
Accruals and other payables		7,913	7,167
Due to related companies	<i>a</i>	<u>–</u>	<u>300</u>
		<u>8,513</u>	<u>7,467</u>

Notes:

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

- (a) The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

14. PROMISSORY NOTES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
At the beginning of the period/year	14,417	46,475
Issuance of promissory notes	–	62,000
Fair value adjustment	(11,046)	(47,583)
Effective interest on promissory notes	–	3,525
Transfer to other borrowing	<u>–</u>	<u>(50,000)</u>
At the end of the period/year	3,371	14,417
Portion classified as current liabilities	<u>–</u>	<u>–</u>
Non-current portion	<u>3,371</u>	<u>14,417</u>

Notes:

- (a) On 18 October 2017, the Company issued unsecured promissory notes with principal value of HK\$14,000,000 for the acquisition of Explicitly Grand Investments Limited. The promissory notes are interest free and fall due on 17 October 2019. The fair values of the promissory notes at date of issuance was HK\$12,490,000. The promissory notes are subsequently measured at amortised cost, using effective interest rate of 5.87%. The promissory notes were settled on 4 March 2019.
- (b) In 2006, the Company issued promissory notes to directors of Greek Mythology and certain independent third parties with total face value of approximately HK\$1,454,722,000 as part of the consideration for the further 30% equity interest in Greek Mythology. The promissory notes were unsecured, non-interest bearing and repayable in 2016.

- (c) Pursuant to a subscription agreement (the “Subscription Agreement”) entered into between the Company and a shareholder and director of the Company, Mr. Ng Man Sun, (“Mr. Ng”) irrevocably undertook and guaranteed the Company that the irrecoverable debts from certain collaborators of AMA International Limited (“AMA”) should not be more than HK\$50,000,000 for the year ended 31 March 2010. Otherwise, Mr. Ng would compensate the Company by offsetting against his promissory notes for the excess with a cap of face value of HK\$300,000,000.

In addition, during the year ended 31 March 2010, Mr. Ng irrevocably undertook and guaranteed the Company the repayment of debts due from the specified collaborators of AMA of up to HK\$300,000,000 on security of other promissory notes with a total face value of HK\$300,000,000.

During the year ended 31 March 2010, AMA made an allowance for impairment of bad and doubtful debts of approximately HK\$2,515,674,000 which included the amounts due from specific collaborators.

As a result, approximately HK\$400,106,000 was deducted from the face value of the promissory notes of HK\$600,000,000 held by Mr. Ng to offset against the bad and doubtful debts in AMA and recognised in the consolidated income statement for the year ended 31 March 2010.

On 18 March 2016 and 15 September 2016, the Company issued two separate writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee Bing (“Ms. Lee”) and Mr. Wu Weide (“Mr. Wu”).

On 29 December 2017, the Company entered into the Deed of Settlement (the “Deed”) in relation to the settlement of the disputes on the HK\$190 million promissory notes (the “PNs”) with Ms. Lee and Mr. Wu (collectively the “Holders”), pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the PNs concerned. The Company and the Holders agreed the settlement as follow:

- i) paying a total sum of HK\$85,500,000 to the Holders in the following manner:
 - (a) the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders;
 - (b) the sum of HK\$20,000,000 by the issuance of promissory notes (“PN1”) in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the issuance of promissory notes;
 - (c) the sum of HK\$30,000,000 by the issuance of promissory notes (“PN2”) in favour of the Holders and with a maturity date falling on the last business day of the period of eighteen calendar months after the issuance of promissory notes;
 - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of a convertible bond in favour of the Holders (“CB1”) at a conversion price of HK\$0.249 per share. In case the Holders intend to sell, transfer, assign or dispose of the CB1 or any part thereof to a third party, the Holders shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng;

and

- ii) transferring and assigning a total sum of HK\$104,500,000 of the PNs in favour of Mr. Ng Man Sun (“Mr. Ng”) or such other person or entity as the Company shall nominate and the total sum of HK\$104,500,000 of the PNs was settled by issuing the convertible bonds (“CB2”) at a conversion price of HK\$0.3 per share.

The above settlement have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. All the PN1, PN2, CB1 and CB2 were issued on 23 July 2018.

The PN1 and PN2 are 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 rate of 14.53% and 15.73% respectively.

- (d) On 31 March 2020, the Company issued unsecured promissory notes with principal value HK\$62,000,000 for the acquisition of the license right of gaming tables in Cambodia for 5 years. The promissory note are interest free and fall due on 29 September 2022. Pursuant to the Assignment Agreement, the promissory note is subjected to change according to the profits guarantee as following:
- (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, the promissory note holder will 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, the promissory note holder will use the promissory note 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 assignment commencement.

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.

At 30 September 2020, the fair value of the promissory note is HK\$3,371,000.

The fair value of the promissory note as at 30 September 2020 was categorised as Level 3 under the fair value measurement hierarchy and was determined by an independent qualified valuer engaged by the Company using Monte-Carlo simulation approach with the key assumptions and input described below:

Key input	Sensitivity analysis
17.6% discount rate	The higher the discount rate, the lower the value of the promissory note and vice versa

15. CONVERTIBLE BONDS

The liabilities component of convertible bonds is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
CB1	29,650	27,723
CB2	—	—
At the end of the period/year	29,650	27,723
Portion classified as current liabilities	(29,650)	(27,723)
Non-current portion	—	—

As mentioned in note 14 above, the Company issued CB1 and CB2 to settle part of the PNs.

CB1

The principal amount of CB1 is HK\$30,000,000. The holders of the CB1 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK\$1,000,000) 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 (i.e. 23 October 2020). The Company has an option to early redeem the CB1 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. The CB1 is not interest bearing.

The CB1 is 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 CB1 on maturity date if the CB1 is not converted or redeemed).

On initial recognition of the CB1, the equity component 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. The value of the early redemption option embedded in the CB1 other than the equity component (i.e. the conversion option) is included in 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 CB1 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 14.34%. At subsequent reporting dates, the liability component (that does not include the early redemption option) is carried at amortised cost with an effective interest rate of 14.34%.

Movements of the carrying amount of the liability component of the CB1 are as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
At the beginning of the period/year	27,723	24,237
Interest expense (based on effective interest)	1,927	3,486
At the end of the period/year	29,650	27,723

CB2

The principal amount of CB2 is HK\$104,500,000. The holder of the CB2 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK\$1,000,000) 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 (i.e. 23 July 2019). The Company has an option to early redeem the CB2 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. The CB2 is not interest bearing.

The CB2 is 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 CB2 on maturity date if the CB2 is not converted or redeemed).

On initial recognition of the CB2, the equity component 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. The value of the early redemption option embedded in the CB2 other than the equity component (i.e. the conversion option) is included in 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 CB2 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 13.84%. At subsequent reporting dates, the liability component (that does not include the early redemption option) is carried at amortised cost with an effective interest rate of 13.84%.

Movements of the carrying amount of the liability component of the CB2 are as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
At the beginning of the period/year	–	14,410
Interest expense (based on effective interest)	–	590
Conversion	–	(15,000)
	<hr/>	<hr/>
At the end of the period/year	<hr/> –	<hr/> –

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Century Entertainment International Holdings Limited (“Century Entertainment” or the “Company”; stock code: 959) report the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2020 (the “Period under Review”) (the “2020 Interim Results”). The 2020 Interim Results have been reviewed by the audit committee of the Company.

FINANCIAL REVIEW

The principal activities of the Group are investment holdings, operating the gaming tables in Cambodia, the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients, and operating the VIP room in Cambodia which had been terminated with effect from 1 June 2020. For the Period under Review, the gaming business in Cambodia continued to be the main revenue driver for the Group.

The Group recorded a revenue of approximately HK\$2.7 million for the continuing operations for the Period under Review, decreasing 87.4% as compared to approximately HK\$21.5 million in the corresponding period last year. The decrease in revenue was mainly attributable to the spread of COVID-19 and the temporary closure of all casinos in Cambodia since 1 April 2020 affecting (i) the VIP room gaming business which had then been terminated from 1 June 2020; and (ii) the gaming table business and also that the work on the re-opening of the casino is still in progress. Net loss for the Period under Review was approximately HK\$6.2 million, decreasing 54.1% as compared to approximately HK\$13.5 million for the corresponding period last year. The decrease in loss was primarily the result of loss incurred for the period which was mainly due to the decrease in revenue as mentioned above and the amortisation of intangible assets for this period for continuing operations, which was then offset by the fair value gain on promissory notes and consultancy income.

Capital Structure

As at 30 September 2020, the Company’s total number of issued shares was 1,282,475,614 (31 March 2020: 1,282,475,614) at HK\$0.20 each. The Group’s consolidated net assets totalled approximately HK\$4.0 million, representing a decrease of approximately HK\$6.1 million as compared to that of approximately HK\$10.1 million as at 31 March 2020.

Settlement Promissory Notes and Convertible Bonds

On 29 December 2017, the Company entered into the Deed of Settlement in relation to the settlement of the disputes on the HK\$190 million promissory notes and issued the Settlement Promissory Notes and the Convertible Bonds to Ms. Lee Bing and Mr. Wu Weide (the “Holders”). The Settlement Promissory Notes amounted to HK\$30,000,000 fell due on 23 January 2020 and the Convertible Bonds amounted to HK\$30,000,000 matured on 23 October 2020 respectively. As at the date of this report, the Settlement Promissory Notes in the amount of HK\$28,000,000 and the Convertible Bonds in the amount of HK\$30,000,000 are outstanding and negotiation with the Holders on the settlement plan is in progress.

Liquidity and Financial Resources

The Group adopts a prudent treasury policy. It finances its operations and investments with internal resources, cash revenues generated from operating activities and proceeds from equity fundraising activities.

As at 30 September 2020, the Group had total assets and net assets of approximately HK\$146.8 million (31 March 2020: approximately HK\$157.0 million) and approximately HK\$4.0 million (31 March 2020: approximately HK\$10.1 million) respectively, comprising non-current assets of approximately HK\$90.3 million (31 March 2020: approximately HK\$106.4 million) and current assets of approximately HK\$56.5 million (31 March 2020: approximately HK\$50.6 million) which were financed by shareholders' funds of approximately HK\$4.0 million (31 March 2020: approximately HK\$10.1 million). The Group also had current liabilities of approximately HK\$137.8 million (31 March 2020: approximately HK\$129.2 million) and non-current liabilities of approximately HK\$5.0 million (31 March 2020: approximately HK\$17.7 million).

The Group's gearing ratio, calculated as a ratio of debt to shareholders' equity, was approximately 3,594% (31 March 2020: approximately 1,449%).

BUSINESS REVIEW

Overview

The outbreak of the coronavirus (COVID-19) and its subsequential travel restriction hit hard the globe's economy. The number of international visitors to Cambodia during the first half of 2020 was down 64.6% year-on-year to 1.18 million, according to the Ministry of Tourism of Cambodia. Tourism revenue in 2020 thus decreased US\$5 billion. The temporary closure of all casinos in Cambodia since 1 April 2020 significantly impacted the landscape of the gaming industry in Cambodia, where the Group's businesses inevitably suffered.

Gaming Table Business in Cambodia

On 6 July 2020, the Company has been notified by Lion King Entertainment Company Limited ("Lion King"), a wholly-owned subsidiary of Cheung Shing Global Travel Entertainment Limited ("CSG") and being the assignor of the Gaming Table Business Rights, that in light of the outbreak of COVID-19 and the temporary closure of all casinos in Cambodia, Lion King was unsuccessful to negotiate with the landlord for any possibility to reduce the lease payment of the Century Entertainment casino (the "Casino") and decided to move the Casino to a new location.

On 30 September 2020, CSG and LongBay Entertainment Co., Ltd., a property investment and property development company, have entered into a casino lease and operation agreement for a term from 1 October 2020 to 30 September 2035, for a new casino location at Dara Sakor, Koh Kong Province. The new casino is currently under interior decoration and is expected to re-open by 30 January 2021.

Augmented Reality (“AR”)/Virtual Reality (“VR”) Entertainment

The businesses of the Explicitly Grand Group had been affected by the outbreak of COVID-19 since early January 2020 and led to potential deals under negotiation could not be sealed. Given the uncertainties and sentiments surrounding the market, the Company holds a more conservative approach towards the business operation of the Explicitly Grand Group when assessing the viability of potential projects and by closely evaluating their financial performance. During the Period under Review, the Explicitly Grand Group contributed a revenue of approximately HK\$2.7 million to the Group.

Technical and Pre-opening Services

On 20 September 2020, Victor Mind Global Limited (“VMG”), a wholly-owned subsidiary of the Company, and a third-party hotel operator company entered into a service agreement (the “Service Agreement”), pursuant to which VMG shall provide technical and pre-opening services in relation to a casino operated by the hotel operator company.

The technical and pre-opening services are in relation to, among other things, (i) the design, development and implementation of information technology system in the casino; (ii) the overall design of the casino; (iii) the establishment of organization and operation structure of the casino; (iv) the setting up of internal control system of the casino; (v) the provision of headhunting and recruiting services for the casino; (vi) the procurement of essential hardware, equipment and peripheral facilities of the casino; (vii) liaise with the casino’s designer and constructor to monitor the overall progress and report deficiencies of the decoration of the casino; and (viii) the procurement of all relevant licenses and permits in Cambodia for the operation of the casino.

The Company has solid experience in pre-opening services and operation of gaming business in Asia Pacific region, and had also provided such services to CSG previously for its casino at Sunshine Bay Hotel. The term of technical and pre-opening services commenced from 20 September 2020 until completion, which is expected to be before 31 January 2021, and VMG received service fees of HK\$4 million.

Discontinued operation

The Group has operated a VIP Room with 13 baccarat tables in Cambodia via VMG under a license agreement valid for a period of 3 years from 1 December 2017. The operation of the VIP Room was outsourced to an independent operator appointed by VMG.

Due to the temporary closure of all casinos in Cambodia since 1 April 2020, on 27 May 2020, VMG and the Licensor entered into a termination agreement (the “Termination Agreement”) pursuant to which both parties have mutually agreed to early terminate the license agreement, which will expire on 30 November 2020, with effect from 1 June 2020. The Company is of the view that early termination of the license agreement without compensation is a favorable opportunity for the Company to minimize the Group’s cash outlay during the COVID-19 epidemic period as well as minimizing the impact of the temporary closure of casino business to the Group.

OUTLOOK AND PROSPECT

In Cambodia, the new Law on the Management of Integrated Resorts and Commercial Gambling (“LMCG”) was enforced on 21 November 2020. The publication of LMCG is intended to boost the economic growth by promoting the tourism sector and creating jobs. LMCG establishes a standard for commercial gambling such as tax revenues, competencies, rules and procedures and a minimum capital for casino investments in Cambodia, where only tourists can legally gamble. The legislation divides Cambodia into three distinct gaming zones namely, Prohibited Zones, Permitted Zones and Favored Zones. Dara Sakor is located at the Favored Zones which are now the only areas where new integrated resorts can be developed.

With challenges come opportunities. During this difficult time, the Company believes that the new location of the casino operation at Dara Sakor in Cambodia will bring a brighter prospect in the future as it is one of the most rapidly developing districts in Cambodia, and is confident that the overall tourist and gaming industries will come with silver lining when potential vaccines are coming into place.

Looking ahead, the Group remains dedicated to strengthening Cambodia gaming business by riding on the Group’s comprehensive knowledge and in-depth experience in gaming industry in the Asia Pacific region. With the implementation of the LMCG, the Group believes that it will allow a more effective control and regulation over casino operation, gaining operators’ trust and facilitating the gaming industry in the long run. In addition, the Group will continue to leverage stringent cost control to mitigate the cost burden and operational risks.

Since the development of COVID-19 is not predictable, the Group will continue to closely monitor the situation and react upon it. The Group will do its very best to maintain a high level of healthy, hygienic and safe environment to our staff and customers when Century Entertainment casino reopens.

Appreciation

The Board would like to take this opportunity to thank the management and staff for their contributions and support, and looks forward to sharing the Group’s successes with them. It also wishes to express its gratitude to the Group’s investors and shareholders for their trust and unwavering support, and will be fully committed to delivering long-term value and optimum returns to both parties.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

FOREIGN EXCHANGE AND CURRENCY RISKS

It is the Group’s policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The principal businesses of the Group are conducted and recorded in Hong Kong dollars, United States dollars, Renminbi and Macau Patacas. As its exposure to foreign exchange fluctuation is minimal, the Group does not see the need for using any hedging tools.

EMPLOYEES AND REMUNERATION POLICY

The Group is aware of the importance of human resources and is dedicated to retaining competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined with reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund scheme in Hong Kong. A share option scheme is in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2020.

CORPORATE GOVERNANCE

The Group continues to commit itself to maintaining a high standard of corporate governance with emphases on enhancing transparency and accountability and assuring of good application of practices and procedures within the Group and enhancing performance thereby, augmenting shareholders' value and benefiting our stakeholders at large.

The Company has applied the principles of, and complied with all applicable code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules throughout the Period under Review with the exception of certain deviations as further explained below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ng Man Sun currently assumes the roles of both the chairman (the "Chairman") of the Board and the chief executive officer (the "CEO") of the Company. The Board believes that the roles of the Chairman and CEO performed by Mr. Ng provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and implementation of the Company's business strategies. The Board will regularly review effectiveness of such arrangement.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, and subject to re-election.

None of the non-executive directors of the Company, being all existing independent non-executive directors ("INEDs") of the Company, is appointed for a specific term. However, all INEDs are subject to retirement by rotation but eligible for re-election at least once every three years at the annual general meeting (the "AGM") in accordance with the Bye-laws of the Company. The Company has also received the confirmation of independence from each INED and has grounds to believe that they are independent of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting.

Due to other business commitments, Mr. Ng Man Sun, being the Chairman of the Board, was unable to attend the AGM of the Company held on 10 September 2020. He had arranged Ms. Ng Wai Yee, another executive director of the Company and who is very familiar with the Group's business and operations, to attend and chair the AGM.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 and the accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors and has adopted written guidelines no less exacting than the Model Code for the relevant employees in respect of their dealings in the Company's securities.

Having made specific enquiries of all Directors, all Directors confirm that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions throughout the Period under Review.

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

Hong Kong, 26 November 2020

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.