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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)

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO
THE ASSIGNMENT OF THE NEW GAMING TABLE
BUSINESS RIGHTS IN CAMBODIA**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



THE ASSIGNMENT

The Board is pleased to announce that on 27 February 2023, VMG, Lion King and Mr. Ng entered into the New Assignment Agreement, pursuant to which Lion King has conditionally agreed to assign the New Gaming Table Business Rights to VMG and VMG has conditionally agreed to accept the assignment of the New Gaming Table Business Rights for a period of five (5) years commencing from the Completion Date at the Consideration of HK\$58 million which shall be settled by offsetting the amount due from Mr. Ng and Lion King to the Group of HK\$58 million.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios in respect of the Assignment exceeds 100%, the transactions contemplated under the New Assignment Agreement constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

As at the date of this announcement, Lion King is wholly-owned by Mr. Ng, who is an executive director, chairman and chief executive officer of the Company and a substantial Shareholder. Therefore, Lion King and Mr. Ng are connected persons of the Company. Accordingly, the entering into of the New Assignment Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

Given that Mr. Ng has a material interest in the New Assignment Agreement, Mr. Ng, Ms. Ng Wai Yee (being Mr. Ng's daughter) and their respective associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the New Assignment Agreement and the transactions contemplated thereunder.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the New Assignment Agreement and the transactions contemplated thereunder. In this connection, Opus Capital Limited has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Assignment Agreement are fair and reasonable, and to make recommendation(s) on voting.

THE SGM

A SGM will be convened for the purpose of, among other things, considering, and if thought fit, approving the New Assignment Agreement and the transactions contemplated thereunder by the Independent Shareholders. A circular containing, among other things, (i) further information on the Assignment; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 31 March 2023.

As completion of the New Assignment Agreement is subject to the fulfilment (or waiver, as the case may be) of a number of conditions precedent (which are detailed in this announcement), the New Assignment Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

The Company confirms that, based on Cambodia legal advice obtained by the Company, the New Gaming Table Business is lawful in Cambodia. The Company has also been advised that (i) the New Gaming Table Business does not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong); (ii) the Gaming License is legal and valid; and (iii) the New Assignment Agreement and the Casino Lease and Operation Agreement are legal and valid once they are approved by the CGMCC. Shareholders and potential investors of the Company should note that, pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange, the Stock Exchange may direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the New Gaming Table Business fails to comply with applicable laws in Cambodia and/or contravenes the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

References are made to:

- (i) the announcements of the Company dated 28 October 2019 and 31 March 2020 in relation to, among other things, (a) the assignment of the Gaming Table Business Rights under the Original Assignment Agreement (the “**Original Assignment**”); and (b) the completion of the Original Assignment for a period of five years from 31 March 2020;
- (ii) the circular of the Company dated 13 March 2020 in relation to the details of the Original Assignment;
- (iii) the announcements of the Company dated 2 April 2020, 6 July 2020 and 30 September 2020 in relation to, among other things, the temporary closures of all casinos in Cambodia and the notification by the assignor (i.e. Lion King) regarding its decision to relocate the operation of casino to Long Bay, Say Phuthong Boulevard, Dara Sakor, Koh Kong Province, Cambodia; and
- (iv) the announcements of the Company dated 5 February 2021, 31 March 2021, 30 April 2021, 30 July 2021, 4 November 2021, 7 March 2022, 28 June 2022 and 30 September 2022 in relation to, among other things, (a) the entering into the Supplemental Framework Agreement to amend certain terms of the Original Assignment Agreement; (b) updates on the re-opening schedule of the New Casino; and (c) the extension of long stop date.

BACKGROUND

The Original Assignment

On 28 October 2019, VMG, Lion King and Mr. Ng entered into the Original Assignment Agreement, pursuant to which Lion King has conditionally agreed to assign the Gaming Table Business Rights to VMG and VMG has conditionally agreed to accept the assignment of the Gaming Table Business Rights for a period of five (5) years commencing from the effective date of the Original Assignment Agreement at the consideration of HK\$120 million (the “**Original Consideration**”).

Pursuant to the Original Assignment Agreement, the Original Consideration shall be satisfied in the following manners:

- (i) as to HK\$58,000,000 by way of disposing of the sale shares (the “**Disposal**”), representing 60% of the total issued and paid-up capital of Forenzia Enterprises Limited upon assignment commencement (the “**Disposal Consideration**”); and
- (ii) the balance of HK\$62,000,000 by way of procuring the Company to issue the promissory note upon assignment commencement (the “**Promissory Note**”).

As disclosed in announcement of the Company dated 31 March 2020, all the conditions precedent under the Original Assignment Agreement had been satisfied. The Disposal was completed and the Promissory Note was issued on the same date. Therefore, the Gaming Table Business Rights have been granted to VMG for a period of five years from 31 March 2020. The Group recognised relevant intangible assets of HK\$68 million as at 31 March 2020. Due to the fact above, the Directors consider the Original Assignment was completed and the assignment started on 31 March 2020. The Company was entitled to the operation and management of the four tables under the Original Assignment and enjoyed the economic benefits arising from those tables.

Pursuant to the Original Assignment Agreement, the Promissory Note is subject to change according to the following profit guarantees (the “**Profit Guarantees**”):

- (i) the profit guarantee for the first 12 months (i.e. 1 April 2020 to 31 March 2021) is HK\$28,000,000; and
- (ii) the profit guarantee for the second 12 months (i.e. 1 April 2021 to 31 March 2022) is HK\$32,000,000.

The compensation amount shall be determined with the following formula:

Compensation amount for the first 12 months = (HK\$28 million – actual profit) x 2

Compensation amount for the second 12 months = (HK\$32 million – actual profit) x 2

In the event that the Profit Guarantees are not met, Lion King and Mr. Ng shall indemnify VMG by reducing the principal amount of the Promissory Note in the sum equal to compensation amount and in the event that the principal amount of the Promissory Note is not sufficient to meet the compensation amount, by way of cash.

Due to the relocation of the New Casino, on 5 February 2021, the Supplemental Framework Agreement was entered into by VMG, Lion King and Mr. Ng in the spirit that the profit guarantee period as stated in the Original Assignment Agreement shall be reset to commence from the date of commencement of operation of the New Casino and thereafter to cover a period of 24 consecutive months.

The enforcement of the Profit Guarantees

Although the Company entered into the Supplemental Framework Agreement on 5 February 2021 to reset the profit guarantee period, the Company decided to enforce the Profit Guarantees in around April 2021 to recover part of the consideration in light of the uncertainty of the casino re-opening schedule at that time. In around April 2022, the Company further enforce the Profit Guarantees to recover the entire consideration for the Original Assignment in light of the protection of the interests of the Company and the Shareholders as a whole by recovery in full of the costs of its investment in the Gaming Table Business Rights.

Given no profit was generated from the Gaming Table Business Rights for the two years ended 31 March 2022 as a result of the outbreak of the novel coronavirus (COVID-19) and the temporary closure of all casinos in Cambodia since 1 April 2020, the total compensation amount under the Profit Guarantees was HK\$120 million (i.e., two times the sum of HK\$28 million and HK\$32 million), being the Original Consideration. After deducting the entire principal amount of the Promissory Note of HK\$62 million, the net amount due from Mr. Ng and Lion King to the Group was HK\$58 million as at the date of this announcement as a result of the enforcement of the Profit Guarantees.

As advised by the Hong Kong legal adviser to the Company, such enforcement could be construed as a unilateral repudiation of the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement which provided for the deferral of the period of the Profit Guarantees. As a result of the unilateral repudiation by the Company, the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement shall cease to have effect.

In addition, the four gaming tables under the Gaming Table Business Rights will not be delivered to the Group as a result of the relocation of the casino and most importantly, the repudiation of the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement due to the enforcement of the Profit Guarantees as stated above. The repudiation has been accepted by Lion King as evidenced by its compensation under the Profit Guarantees and its willingness to negotiate and to enter into the New Assignment Agreement.

Notwithstanding the above, the Company still recognized the intangible assets as at 30 September 2022, mainly because:

- (i) the negotiation between the Company and Mr. Ng on the arrangement in relation to the New Casino was still underway given the extension of the long stop date of the Supplemental Framework Agreement;
- (ii) the Company only received formal legal advice on the validity of the Original Assignment Agreement and the Supplemental Framework Agreement after the enforcement of the Profit Guarantees in around December 2022; and
- (iii) the carrying amount of the intangible assets as at 30 September 2022 was neither reviewed nor audited by the auditors of the Company.

As advised by the auditors of the Company:

- (i) the intangible assets of the Company as at 30 September 2022 shall be fully derecognized in the upcoming financial statements for the year ending 31 March 2023 given (a) the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement has been repudiated by the Company as a result of the enforcement of the Profit Guarantees and therefore ceased to have effect; and (b) as a result of (a) above, the Group will not be entitled to the Gaming Table Business Rights under the Original Assignment Agreement;
- (ii) no prior year adjustment in relation to the derecognition of the above intangible assets is required given the Profit Guarantees were fully enforced after the year ended 31 March 2022; and
- (iii) new intangible assets shall be recognized by the Company after completion of the New Assignment Agreement.

Given (i) the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement was deemed to be repudiated and cease to have effect; and (ii) the New Assignment Agreement for the compensation under the Profit Guarantees has been entered into on 27 February 2023, the Company will not enter into any of supplemental framework agreements to further extend the long stop date of the Supplemental Framework Agreement.

To sum up, the Directors would like to emphasize that:

- (i) due to the relocation of the New Casino, on 5 February 2021, the Supplemental Framework Agreement was entered into in the spirit that the profit guarantee period as stated in the Original Assignment Agreement shall be reset;
- (ii) during the process of obtaining Independent Shareholders' approval on the Supplemental Framework Agreement, in light of (a) the uncertainty of the casino re-opening schedule at that time; and (b) the protection of the interests of the Company and the Shareholders as a whole by recovery in full of the costs of its investment in the Gaming Table Business Rights, the Company decided to enforce the Profit Guarantees in around April 2021 and April 2022, which allowed it to recover the entire consideration for the Original Assignment;
- (iii) the election to act on the Profit Guarantee as stated above was a going back on the Company's promises under the Supplemental Framework Agreement and constituted a repudiation of the principal terms of the Original Assignment Agreement as amended and supplemented by the Supplemental Framework Agreement;
- (iv) as a result of the enforcement of the Profit Guarantees, the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement has been unilaterally repudiated by the Company and therefore been terminated;
- (v) the Group will not be entitled to the Gaming Table Business Rights under the Original Assignment Agreement as a result of the repudiation of the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement; and
- (vi) the potential write-off of relevant intangible assets will not have a material adverse impact on the financial performance of the Company after taking into account the Cumulative Gain (defined as below).

Fairness and reasonableness of the entering into of the New Assignment Agreement

The Directors consider it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to enter into the New Assignment Agreement after taking into account:

- (i) the re-opening schedule of the New Casino has been delayed many times in 2021 and in view of the uncertainty of re-opening schedule, the Company decided to act on the Profit Guarantees to protect the interests of the Company and the Shareholders as a whole. As stated above, the Company's action could be construed as a unilateral repudiation of the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement and therefore both the Original Assignment Agreement and the Supplemental Framework Agreement shall cease to have effect;
- (ii) the total compensation amount under the Profit Guarantees was HK\$120 million which equal to the Original Consideration and the Company effectively recovered the entire consideration for the Original Assignment. It could be interpreted that the Company has ultimately not paid any consideration for the Original Assignment;
- (iii) the Company has not suffered any loss from the Original Assignment as (a) the Company has recovered the entire Original Consideration through the Profit Guarantees; and (b) the original cost of the intangible assets associated with the Original Assignment of approximately HK\$68 million is smaller than the fair value gain recognised through profit or loss associated with the Profit Guarantees and the Promissory Note of approximately HK\$70.3 million for the two years ended 31 March 2022 (the "**Cumulative Gain**"); and
- (iv) taking into account (ii) and (iii) above, the cessation of the Original Assignment Agreement as supplemented by the Supplemental Framework Agreement due to the enforcement of the Profit Guarantees by the Company is acceptable.

For other reasons of the entering into of the New Assignment Agreement, please refer to section headed "Reasons for and benefit of the Assignment" below.

INTRODUCTION

In order to settle the amount due from Mr. Ng and Lion King to the Group of HK\$58 million, the Board is pleased to announce that on 27 February 2023, VMG, Lion King and Mr. Ng entered into the New Assignment Agreement, pursuant to which Lion King has conditionally agreed to assign the New Gaming Table Business Rights to VMG and VMG has conditionally agreed to accept the assignment of the New Gaming Table Business Rights for a period of five (5) years commencing from the Completion Date at the Consideration of HK\$58 million which shall be settled by offsetting the amount due from Mr. Ng and Lion King to the Group of HK\$58 million.

Given the assignment of the New Gaming Table Business Rights would offset the amount due from Mr. Ng and Lion King to the Group of HK\$58 million, the settlement of which would effectively allow the Company to get back the Original Consideration of HK\$120 million as explained above, the Directors (excluding the independent non-executive Directors who will form their opinion after reviewing the letter from the Independent Financial Adviser) consider the entering into the New Assignment Agreement is in the interest of the Company and the Shareholders as a whole.

THE NEW ASSIGNMENT AGREEMENT

The principal terms of the New Assignment Agreement are set out as follows:

Date

27 February 2023

Parties

- (i) VMG (as the assignee);
- (ii) Lion King (as the assignor); and
- (iii) Mr. Ng (as the guarantor)

As at the date of this announcement, Lion King is wholly-owned by Mr. Ng who is an executive Director, the chairman and chief executive officer of the Company. Mr. Ng and his wholly-owned company, namely East Legend Holdings Limited, together held an aggregate of 35,872,196 Shares, representing approximately 27.97% of the issued share capital of the Company as at the date of this announcement. As Mr. Ng is a substantial Shareholder, Mr. Ng and Lion King are connected persons of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the New Assignment Agreement, Lion King has conditionally agreed to assign and VMG has conditionally agreed to accept the assignment of the New Gaming Table Business Rights at the Consideration of HK\$58 million for a period of five (5) years from the Completion Date.

The New Casino and all the eight New Gaming Tables to be assigned under the New Framework Agreement have commenced operation since November 2021.

Mr. Ng has conditionally agreed to guarantee Lion King's performance under the New Assignment Agreement.

Consideration

The Consideration of HK\$58 million shall be payable by VMG to Lion King on Completion and shall be settled by offsetting the amount due from Mr. Ng and Lion King to the Group of HK\$58 million.

Basis of the Consideration and the number of gaming tables

The Consideration represents the net amount due from Mr. Ng and Lion King to the Group of HK\$58 million arising from the Profit Guarantees under the Original Assignment Agreement.

The number of gaming tables to be assigned under the New Assignment Agreement is eight, which is determined based on (i) the amount due from Mr. Ng and Lion King to the Group of HK\$58 million; and (ii) the preliminary appraised value of the eight New Gaming Tables of approximately HK\$63.6 million as at 30 September 2022, as valued by the Independent Valuer using the income approach covering the period from 1 October 2022 to 30 September 2027.

The Consideration represents a discount of approximately 8.8% to the preliminary valuation.

The valuation was prepared on a discounted cash flow basis under the income approach. Pursuant to Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast. The Company will comply with the requirements of Rules 14.60A and 14.62 of the Listing Rules by way of a supplemental announcement or circular (as the case may be). The Company will also include the valuation report of the New Gaming Table Business Rights in the circular to be despatched to the Shareholders.

Taking into account the above-mentioned, the Directors (excluding the independent non-executive Directors who will form their opinion after reviewing the letter from the Independent Financial Adviser) consider that the Consideration is fair and reasonable.

Undertaking in relation to the relocation of the New Casino

Pursuant to the New Assignment Agreement, Lion King and Mr. Ng have jointly undertaken to compensate VMG in cash for any loss arising from any relocation of the New Casino during the term of the New Gaming Table Business Rights. Such loss will include (i) any relocation expense incurred by the Group; and (ii) loss of revenue during the period of relocation, which is calculated based on the average daily gross revenue generated from the New Gaming Tables during the period from Completion to the date of relocation multiplied by the number of days required for the relocation.

Conditions precedent

Completion is conditional upon, among other things, the fulfilment of the following conditions:

- (i) completion by VMG of the legal and financial due diligence review and VMG being reasonably satisfied with such review;
- (ii) the obtaining by VMG of all necessary consents, authorizations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the New Assignment Agreement which may be required by the Approval Authorities in respect of the New Assignment Agreement and the Casino Lease and Operation Agreement;
- (iii) VMG being reasonably satisfied that all warranties will remain true and correct and there being no material adverse change as at the commencement date of the Assignment;
- (iv) VMG having obtained a legal opinion from qualified lawyers practicing in Cambodia in the form satisfactory to VMG confirming the legality and validity of the gaming license as well as the legality, validity and enforceability of the Casino Lease and Operation Agreement and the New Assignment Agreement;
- (v) VMG having obtained a valuation report on the market value of the New Gaming Table Business Rights from an independent valuer acceptable in the form reasonably satisfactory to VMG; and
- (vi) the passing of the ordinary resolution(s) at the SGM by the Independent Shareholders to approve the terms of the New Assignment Agreement and the transactions contemplated thereunder;

VMG may waive all or any of the conditions (except (ii), (iv), (v) & (vi)) at any time before the Long Stop Date by notice in writing to Lion King. If any of the above conditions are not satisfied by the Long Stop Date (or such other date the parties may agree in writing), the New Assignment Agreement shall be terminated and have no effect and neither party shall then have any liability.

As at the date of this announcement, conditions (i), (iv) and (v) have been fulfilled.

Completion

Completion shall take place on or before the third business day after all conditions precedent to the New Assignment Agreement have been satisfied or waived by VMG (or such other time and date as the parties to the New Assignment Agreement may agree in writing).

Upon Completion, the Company will be entitled to all future economic benefits contributed from the New Gaming Table Business.

INFORMATION ON THE NEW CASINO AND THE NEW GAMING TABLE BUSINESS

The New Casino is situated at Building 89, Long Bay, Say Phuthong Boulevard, Dara Sakor, Koh Kong Province, Cambodia with total GFA of 10,500 sq.m. According to the design and construction plan of the New Casino, the New Casino comprises (i) casino areas with GFA of approximately 7,000 sq.m. including (a) 20 mass gaming tables with 7 tables for niu-niu poker, 10 tables for baccarat (including the New Gaming Tables), and 1 table for each of blackjack, sic bo and poker; (b) 50 electronic gaming machines; and (c) 25 VIP tables; and (ii) 1 Chinese restaurant.

Based on the Gaming License, the New Casino belongs to LongBay Entertainment Co., Ltd.. Lion King has entered into the Casino Lease and Operation Agreement with LongBay Entertainment Co., Ltd., pursuant to which LongBay Entertainment Co., Ltd. agreed to lease to Lion King the New Casino for a term from 1 May 2021 to 30 April 2036 and Lion King will carry out gaming activities at the New Casino with the Gaming License provided by LongBay Entertainment Co., Ltd..

Details of the terms of the Casino Lease and Operation Agreement are as follow:

Parties: LongBay Entertainment Co., Ltd. (as the lessor); and
Lion King (as the lessee)

Terms: 1 May 2021 to 30 April 2036

Property: Building 89, Long Bay, Say Phuthong Boulevard, Dara Sakor, Koh Kong Province, Cambodia with total GFA of 10,500 sq.m.

LongBay Entertainment Co., Ltd. is a company incorporated in Cambodia with limited liability and is principally engaged in property investment and property development. To the best knowledge, information, and belief of the Directors after having made all reasonable enquiries, LongBay Entertainment Co., Ltd. and its ultimate beneficial owner are Independent Third Parties.

The New Gaming Table Business

Business model, roles of the Group and Lion King in the New Gaming Table Business

The New Gaming Tables will be located at the mass market area of the New Casino. The gaming activities of the New Gaming Table Business will take place only in Cambodia and outside Hong Kong. The bookkeeping transactions and parties to the transactions will be only in Cambodia and outside Hong Kong.

The Group will mainly launch baccarat on the New Gaming Tables. The Group shall be entitled to 100% house win winnings and responsible for 100% house losses, and shall bear the relevant staff costs and taxes associated with the New Gaming Table Business.

Pursuant to the New Assignment Agreement, Lion King has undertaken VMG that:

- (i) it will keep the New Casino in good condition that allows VMG to run the New Gaming Table Business in a proper manner;
- (ii) it will provide all necessary utilities, equipment and facilities, etc. to support the New Gaming Table Business in a proper manner;
- (iii) it will solely be responsible for the operation and management of the New Gaming Table Business;
- (iv) it will comply in all respects with the relevant anti-money laundering and combating financing of terrorism legislations of Cambodia and will develop and implement proper internal control and reporting systems in the New Casino including the New Gaming Table Business;
- (v) it will provide VMG with all financial and non-financial data in relation to the New Gaming Table Business on a regular basis or upon VMG's request;
- (vi) it will ensure that the games played at the New Gaming Tables are conducted in an orderly manner, without involvement of any fraud, and in accordance with any applicable house or casino rules of the New Casino;
- (vii) it will ensure all disputes with guests playing games at the New Gaming Tables shall be resolved without adverse effect to the reputation of the New Casino;
- (viii) it will ensure that no damage or loss shall be caused to any part of the New Casino (including furniture and decoration, and chips on the New Gaming Tables) in connection with or arising from the conduct of the New Gaming Table Business, and if there shall be any such damage or loss, it will be solely responsible for the costs of repair and making good of such damage or loss; and
- (ix) it will procure LongBay Entertainment Co., Ltd. to promptly renew the Gaming License on an annual basis.

Pursuant to the New Assignment Agreement, VMG shall:

- (i) solely be responsible for the costs of the New Gaming Table Business (including the winnings that shall be paid to guests winning games at the gaming tables, the costs of engaging employees to serve at the gaming tables, and the costs of meals and refreshments served to such guests);
- (ii) bear all tax payable arising from the New Gaming Table Business; and
- (iii) subject to the payments and deductions as mentioned in (i) and (ii) above, be entitled to retain all the loss of guests playing games at the New Gaming Tables.

Internal controls on anti-money laundering (“AML”)

VMG

The Company understood that a foreign company which is registered and runs its business in Cambodia in relation to the casino sector or type of some other relevant business shall abide by Cambodia’s laws, policies and implementation framework as well as international standards which Cambodia has declared the acceptance of implementation of as a member.

The Group will adopt AML policies and procedures currently in use by the Group in respect of anti-money laundering. Measures covered by the AML policies and procedures include, but not limited to: (i) to verify individuals’ identities and keep proper records on the players; (ii) to record any bets, single or aggregated, over a certain amount and the parties involved; and (iii) to report suspicious irregularities to relevant authorities, which the Group will monitor the operation of the New Gaming Tables to identify any suspicious irregularities and report to the New Casino and relevant authorities immediately.

The Group will also develop comprehensive procedures for the New Gaming Table Business’s financial closing and reporting process and update its control system and compliance procedures accordingly whenever there are changes in the laws and regulations of AML.

The Group will conduct internal control review on the internal systems and procedures and AML mechanism of the New Gaming Tables on a regular basis.

Historical performance of the New Gaming Tables

All the eight New Gaming Tables to be assigned under the New Framework Agreement have commenced operation since November 2021. The unaudited gross revenue and net revenue of the New Gaming Tables amounted to approximately HK\$10.4 million and approximately HK\$9.2 million, respectively, during the period from November 2021 to March 2022, while the unaudited net profit amounted to approximately HK\$6.0 million during the period from November 2021 to March 2022 (assuming an exchange rate of US\$1: HK\$7.85). Net revenue is gross revenue less gaming revenue tax and food and beverage charges.

Lion King

The New Casino and Lion King have to comply with the laws in respect of AML. Measures adopted by the New Casino and Lion King include but not limited to:

- (i) to verify individuals' identities and keep proper records on the players and junkets in the database of the New Casino;
- (ii) to record any bets, single or aggregated, over a certain amount by the recording system of the New Casino, which can record and report on each transaction conducted by the relevant parties; and
- (iii) to monitor the revenue report and report any suspicious irregularities to relevant authorities.

In addition, the New Casino and Lion King do not intend to accept credit cards or any forms of electronic currencies for the transactions.

The New Casino and Lion King has developed a comprehensive AML policy and related procedures for its financial closing and reporting process and will update its internal control system and compliance procedures accordingly whenever there are changes in the laws and regulations of AML.

The Company will conduct internal control review on the internal control systems of the New Casino on a regular basis.

RISK RELATING TO THE NEW GAMING TABLE BUSINESS, OPERATIONS AND THE GAMING INDUSTRY IN CAMBODIA

The winnings of our players could exceed the New Gaming Table Business's winnings

Revenue of the New Gaming Table Business is mainly derived from the difference between the New Gaming Table Business's winnings and the winnings of its players. Since there is an inherent element of chance in the gaming industry, the New Gaming Table Business does not have full control over the New Gaming Table Business's winnings or the winnings of its players. If the New Gaming Table Business's winnings are less than the winnings of its players, it may record a loss from its gaming operations, and its business, financial condition and results of operations could be materially and adversely affected.

Theoretical win rates for the New Gaming Table Business's operations depend on a variety of factors, some of which are beyond our control

The gaming industry is characterized by an element of chance. In addition to the element of chance, theoretical win rates are also affected by other factors, including players' skill and experience, the financial resources of players, the spread of table limits, the volume of bets placed by our players and the amount of time players spend on gambling – thus the New Gaming Table Business's actual win rates may differ greatly over short time periods and could cause our results to be volatile. These factors, alone or in combination, have the potential to negatively impact the New Gaming Table Business's win rates, and our business, financial condition and results of operations could be materially and adversely affected.

Social and economic conditions, travelling restrictions and currency exchange control in the PRC may be subject to uncertainties

As PRC customers are expected to be the New Gaming Table Business's major patrons, changes in economic and social conditions and/or measures implemented by the PRC government, including but not limited to, additional travelling barriers or changes in currency exchange controls will impede the inflow of PRC tourists to Cambodia. It is unclear whether these and other measures will continue to be in effect, or become more restrictive, in the future. Any reduction in visitors from the PRC as a result of the aforementioned measures or otherwise, would have a material impact on our business.

Business uncertainties and short operating history

It may be difficult for the New Gaming Table Business to prepare for and respond to the significant business, economic, regulatory and competitive uncertainties and contingencies frequently encountered by the Group in competitive environments compared to a company with a longer operating history. If these risks are not managed successfully, it could have a material and adverse effect on the results of operations, financial performance and business of the New Gaming Table Business.

VMG has no control over the operation of the New Casino

Pursuant to the terms of the New Assignment Agreement, Lion King shall, among other things, be solely responsible for the operation and management of the New Gaming Table Business. To ensure the proper accounting for the revenue and profits attributable to the New Gaming Table Business and audit rights for relevant accounting records, VMG and Lion King has implemented the following measures:

- (i) a unique number for each of the gaming tables in the New Casino has been properly assigned;
- (ii) the New Casino is implementing casino management system known as "KISS" to manage day-to-day gaming tables operations, inter alia, produce comprehensive real time statistics, audit trials and management reports;
- (iii) VMG shall prepare a budget on the operating cost of the New Gaming Tables with a view to monitoring the actual expenses to be incurred; and
- (iv) pursuant to the terms of the New Assignment Agreement, Lion King has undertaken to VMG that, among other things, it will provide VMG with all financial and non-financial data in relation to the New Gaming Table Business on a regular basis or upon VMG's request.

Based on the above measures, the Company is of the view that a proper accounting for the revenue and profits attributable to the New Gaming Table Business could be maintained. In addition, the Group has the legal rights to request for full access to the books and records in respect of the New Gaming Table Business under the New Assignment Agreement. As such, the Company is of the view that there would not have difficulties for the Company's auditors in auditing the New Gaming Table Business.

Conducting business in Cambodia involves certain economic and political risks

Conducting business in Cambodia involves certain economic and political risks. Changes in Cambodia's political, economic and social conditions will affect the local business environment. Other factors which may affect business operation in Cambodia include but not limited to governmental policies, changes in Cambodia laws or regulations, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, and travelling policies.

The operations and financial condition of the New Gaming Table Business has been seriously affected by the outbreak of the COVID-19 epidemic, and may be affected by the occurrence of pandemics and severe diseases in future

Our business is subject to general economic and foreign investment atmosphere as well as tourism in Cambodia. The outbreak of any severe communicable disease (or the escalation and/or intensification of any outbreak of any severe communicable disease) such as the recent COVID-19 epidemic which are beyond our control may adversely affect the economy, foreign investment, tourism and livelihood of the people in Cambodia, which in turn may adversely affect the gaming industry in Cambodia including the New Gaming Table Business.

In addition to COVID-19 epidemic, our business may be affected by outbreaks of other communicable diseases. Any mutation of the COVID-19 epidemic or an outbreak of any other epidemics in Cambodia and/or globally, such as the avian influenza A (H5N1 and H7N9) virus or the influenza A (H1N1) virus, Middle East Respiratory Syndrome (or MERS), or other communicable diseases could have a material adverse effect on the financial performance of the New Gaming Table Business.

The New Gaming Table Business cannot assure its AML and anti-corruption policies will be effective in preventing the occurrence of money laundering or other illegal activities at the New Gaming Tables

Based on the experience of the management of the Group, the New Gaming Table Business will implement AML policies in compliance with all applicable laws and regulations in Cambodia. However, the New Gaming Table Business cannot assure such policies will be effectively carried out by the responsible personnel in order to prevent the operations from being exploited for money laundering purposes. Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving the New Gaming Table Business, the operator, its employees, its junkets or its players could have a material adverse impact on its reputation, relationship with its regulators, business, cash flows, financial condition, prospects and results of operations. Any serious incident of money laundering or regulatory investigation into money laundering activities may cause a revocation or suspension of the operations.

The New Gaming Table Business is sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending

Demand for the type of gaming services that the New Gaming Table Business offer is sensitive to downturns and uncertainty in the global and regional economy and corresponding decreases in discretionary consumer spending on leisure activities. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, energy, fuel and other commodity costs, the cost of travel, employment and job market conditions, actual or perceived levels of disposable consumer income and wealth, and consumer confidence in the economy. These and other factors may reduce consumer demand for the gaming services and therefore materially and adversely affect our business, financial condition and results of operations.

Operation of the New Casino is subject to gaming regulations in Cambodia, non-compliance with which may result in suspension or revocation of licenses granted to the New Casino which could have material adverse effect to the New Gaming Table Business Rights

The gaming operations of the New Casino are subject to the local gaming regulations. Furthermore, the operations of the New Casino are contingent upon maintaining all necessary regulatory licenses, permits, approvals and registrations. The laws, regulations and ordinances requiring these licenses, permits and other approvals generally relate to the operations of the New Casino, the payment of tax, the responsibility, financial stability and character of the owners and managers of gaming operations, as well as persons financially interested or involved in gaming operations. The New Casino is subject to ongoing regulations to maintain these operations. The Cambodian government has power to limit, suspend or revoke a registration, gaming license or related approval and to approve changes in operations of the New Casino. The suspension or revocation of any license of the New Casino could have material adverse impact on the validity of the New Gaming Table Business Rights which will significantly harm the business, financial condition, results of operations and prospects of the New Gaming Table Business.

Risk of suspension and cancellation of listing

The Company would use its best endeavours to ensure that the New Gaming Table Business at the New Casino and procure the management of the New Casino in operating the gaming business must (i) comply with the applicable laws in Cambodia; and/or (ii) not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong). Pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange relating to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers”, should the operation of such gambling activities (i) fail to comply with the applicable laws in the Cambodia; and/or (ii) contravene the Gambling Ordinance, there is a risk that the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Company’s securities pursuant to Rule 6.01 of the Listing Rules.

LEGAL OPINION AND REGULATORY ENVIRONMENT

Upon Completion, the Group will be entitled to all economic benefits contributed from the New Gaming Table Business in Cambodia. Pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange, the Stock Exchange may direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the New Gaming Table Business fails to comply with applicable laws in Cambodia and/or contravenes the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

Based on the legal opinions from qualified lawyers in Cambodia, the gaming activities under the New Gaming Table Business do not violate any applicable laws in Cambodia. The Company has also been advised by Hong Kong legal adviser that the New Gaming Table Business and the transactions contemplated thereunder conducted in Cambodia do not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

REASONS FOR AND BENEFIT OF THE ASSIGNMENT

As disclosed in the interim report of the Company for the six months ended 30 September 2022, the Group recorded no revenue and a loss of approximately HK\$5.8 million for the six months ended 30 September 2022.

In March 2022, the Ministry of Tourism of the Kingdom of Cambodia has announced the reopen for fully vaccinated travellers without quarantine and the Visa on Arrival service have been resumed. In July 2022, the policies were further eased such that all passengers unvaccinated or partially vaccinated are no longer required to undergo the quarantine when entering Cambodia. For 2022, a total of 2,276,626 international tourists visited Cambodia, representing an increase of approximately 1,058.6% from that for 2021. In view of the foreseeable recovery of tourism in Cambodia, the Company considers that it is the right time for the Company to resume the New Gaming Table Business.

The Company also sees attractive potential in the gaming market in Dara Sakor, Koh Kong Province, which is one of the most rapidly developing districts in Cambodia and is a well-known tourism destination in Southeast Asia. The New Casino at Dara Sakor is planned to be surrounded by luxury hotel resorts and a golf course. In addition, the new international airport close to the New Casino could also help attract visitors.

Based on the preliminary valuation prepared by the Independent Valuer, the market value of the New Gaming Table Business Rights was approximately HK\$63.6 million as at 30 September 2022. As such, the Consideration represents a discount to the valuation of the New Gaming Table Business Rights of approximately 8.8%. In addition, the Consideration shall be settled by offsetting the net amount due from Mr. Ng and Lion King to the Group, which will not incur additional cash outflow to the Group.

Having considered (i) the Assignment could help the Group generate additional revenue and therefore improve the financial performance of the Group; (ii) the foreseeable recovery of the tourism in Cambodia; (iii) the potential in the gaming market in Dara Sakor, Koh Kong Province; and (iv) the Consideration represents a discount to the valuation of the New Gaming Table Business Rights and the settlement of the Consideration will not incur additional cash outflow to the Group, the Directors (excluding the independent non-executive Directors who will form their opinion after reviewing the letter from the Independent Financial Adviser) consider that the terms of New Assignment Agreement are on normal commercial terms which are fair and reasonable, and that the entering into of the New Assignment Agreement is in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Assignment exceeds 100%, the transactions contemplated under the New Assignment Agreement constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

As at the date of this announcement, Lion King is wholly-owned by Mr. Ng, who is an executive director, chairman and chief executive officer of the Company and a substantial Shareholder. Therefore, Lion King and Mr. Ng are connected persons of the Company. Accordingly, the entering into of the New Assignment Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

Given that Mr. Ng has a material interest in the New Assignment Agreement, Mr. Ng, Ms. Ng Wai Yee (being Mr. Ng's daughter) and their respectively associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the New Assignment Agreement and the transactions contemplated thereunder.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the New Assignment Agreement and the transactions contemplated thereunder. In this connection, Opus Capital Limited has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Assignment Agreement are fair and reasonable, and to make recommendation(s) on voting.

THE SGM

A SGM will be convened for the purpose of, among other things, considering, and if thought fit, approving the New Assignment Agreement and the transactions contemplated thereunder by the Independent Shareholders. A circular containing, among other things, (i) further information on the Assignment; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 31 March 2023.

As completion of the New Assignment Agreement is subject to the fulfilment (or waiver, as the case may be) of a number of conditions precedent (which are detailed in this announcement), the Assignment may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

The Company confirms that, based on Cambodia legal advice obtained by the Company, the New Gaming Table Business is lawful in Cambodia. The Company has also been advised that (i) the New Gaming Table Business does not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong); (ii) the Gaming License is legal and valid; and (iii) the New Assignment Agreement and the Casino Lease and Operation Agreement are legal and valid once they are approved by the CGMCC. Shareholders and potential investors of the Company should note that, pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange, the Stock Exchange may direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the New Gaming Table Business fails to comply with applicable laws in Cambodia and/or contravenes the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Approval Authorities”	all relevant governmental, courts or other regulatory bodies of Hong Kong, Cambodia (including but not limited to the CGMCC and Ministry of Commerce of Cambodia) or other jurisdiction(s)
“Assignment”	the assignment of the New Gaming Table Business Rights by Lion King to VMG at the Consideration under the New Assignment Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cambodia”	the Kingdom of Cambodia
“Casino Lease and Operation Agreement”	the Casino Lease and Operation Agreement dated 30 September 2020 and entered into between Lion King and LongBay Entertainment Co., Ltd. (as amended from time to time)
“CGMCC”	Commercial Gambling Management Commission of Cambodia
“Company”	Century Entertainment International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 959)

“Completion”	the completion of the Assignment in accordance with the New Assignment Agreement
“Completion Date”	the date on which Completion takes place which shall be on or before the third business day after satisfaction (or waiver) of all the conditions as stipulated in the New Assignment Agreement
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$58 million, being the consideration for the New Gaming Table Business Rights
“Director(s)”	the director(s) of the Company
“Gaming License”	the gaming license issued by the Cambodian Government to LongBay Entertainment Co., Ltd. in relation to the New Casino
“Gaming Table Business Rights”	the rights to operate and manage the gaming tables for a period of five (5) years commencing from 31 March 2020 under the Original Assignment Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee, comprising the three independent non-executive Directors, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, formed for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Assignment
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Assignment Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Ng, Ms. Ng Wai Yee and their respective associates who are required by the Listing Rules to abstain from voting on the resolution(s) approving the New Assignment Agreement and the transactions contemplated thereunder
“Independent Third Parties”	third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)

“Independent Valuer”	International Valuation Limited
“Lion King”	Lion King Entertainment Company Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2023 or such later date as all parties to the New Assignment Agreement may agree in writing
“Mr. Ng”	Mr. Ng Man Sun, an executive director, chairman and chief executive officer of the Company, and a substantial Shareholder
“New Assignment Agreement”	the agreement dated 27 February 2023 and entered into among Lion King, VMG and Mr. Ng for the assignment of the New Gaming Table Business Rights
“New Casino”	the casino situated at Building 89, Long Bay, Say Phuthong Boulevard, Dara Sakor, Koh Kong Province, Cambodia pursuant to the Casino Lease and Operation Agreement
“New Gaming Tables”	A total of eight (8) gaming tables at the New Casino to be assigned under the New Assignment Agreement
“New Gaming Table Business”	the operation and management of the New Gaming Tables for a period of five (5) years from the Completion Date
“New Gaming Table Business rights”	the rights and entitlement to the net profit (after tax) of the New Gaming Table Business for a period of five (5) years from the Completion Date
“Original Assignment Agreement”	the agreement dated 28 October 2019 and entered into among Lion King, VMG and Mr. Ng for the assignment of the Gaming Table Business Rights
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the New Assignment Agreement and the transactions contemplated thereunder
“Supplemental Framework Agreement”	the supplemental agreement dated 5 February 2021 for the purpose to amend certain terms and condition of the Original Assignment Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“VMG”	Victor Mind Global Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 27 February 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.