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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares of **Century Entertainment International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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)

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ASSIGNMENT OF GAMING TABLE BUSINESS RIGHTS  
IN CAMBODIA;  
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF THE GROUP'S ENTIRE EQUITY  
INTERESTS IN FORENZIA ENTERPRISES LIMITED  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 5 to 37 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 65 of this circular.

A notice convening a special general meeting of the Company to be held at 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk).

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

13 March 2020

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“AML Laws”	The Law on Anti-Money Laundering and Combating the Financing of Terrorism dated 24 June 2007 and Prakas (Proclamation) on Anti-Money Laundering and Combating the Financing of Terrorism dated 30 May 2008 of National Bank of Cambodia
“Assignment”	the conditional assignment of the Gaming Table Business Rights by Lion King to VMG at the Consideration
“Assignment Agreement”	the agreement in respect of Gaming Table Business Rights dated 28 October 2019 and entered into among Lion King, VMG and the Guarantor for the assignment of the Gaming Table Business Rights
“Assignment Commencement”	commencement of the Assignment and completion of the Disposal in accordance with the Assignment Agreement
“Assignment Commencement Date”	the date of the Assignment Commencement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Cambodia”	The Kingdom of Cambodia
“Casino”	the casino in the name of “Century Entertainment” operating within an area of approximately 8,100 square meters situate on the 1st & 2nd floors of the Sunshine Bay Hotel at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia
“Casino Lease and Operation Agreement”	the casino lease and operation agreement dated 22 September 2018 (supplemented on 23 September 2018) and made between Sunshine Bay Hotel Management Co., Ltd. and Cheung Shing Global Travel Entertainment Limited in respect of the Casino (as varied, amended or supplemented from time to time)

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## DEFINITIONS

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“Company”	Century Entertainment International Holdings Limited (formerly known as Amax International Holdings Limited), a company incorporated in Bermuda with limited liability, and the issued shares of which are listed on the Stock Exchange (Code No. 959)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$120 million, being the consideration payable for the Assignment under the Assignment Agreement
“Directors”	directors of the Company
“Disposal”	the disposal by the Company of the Sale Shares subject to and upon the terms and conditions of the Assignment Agreement
“Disposal Consideration”	HK\$58,000,000, being the consideration receivable for the Forenzia Enterprises Group
“Forenzia Enterprises Group”	Forenzia Enterprises Limited together with its subsidiaries namely Lion King Gaming Limited and Chartreuse Holdings Limited
“Forenzia Enterprises Limited”	a company incorporated in BVI and is owned as to 60% by the Company
“Gaming License”	the gaming licence issued by the Ministry of Economic and Finance of Cambodia to Lion King to manage and operate the Casino
“Gaming Tables”	the total number of 4 gaming tables located at the mass market gaming area in the Casino (being table nos. MM-001 to MM-004)
“Gaming Table Business”	the operation and management of the Gaming Tables in the Casino
“Gaming Table Business Rights”	the rights to operate and manage the Gaming Tables for a period of five (5) years commencing from Assignment Commencement Date
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Ng Man Sun

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, to advise the Independent Shareholders on the Assignment Agreement
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Assignment Agreement
“Independent Shareholders”	Shareholders other than Mr. Ng Man Sun, Ms. Ng Wai Yee, together with their respective associates who are required by the Listing Rules to abstain from voting on the resolutions approving the Assignment Agreement and the transactions contemplated respectively thereunder
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Independent Valuer”	International Valuation Limited
“Latest Practicable Date”	9 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lion King”	Lion King Entertainment Company Limited, a company wholly-owned by Mr. Ng Man Sun, who is an executive Director, Chairman, Chief Executive Officer of the Company and a substantial Shareholder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2020 or such later date as all parties to the Assignment Agreement may agree in writing
“Mr. Ng”	Mr. Ng Man Sun
“Operating Period”	5 calendar years from the date of Assignment Commencement

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## DEFINITIONS

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“Promissory Note”	the promissory note in the principal amount of HK\$62,000,000 in the agreed form to be executed by the Company for the purpose of settling part of the Consideration, pursuant to the Assignment Agreement
“Sale Shares”	Six thousand (6,000) shares in the issued share capital of Forenzia Enterprises Limited, representing 60% issued share capital of Forenzia Enterprises Limited
“SGM”	the special general meeting of the Company to be held on Monday, 30 March 2020 for the purpose of considering and, if thought fit, approving the Assignment Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.20 each in the capital of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Survey Consultant”	IGamiX Management & Consulting Ltd, a Macau-based gaming consultancy firm
“Vanuatu Gaming License”	the Interactive Gaming Licence No. IGL27/2014 issued by the Ministry of Finance and Economic Development of the Republic of Vanuatu in favour of Forenzia Enterprises Limited for a term of 15 years to conduct interactive gaming business until 27 February 2029
“VMG”	Victor Mind Global Limited, a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*

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LETTER FROM THE BOARD

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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)

**Board of Directors:**

*Executive Directors:*

Mr. Ng Man Sun

(Chairman and Chief Executive Officer)

Ms. Ng Wai Yee

*Independent Non-executive Directors:*

Ms. Yeung Pui Han, Regina

Mr. Li Chi Fai

Ms. Sie Nien Che, Celia

**Registered office:**

Clarendon House 2

Church Street

Hamilton HM 11

Bermuda

**Head office and principal place  
of business in Hong Kong:**

Suite 6303-04,

63/F, Central Plaza,

18 Harbour Road,

Wanchai, Hong Kong

13 March 2020

*To the Shareholders*

Dear Sirs,

- (1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ASSIGNMENT OF GAMING TABLE BUSINESS RIGHTS  
IN CAMBODIA;  
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF THE GROUP'S ENTIRE EQUITY  
INTERESTS IN FORENZIA ENTERPRISES LIMITED  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the announcements of the Company dated 28 October 2019, 18 November 2019, 13 December 2019, 13 January 2020 and 13 February 2020 in relation to, *inter alia*, the Assignment and the Disposal.

On 28 October 2019, VMG, a wholly-owned subsidiary of the Company and Lion King entered into the 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 Assignment Commencement Date at the Consideration of HK\$120 million

The purposes of this circular are to provide you with, among other things, (i) further details of the Assignment and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the SGM.

### THE ASSIGNMENT AGREEMENT

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

#### **Date**

28 October 2019

#### **Parties**

- (i) Victor Mind Global Limited (as the assignee)
- (ii) Lion King Entertainment Company Limited (as the assignor); and
- (iii) Mr. Ng Man Sun (as the Guarantor)

As at the date of the Assignment Agreement up to and including the Latest Practicable Date, Lion King is indirectly wholly-owned by Mr. Ng who is an executive Director, Chairman and the Chief Executive Officer of the Company. Mr. Ng is also a substantial Shareholder who is interested in 355,801,959 Shares, representing approximately 27.74% of the total issued share capital of the Company. Mr. Ng is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

#### **Subject matter**

Pursuant to the Assignment Agreement, Lion King has conditionally agreed to assign and VMG has conditionally agreed to accept the assignment of the Gaming Table Business Rights at the Consideration of HK\$120 million. The Consideration shall be payable by VMG by way of a combination of disposing of the Sale Shares and procure the Company to issue the Promissory Note, to Lion King.



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## LETTER FROM THE BOARD

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### Consideration

The consideration for the Assignment is HK\$120 million, which shall be satisfied by VMG in the following manner:

- (a) as to HK\$58,000,000 by way of disposing of the Sale Shares, representing 60% of the total issued and paid up capital of Forenzia Enterprises Limited upon Assignment Commencement; and
- (b) the balance of HK\$62,000,000 by way of procuring the Company to issue the Promissory Note upon Assignment Commencement.

### Consideration adjustment

Pursuant to the Assignment Agreement, Lion King and the Guarantor unconditionally and irrevocably guaranteed to VMG that the audited net profit after tax of the Gaming Table Business for the 12-month period after Assignment Commencement (the “**First 12-month Period**”) (the “**First Actual Profit**”) and for the 12-month period immediately following the expiry of the First 12-month Period (the “**Second Actual Profit**”) shall be not less than HK\$28,000,000 (the “**First Guaranteed Profit**”) and HK\$32,000,000 (the “**Second Guaranteed Profit**”) respectively. (collectively, the “**Guaranteed Profits**”).

### *The First Guaranteed Profit*

In the event that the First Actual Profit failed to meet the First Guaranteed Profit, Lion King and the Guarantor shall indemnify VMG the First Compensation Amount (as defined below) by deducting the First Compensation Amount in the following order of priority:

- (i) by reducing the principal amount of the Promissory Note in the sum equal to such First Compensation Amount; and
- (ii) in the event that the principal amount of the Promissory Note is not sufficient to meet the First Compensation Amount, by way of cash as to the remaining balance subject to a maximum limit of HK\$56,000,000.

The First Compensation Amount shall be determined in accordance with the formula below:

$$\text{the “First Compensation Amount”} = (\text{the First Guaranteed Profit} - \text{the First Actual Profit}) \times 2$$

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## LETTER FROM THE BOARD

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### *The Second Guaranteed Profit*

In the event that the Second Actual Profit failed to meet the Second Guaranteed Profit, Lion King and the Guarantor shall indemnify VMG the Second Compensation Amount (as defined below) by deducting the Second Compensation Amount in the following order of priority:

- (i) by reducing the principal amount of the Promissory Note in the sum equal to such Second Compensation Amount; and
- (ii) in the event that the principal amount of the Promissory Note is not sufficient to meet the Second Compensation Amount, by way of cash as to the remaining balance subject to a maximum limit of HK\$64,000,000.

The Second Compensation Amount shall be determined in accordance with the formula below:

$$\text{the "Second Compensation Amount"} = (\text{the Second Guaranteed Profit} - \text{the Second Actual Profit}) \times 2$$

The Company would like to emphasize that in the event the net profit after tax of the Gaming Table Business for 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 Gaming Tables earn zero profit during the 24-month period after the Assignment Commencement. The Company is of the view that Lion King and the Guarantor are able to fulfill the maximum compensation amount of HK\$120 million based on followings:

1. The maximum principal amount of the Promissory Note of HK\$62 million could be deducted to partly satisfy the maximum compensation amount of HK\$120 million in the event that the performance of the Gaming Table Business could not fulfill the Guaranteed Profits in full or in part;
2. the Guarantor has been providing interest free unsecured cash advance to the Company for its daily operation. As at the Latest Practicable Date, the Company was indebted to the Guarantor an amount of approximately HK\$51.3 million. The above total sum allows the Guarantor to partly satisfy the maximum compensation amount of HK\$120 million in the event that the performance of the Gaming Table Business could not fulfill the Guaranteed Profits in full or in part, by means of releasing the Company's payment obligation of the indebted amount; and

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## LETTER FROM THE BOARD

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3. based on the financial information provided, the Guarantor has sufficient assets to satisfy the remaining compensation amount of approximately HK\$6.7 million in the event that the performance of the Gaming Table Business could not fulfill the Guaranteed Profits in full or in part.

Based on the above, the Company is of the view although no security have been provided by Lion King and the Guarantor to secure the First Compensation Amount and the Second Compensation Amount, appropriate measures and assessment has been taken by the Company to ensure that the First Compensation Amount and the Second Compensation Amount will be settled on time in the event that the performance of the Gaming Table Business could not fulfill the Guaranteed Profits in full or in part and therefore, the Company considered that the above arrangement is in the interest of the Company and the Shareholders as a whole.

### **Basis of Consideration of the Assignment and the Disposal**

The Consideration was determined after arm's length negotiations between the parties to the Assignment Agreement with reference to, among other things, (i) the Guaranteed Profits; (ii) the reasons for and benefits of the Assignment as stated under the paragraph headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSIGNMENT AGREEMENT" in this circular; and (iii) the preliminary appraised value of the Gaming Table Business Rights of HK\$126 million as at 30 September 2019 prepared by the Independent Valuer.

### **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 is regarded as a profit forecast.

The major assumptions of the valuation that the Board would like to highlight are as follows:

- the Casino will obtain and renew all relevant licenses and permits throughout the Gaming Table Business Rights franchise period to maintain its gaming activities during the period;
- the Casino will continue to rent and occupy its present premises in the Sunshine Bay Hotel;
- profit tax and withholding tax will not be required during the Gaming Table Business Rights franchise period;
- there will be no major changes in the political, legal, economic or financial conditions in the territories in which the Casino operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Casino;

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## LETTER FROM THE BOARD

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- the Casino will retain and have competent management, key personnel, and technical staff to support its ongoing operation;
- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Casino operates or intends to operate has or would be officially obtained and renewable upon expiry;
- all information and representations provided by the Casino, for which they are solely and wholly responsible for are true, accurate and complete in all material respect; and
- the valuation was performed based on the discounted cash flow method under the income-based approach with financial forecasts provided by the management of the Company. No terminal value was applied in the valuation given that the Gaming Table Business Rights franchise period will only last for 5 years under the terms of the Assignment Agreement, terminal growth rate is irrelevant in this regard.

The management of the Company understands that the Independent Valuer has considered but did not adopt other valuation methods such as market approach and cost approach. The Independent Valuer has not adopted market approach because the Gaming Table Business Rights has not been commercialized as of the date of the valuation such that direct comparison with public comparable companies is not appropriate while the business nature of the Gaming Table Business is not heavily asset-based, asset-based valuation approach was not considered appropriate.

The management of the Company understands from the Independent Valuer that in the course of preparing the valuation, the Independent Valuer has adopted a discount rate of 29% which was the estimated weighted average cost of capital (“WACC”) plus asset specific risk premium. The Board has reviewed the calculations by the Independent Valuer and considered that such equation, calculations and assumptions are made in accordance with relevant rules and market practice.

The WACC used in the valuation was arrived at taking into account various factors including (i) the cost of equity as derived from (a) risk-free rate; (b) equity beta; (c) market risk premium; (d) size premium; (e) country risk premium; and (f) company-specific risk premium; (ii) cost of debts; and (iii) the assumed capital structure based on the industry’s average debt-to-equity ratio.

In identifying equity beta, the management of the Company understands from the Independent Valuer that the Independent Valuer has, based on best effort basis, identified 6 suitable comparable companies which the Independent Valuer considered exhaustive based on the following criteria:

- not less than 50% assets or businesses revenue of the company involves casino operation in South-East Asian countries, including Cambodia, Malaysia, Philippines, Singapore, and Vietnam;

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## LETTER FROM THE BOARD

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- the companies have pertinent listing and operating histories of not less than 3 years in casino operations; and
- the financial information of the companies is available to the public.

The Board has reviewed the comparable companies and is of the view that (i) the selection criteria set by the Independent Valuer are fair and reasonable given all selected comparable companies are operating casinos in the South-East Asian region where the political and economic environment are considered similar to the jurisdiction where the Casino is operating and with sufficient operation history; and (ii) the comparable companies selected are in line with the above-mentioned selection criteria.

In identifying the country risk premium and small size premium, the Independent Valuer has made reference to reference sources published by Damodaran Online and the 10th decile according to 2018 CRSP Deciles Size Study published by Duff & Phelps, respectively, being recognised sources commonly cited in the valuation industry. In identifying risk-free rate and market risk premium, the Independent Valuer extracted relevant data from Bloomberg as of the date of valuation. In identifying the cost of debt, the Independent Valuer extracted relevant data based on the data of lending rate in Cambodia from International Monetary Fund as of the date of the valuation.

Having considered that the parameters adopted in identifying each of country risk premium, small size premium, risk-free rate, market risk premium and cost of debt were based on commonly cited data source in the valuation industry, the Company is of the view that the adoption of the above are fair and reasonable in this regard.

As further advised, considering that at the time when preparing the valuation, the Casino was under pre-revenue stage and the degree of certainty of realising future cash flows from the operating right of the Gaming Tables, being an intangible asset, the Independent Valuer has further imposed a company specific risk premium of 10% and an asset specific risk premium of 3%, respectively. As advised by the Independent Valuer, the company specific risk is applied taking into account that the Casino is newly established and had no operating history as of the date of valuation, which is often considered in similar valuations. As further advised by the Independent Valuer, asset specific risk premium is commonly adopted among valuations of intangible assets. The Company is aware that the determination of company specific risk premium and asset specific risk premium were professional judgements considered by the Independent Valuer based on its experience. In this regard, the Company has examined the background and experience of the person signing the valuation report and noted that the signatory of the valuation report, Mr. Jack K.W. Leung has over 16 years of experience in investment and financial analyses, including more than 9 years of experience in business and financial instruments valuations. Mr. Jack Leung is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM). The Independent Valuer has performed numerous projects on valuations involving income approach

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## LETTER FROM THE BOARD

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across different kind of business sectors. The Directors are of view that Mr. Jack Leung and the Independent Valuer possessed sufficient qualifications to prepare the valuation of the Gaming Table Business in this regard.

Pursuant to the Assignment Agreement, the term of the assignment of the Gaming Table Business Rights is for a period of 5 years commencing from the Assignment Commencement Date. At the time when entering into the Assignment Agreement on 28 October 2019, the Casino has commenced its business operation since 9 October 2019. As the Company initially expected that the commencement of the Assignment could be achieved by the end of 2019 and therefore, the Company considered reasonable to prepare a 5-year financial projection for the Gaming Table Business from 1 October 2019 to 30 September 2024 (the “**Financial Projection**”).

In view of the longer than expected time to commence the Assignment to a date about March 2020 or later, the Company has discussed the issue with the Independent Valuer and requested them to re-assess the situation and advise on the impact to the valuation. As advised by the Independent Valuer, there would not have material impact to the appraised value of the Gaming Table Business Rights of HK\$126 million as at 30 September 2019 due to the delay in the expected commencement of the Assignment. It was advised that if the deal is completed by March 2020, then operating cashflow from the Gaming Table Business Rights would be generated shortly. This is very similar to the case when cash inflow could commence in October 2019 after commencement of the Assignment in September 2019. As time lags between Assignment Commencement Date and commencement of cash inflow is expected to be insignificant, value impact from time of money should be very limited no matter when the Assignment will commence. Based on the above, the Company considered justifiable not to make adjustment to the valuation of the Gaming Table Business Rights of HK\$126 million as at 30 September 2019 in this regard.

The gaming activity of the Gaming Tables operating in the mass market area of the Casino is baccarat. Currently, the Casino is operating 38 mass gaming tables with 20 tables for niu-niu poker; 15 tables for baccarat (including the Gaming Tables); and 1 table for each of blackjack, sic bo and poker in the mass market area. In order to distinguish the Gaming tables from the other 11 baccarat tables, the Company and the Casino has implemented the following arrangements:

- the minimum bet of the Gaming Tables is set at a rate lower than the other baccarat tables while the maximum bet is set at the same rate as the other baccarat tables. This arrangement could help the Gaming Tables to differentiate themselves with the other baccarat tables which may help the Gaming Tables to attract more potential customers; and

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## LETTER FROM THE BOARD

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- whether to operate all or part of the gaming tables in the mass market area of the Casino is subject to the then operation environment of the Casino and the decision of the management of the Casino, the Casino may close operation of any mass gaming tables from time to time. Based on the historical operation data, the Casino would seldom open all mass gaming tables at one time. Lion King and the Guarantor have jointly undertaken to VMG that while the Casino is operating, in no circumstances the Casino will consider to close the Gaming Tables.

Moreover, the Independent Valuer has adopted an asset specific risk premium to reflect the specific risk associated with the Gaming Table Business Rights including but not limited to risk arising from potential competition between the Gaming Tables and the other gaming tables in the Casino. Based on the above, the Company is of the view that the current valuation is reasonable in this regard.

The Board has reviewed the basis and assumptions adopted in the projection of the future cash flows of the Gaming Table Business including but not limited to revenue, operating and administration expenses, business tax expense on the Gaming Table Business, net profit, and change in net working capital. Set out below are certain basis and assumptions that the Board considers significant and the assessment by the Board:

### *1. Revenue*

The Casino is positioned to be a mid-sized potential four to five star casino housed in the Sunshine Bay Hotel which is considered a four star hotel in Sihanoukville according to its website. The Gaming Tables are operating in the mass market area of the Casino. Target clientele of the Casino primarily comprises low to mid-level players including but not limited to foreign online marketing agents working within the casino industry, construction workers, foreign owners of local business, tourists and other foreign visitors such as business investors. Revenue represents the forecasted winning to be generated from the Gaming Tables. The management of the Company forecasted the Gaming Tables revenue based on (i) the number of the Gaming Tables; (ii) the projected win per unit per day (“**WPUPD**”) of US\$3,500 for the period in year 2019 of the Financial Projection.

The projected WPUPD of US\$3,500 was determined based on (i) the estimated WPUPD of the Casino ranged from US\$4,500 to US\$5,000 by the Survey Consultant based on the surveyed WPUPD of each of the identified casinos in Sihanoukville which were considered comparable with the Casino as detailed in a survey report (the “**Survey Report**”) issued by the Survey Consultant which was commissioned by the Company; and (ii) the Company’s management judgement with reference to the results of the Survey Report and the onsite due diligence works and in-house assessment by the Company.

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## LETTER FROM THE BOARD

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The Board has assessed the suitability of the Survey Consultant in preparing the Survey Report based on its (i) understanding of the local market landscape; (ii) experience in performing similar surveys; and (iii) reputation in the industry. Taking into account (a) the Survey Consultant is a reputable gaming research company led by a management team who possess in-depth first-hand knowledge of the Asia Pacific gaming markets and has conducted feasibility and due diligence reports and provided market researches, strategic and marketing advisory services to numerous well-known multi-national resort and/or casino groups across the Asia Pacific region (including Cambodia); and (b) the Survey Consultant is the sole data provider on Bloomberg terminal providing estimated monthly data and projections on gaming revenue metrics in Macau on a regular basis, the Board is of the view that the Survey Consultant has sufficient expertise in the Cambodia gaming industry in preparing the Survey Report.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Survey Consultant and its ultimate beneficial owners are Independent Third Parties.

The Company has enquired the Survey Consultant and was given to understand that in performing the survey, the Survey Consultant has conducted an onsite research and investigation in Sihanoukville in June 2019 and has identified three comparable casinos (“**Comparable Casinos**”) which (i) the market position of the Comparable Casinos were ranged from three to five star in Sihanoukville with similar clientele with the Casino; (ii) the location of the Comparable Casinos were near the Casino; and (iii) the Comparable Casinos are operating with sufficient operation history.

Among the Comparable Casinos, the Survey Consultant has, based on its experiences and expertise, conducted onsite surveying to each of the Comparable Casinos in estimating the WPUPD. According to the Survey Report, the estimated blended average WPUPD of the Comparable Casinos ranged from US\$3,482 to US\$8,919 and the estimated WPUPD of the mass tables market of the Casino was suggested to fall into the range of US\$4,500 to US\$5,000. Having considered that (i) the Casino is at its early stage of business operation and certain period of time is needed as buffer to allow the Gaming Table Business to become mature and operate in full force; and (ii) the information and findings of the Survey Report represented the recent industry performance and figures from casinos nearby, the estimated WPUPD adopted by the management of the Company was US\$3,500 for the period in year 2019 of the Financial Projection which was approximately the lowest value of the estimated blended average WPUPD of the Comparable Casinos.



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## LETTER FROM THE BOARD

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Furthermore, the financial performance of the Gaming Table Business (details were disclosed in the section headed “INFORMATION ON THE SUNSHINE BAY HOTEL, THE CASINO AND THE GAMING TABLE BUSINESS”) did not have material variation to the projected WPUPD, the Company considered that the projected WPUPD of US\$3,500 in year 2019 is reasonable in this regard.

The management of the Company expected that the WPUPD of the Gaming Table Business to experience an annual growth rate of 13.8% and 10% in year 2020 and 2021 respectively. The annual growth rate is expected to slow down to 6% from year 2022 to the end of the forecast period in 2024. In estimating the annual growth rate of the WPUPD of the Gaming Table Business, the Company took into account the information in the Survey Report prepared by the Survey Consultant. The Company considers that the projected annual growth rate was in accordance with the information provided in the Survey Report. The Company has also made reference to the CAGR of mass table market gaming revenue of NagaCorp Limited, a company listed in Hong Kong and is principally engaged in casino, hotel and entertainment operations in Cambodia, of approximately 17.7% for the period from 2014 to 2018. The Company is of the view that the projected annual growth rate of the Gaming Table Business is reasonable.

### ***2. Operating and administration expenses***

Pursuant to the Assignment Agreement, Lion King will provide all necessary utilities, equipment and facilities (including but not limited to gaming tables and furniture, renovations, card shoes, play cards, chips, IT system and CCTV system) that allow VMG to run the Gaming Table Business in a proper manner while VMG shall be solely responsible for the costs of operation and management of the Gaming Tables (including but not limited to any tax payable in respect of the Gaming Table Business, the costs of engaging employees to serve at the Gaming Tables, and the costs of meals and refreshments served to such guests). As the Company shall mainly bear the staff cost and certain cost of meals and refreshments which is expected to be insignificant, the Company has worked out a recruitment plan and has estimated the operating expenses of the Gaming Table Business to be approximately 7–8% to the revenue for the first two years of operation and would gradually reduce to approximately 6–7% when the Gaming Table Business is operating maturely at the later stage of the forecast period.

### ***3. Tax***

Pursuant to the terms of the Assignment Agreement, VMG shall be solely responsible for the costs of any tax payable in respect of the Gaming Table Business. Pursuant to a signed meeting report provided by the Casino regarding a meeting held between the Casino and the Ministry of Economy and Finance of Cambodia on 4 July 2019 in determining the Casino’s obligation to pay duty to the government of Cambodia, it was determined in the meeting that the Gaming Tables were only subject to a monthly gaming table duty of US\$1,600 per table.

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## LETTER FROM THE BOARD

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Therefore, tax expenses of the Gaming Table Business were estimated based on the above. As at the Latest Practicable Date, save for the above-mentioned gaming table duty, there is no requirement for the holder of the Gaming Table Business Rights to pay profits tax and/or withholding tax in Cambodia. As such, it is assumed that no profit tax and/or withholdings tax need to be paid in operating the Gaming Table Business.

Elite Partners CPA Limited, the auditors of the Company, have examined the calculations of the discounted future estimated cash flows of the Gaming Table Business on which the valuation prepared by the Independent Valuer were based.

Chanceton Capital Partners Limited (“**Chanceton**”), the financial adviser to the Company, has reviewed the profit forecast of the Gaming Table Business and has discussed with the management of the Company and the Survey Consultant the principal assumptions upon which the profit forecast of the Gaming Table Business were based. Chanceton has also considered the above report from Elite Partners CPA Limited regarding the calculations of the discounted future estimated cash flows on which the valuation in respect of the Gaming Table Business Rights prepared by the Independent Valuer were based. On the basis of the foregoing, Chanceton is of the view that the profit forecast of the Gaming Table Business have been made by the Directors after due and careful enquiry.

The above-mentioned report from Elite Partners CPA Limited and a letter from Chanceton regarding the profit forecast in the valuation have been set out in Appendix IV in this circular in compliance with Rule 14.62 of the Listing Rules. The Company has submitted the report from Elite Partners CPA Limited and the letter from Chanceton to the Stock Exchange in compliance with Rules 14.62(2) and (3) of the Listing Rules.

A copy of the valuation report, including details of the assumptions, basis and methodology of the valuation, is set out in Appendix III in this circular.

Taking into account the above-mentioned, the Directors (excluding Mr. Ng and Ms. Ng Wai Yee) consider that the Consideration (including the valuation and the relevant assumptions applied) is fair and reasonable and on normal commercial terms or better and the entering into of the Assignment Agreement is in the interests of the Company and the Shareholders as a whole.

### **Basis of consideration of the Disposal**

The Disposal represents the divestment of the Company’s 60% investment in the issued share capital of Forenzia Enterprises Limited. The Disposal Consideration was determined after arm’s length negotiations between the parties to the Assignment Agreement with reference to, among other things, (i) the unaudited consolidated net assets of the Forenzia Enterprises Group of approximately HK\$25.49 million as at 30 September 2019; and (ii) the carrying value of the Vanuatu Gaming License of HK\$56,766,896 as at 30 September 2019.

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## LETTER FROM THE BOARD

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At the request of Lion King and the Guarantor, an independent preliminary valuation on the appraised value of the Forenzia Enterprises Group as of 30 September 2019 has been conducted. The preliminary appraised value of the Forenzia Enterprises Group as of 30 September 2019 was HK\$46,000,000.

The Company would like to emphasize that throughout the negotiation process with Lion King and the Guarantor, the Company has not taken into account the preliminary valuation of the Forenzia Enterprises Group which was conducted at the request from Lion King and the Guarantor. The Company considered that the carrying value of the Vanuatu Gaming License in the financial statements of the Company has been arrived at after the Company's assessment on the business performance and future prospects of the Vanuatu Gaming License after operating the business of the Forenzia Enterprises Group since July 2016 and the financial position of the Forenzia Enterprises Group, is appropriate for determining the Disposal Consideration.

Taking into account the above-mentioned, the Directors (excluding Mr. Ng and Ms. Ng Wai Yee) consider that the Disposal Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Assignment Agreement is in the interests of the Company and the Shareholders as a whole.

### **The Promissory Note**

The terms of the Promissory Note has been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal Amount	:	HK\$62,000,000
Interest	:	The Promissory Note will not carry any interest.
Maturity	:	A fixed term of 30 months from the date of issue of the Promissory Note.
Early repayment	:	VMG could, at its option, early repay the Promissory Note with outstanding interest accrued thereon in whole or in part in integral multiples of principal amount of HK\$1 million by giving a prior 3 Business Days' written notice to Lion King.
Transferability	:	provided that the holder of the Promissory Note has given to the issuer of not less than five Business Days' prior notice in writing of its intention to transfer or assign the Promissory Note, the Promissory Note is freely transferable and assignable in whole to any person other than a connected person of the Company.

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## LETTER FROM THE BOARD

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### Conditions precedent

Assignment Commencement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) completion by VMG of the legal and financial due diligence review and VMG being reasonably satisfied with such review;
- (b) 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 Assignment Agreement which may be required by the approval authorities including the approval of the Independent Shareholders at the SGM in respect of the Assignment Agreement;
- (c) VMG being reasonably satisfied that all warranties will remain true and correct and there being no material adverse change as at the Assignment Commencement Date;
- (d) VMG having obtained a legal opinion from qualified lawyers practising in Cambodia in the form satisfactory to VMG confirming the legality and validity of the Gaming Licence; the legality, validity and enforceability of the Casino Lease and Operation Agreement and the Assignment;
- (e) VMG having obtained a valuation report on the value of the Gaming Table Business from an independent valuer acceptable in the form reasonably satisfactory to VMG;
- (f) the passing of the ordinary resolution(s) at the SGM by the Independent Shareholders to approve the terms of the Assignment Agreement and the transactions contemplated thereunder; and
- (g) Lion King having obtained the Gaming Licence to operate and manage the Casino and the Casino having commenced business.

VMG may waive all or any of the conditions (except (b), (d), (e), (f) & (g)) 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 on such date as shall be extended by agreement between the parties), the Assignment Agreement shall be terminated and have no effect and neither party shall then have any liability.

As at the Latest Practicable Date, conditions (a), (c), (d), (e) and (g) have been fulfilled.

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## LETTER FROM THE BOARD

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### Assignment Commencement

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

Upon Assignment Commencement, the Company will have the rights to operate the Gaming Tables at the Casino and will entitle to all future economic benefits contributed from the Gaming Table Business. On the other hand, the Company will cease to have any equity interest in Forenzia Enterprises Limited and its financial results will no longer be consolidated into the financial statements of the Company.

### INFORMATION ON THE SUNSHINE BAY HOTEL, THE CASINO AND THE GAMING TABLE BUSINESS

#### The Sunshine Bay Hotel

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Sunshine Bay Hotel Management Co., Ltd. is the operator of the Sunshine Bay Hotel. The Sunshine Bay Hotel is located at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia. The Sunshine Bay Hotel has 222 rooms and has commenced its business operation on 1 October 2018. Lion King has the exclusive right to operate casino within Sunshine Bay Hotel during the lease term.

#### The Casino

Cheung Shing Global Travel Entertainment Limited, the parent company of Lion King and wholly-owned by Mr. Ng, has entered into the Casino Lease and Operation Agreement with the hotel operator (who is an Independent Third Party) pursuant to which all parties agreed to lease to Lion King the first, second, fourth and fifth floor of the Sunshine Bay Hotel at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia for a term from 1 October 2018 to 30 September 2038. It is located approximately 10–15 minutes' drive from the Golden Lion Circle, the city centre of Sihanoukville. The Casino is situated on the first and second floor of the Sunshine Bay Hotel with total GFA of 8,100 sq.m.. The fourth and fifth floor with total GFA of 2,586 sq.m. are for use as office, restaurant and other entertainment functions. The operator of the Casino is Lion King.

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

**Date** : 22 September 2018 (supplemented on 23 September 2018)

**Parties** : (a) Sunshine Bay Hotel Management Co., Ltd. (as the lessor);  
and

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## LETTER FROM THE BOARD

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(b) Cheung Shing Global Travel Entertainment Limited (as the lessee)

- Term** : 1 October 2018 to 30 September 2038
- Property** : the first, second, fourth and fifth floor of the Sunshine Bay Hotel with total GFA of 10,686 sq.m
- Usage** : (a) the first and second floor of the Sunshine Bay Hotel with total GFA of 8,100 sq.m for the operation of the Casino; and
- (b) the fourth and fifth floor of the Sunshine Bay Hotel with total GFA of 2,586 sq.m for office, restaurant and other entertainment functions.

Pursuant to the terms of the Casino Lease and Operation Agreement, the Casino was allowed to launch various kinds of games subject to compliance with the provision under the Gaming License.

On 1 October 2019, Cheung Shing Global Travel Entertainment Limited and Lion King entered into a sub-lease agreement in accordance with the terms and requirement under the Casino Lease and Operation Agreement and pursuant to which, Cheung Shing Global Travel Entertainment Limited and Lion King mutually agreed that Lion King shall be the lessee under the same terms and conditions of the Casino Lease and Operation Agreement.

### *Applicable regulatory or licensing requirements*

License must be issued by relevant departments of the Cambodian government based on the specific casino and gambling activities to be engaged in and the geographic area where those activities will be conducted. License must be applied for and are granted on an ad hoc basis to intended casino operators who are regarded by the Cambodian government as being suitable to carry out such operations. The Casino has obtained all requisite license and permits, legal approvals, business certificate and license for its operation including but not limited to a valid casino license issued by Ministry of Economy and Finance of Cambodia and commenced operation on 9 October 2019. According to the legal opinion issued by the Cambodia lawyer, the Prakas (or guidelines) (proclamation) on the management of slot machine gambling business and all kinds of electronic and machine games issued by the Ministry of Economy and Finance on 25 May 2005 should apply for managing casino and gambling businesses in Cambodia . However, it was expressly stated in the legal opinion that it has been unsure whether the Prakas (or guidelines) (proclamation) on the management of slot machine gambling business and all kinds of electronic and machine games would remain effective and applicable as normal while the Ministry of Economy and Finance issued another announcement in February 2009 on the closure of all kinds of electronic and mechanic games and closure of football gambling business across Cambodia.

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Pursuant to a letter dated 5 August 2019 issued by the Cabinet of Government of the Kingdom of Cambodia to Lion King, the Cambodian government decided to allow Lion King to operate, among other things, slot machines, electronic machines and sport betting in the Casino. According to the legal opinion issued by the Cambodia lawyer, the Cabinet of Government of the Kingdom of Cambodia is the competent institution and having lawful validity in accordance with the law of the Kingdom of Cambodia to issue the letter dated 5 August 2019 to Lion King. Having enquired the Cambodia lawyer, the Company was given to understand that the letter dated 5 August 2019 issued by the Cabinet of Government of the Kingdom of Cambodia to Lion King allowing Lion King to operate slot machines in the Casino did not contradict the Prakas (or guidelines) (proclamation) on the management of slot machines gambling business and all kinds of electronic and machine games and it also did not contradict the announcement on the closure of all kinds of electronic and mechanic games across Cambodia on 25 February 2009 because based on the explanation, the spirit of such announcement is to prohibit any place or shop which are not the class of Casino to operate the slot machines. When Lion King obtained a casino license, the Casino can legally operate the slot machines. Based on the above, the Company is of the view that notwithstanding the uncertainty on the effectiveness of the Prakas (or guidelines) (proclamation) on the management of slot machine gambling business and all kinds of electronic and machine games or the past announcement on the closure of all kinds of electronic and mechanic games across Cambodia, the Casino is validly lawful to operate slot machines and electronic machines in the Casino. The Casino will from time to time, communicate with relevant governmental bodies as well as its legal adviser to ensure the Casino will comply with all requirements under the law of Cambodia in operating the Casino. The Policy on Anti-Money Laundering and Combating the Financing of Terrorism applying to whistleblowers, including companies conducting casino or gambling businesses include the Law on Anti-Money Laundering and Combating the Financing of Terrorism dated 24 June 2007 and Prakas (Proclamation) on Anti-Money Laundering and Combating the Financing of Terrorism dated 30 May 2008 of National Bank of Cambodia and these regulations are the part of the Policy on Anti-Money Laundering. Besides, Cambodia is a member of Asia/Pacific Group on Money Laundering (亞太洗錢防制組織) which is an intergovernmental organization in the region in relation to the anti-money laundering and in order for the member of this organization to take action to prevent the money laundering in an international standard level. As holder of the Gaming License, Lion King needs to comply with the anti-money laundering requirements as above-mentioned.

In relation to the casino operation by Lion King, the Casino has established internal control procedures and measures on the prevention of money laundering and other serious criminal activity on the Casino where gambling activities are conducted (details were disclosed in the section headed “Internal Controls on Anti-Money Laundering” in this circular).

Lion King and the Casino will adjust and revise such internal control procedures and measures to ensure that they comply with the applicable laws and regulations in Cambodia.

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## LETTER FROM THE BOARD

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### *Types of gaming activities in the Casino*

Pursuant to the Casino Lease and Operation Agreement, the Casino shall conduct gaming activities in accordance with the Gaming License. The type of gaming activities in the Casino are the commercial operation of Games of Chance or of Wagers, played for money or money's worth, including the operation of gaming tables and electronic gaming machines. According to Lion King, the total investment sum incurred/to be incurred by Lion King in connection with the decoration and grand opening of the Casino is estimated to be approximately US\$38,000,000.

The gaming activities currently under operation by the Casino include (i) 38 mass gaming tables with 20 tables for niu-niu poker; 15 tables for baccarat (including the Gaming Tables); and 1 table for each of blackjack, sic bo and poker; (ii) 54 electronic gaming machines; (iii) 75 VIP tables; (iv) 1 multi-function leisure club house; and (v) 1 restaurant. According to the monthly gaming analysis report generated by the Casino, certain unaudited available financial figures of the Gaming Tables are as follow:

	<b>1 November 2019 to 30 November 2019</b>	<b>1 December 2019 to 31 December 2019</b>
	<i>US\$</i>	<i>US\$</i>
Revenue	395,948	414,881
WPUPD	<i>approx. 3,300</i>	<i>approx. 3,346</i>

### **The Gaming Table Business**

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

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

The Group will mainly launch baccarat on the Gaming Tables. The Group shall be entitled to 100% house win winnings and responsible for 100% house losses while shall bear associate staff costs incurred and tax associate with the Gaming Table Business.

Pursuant to the Assignment Agreement, Lion King shall:

- (a) be solely responsible for the operation and management of the Gaming Tables;
- (b) ensure that games played at the 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 Casino;
- (c) ensure all disputes with guests playing games at the Gaming Tables shall be resolved without adverse effect to the reputation of the Casino; and



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## LETTER FROM THE BOARD

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- (d) ensure that no damage or loss shall be caused to any part of the Casino (including furniture and decoration, chips on the Gaming Tables) in connection with or arising from the conduct of the Gaming Tables, and if there shall be any such damage or loss, to be solely responsible for the costs of repair and making good of such damage or loss.

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

- (a) it will keep the Casino in good condition that allow VMG to run the Gaming Table Business in a proper manner;
- (b) it will provide all necessary utilities, equipment and facilities which include but not limited to gaming tables and furniture, renovations, card shoes, play cards, chips, IT system and CCTV system that allow VMG to run the Gaming Table Business in a proper manner;
- (c) it will comply in all respects with the relevant anti-money laundering and combating financing of terrorism legislation of Cambodia and will develop and implement proper internal control and reporting systems in the Casino including the Gaming Table Business;
- (d) it will provide VMG all financial and non-financial data in relation to the Gaming Table Business on a regular basis or upon VMG's request;
- (e) it will bear all tax payable arising from the Gaming Table Business; and
- (f) it will renew the Gaming Licence on an annual basis.

Pursuant to the Assignment Agreement, VMG shall:

- (a) be solely responsible for the costs of the Gaming Table Business (including but not limited to any tax payable in respect of the Gaming Table Business, the costs of engaging employees to serve at the Gaming Tables, and the costs of meals and refreshments served to such guests);
- (b) to reimburse Lion King the winnings that shall be paid to guests winning games at the Gaming Tables; and
- (c) subject to the payments and deductions as mentioned in (a) and (b) above, be entitled to retain all the loss of guests playing games at the Gaming Tables.

### *Internal Controls on Anti-Money Laundering*

#### **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

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## LETTER FROM THE BOARD

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as a member. As VMG is a foreign company and plays no part in the operation and management of the Gaming Tables, it is not necessary to registered in Cambodia and AML requirements of Cambodia do not officially apply to VMG. However, it will be applied by Law on Anti-Money Laundering and Combating the Financing of Terrorism in general.

The Group will adopt the 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 Gaming Tables to identify any suspicious irregularities and report to the Casino and relevant authorities immediately.

The Group will also develop comprehensive procedures for the Gaming Table Business's financial closing and reporting process and update its control system and compliance procedures accordingly whenever there are changes in the anti-money laundering laws and regulations.

The Group will conduct internal control review on the internal systems and procedures and anti-money laundry mechanism of the Gaming Tables on a regular basis.

### **Lion King**

The Casino and Lion King have to comply with the AML Laws in respect of anti-money laundering, measures covered by the Code of Practice including, but not limited to:

- 1. to verify individuals' identities and keep proper records on the players and junkets in the database of the online casino;
- 2. to record any bets, single or aggregated, over a certain amount by the recording system of the online casino, which can record and report on each transactions with the parties involving in such transaction; and
- 3. to report suspicious irregularities to relevant authorities, which the Casino will monitor the revenue report to identify any suspicious irregularities and report to the relevant authorities immediately.

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

The Gaming License and relevant laws and regulations impose strict obligations upon the Casino and Lion King with respect to anti-money laundering protections. The Casino and Lion King has developed a comprehensive anti-money laundering policy and related

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## LETTER FROM THE BOARD

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procedures for its financial closing and reporting process and update its control system and compliance procedures accordingly whenever there are changes in the anti-money laundering laws and regulations.

The Company will conduct internal control review on the internal systems and procedures and anti-money laundry mechanism of the Casino on regular basis.

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

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

Revenue of the Gaming Table Business are mainly derived from the difference between the Gaming Table Business's winnings and the winnings of its players. Since there is an inherent element of chance in the gaming industry, the Gaming Table Business does not have full control over the Gaming Table Business's winnings or the winnings of its players. If the 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 Gaming Table Business's operations depend on a variety of factors, some 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 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 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 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.

#### **No direct operating history**

The Casino commenced operation on 9 October 2019, therefore, it may be difficult for the Gaming Table Business to prepare for and respond to the significant business, economic, regulatory and competitive uncertainties and contingencies frequently

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## LETTER FROM THE BOARD

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encountered by new businesses 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 Gaming Table Business.

### **VMG has no control over the operation of the Casino**

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

- a unique number for each of the gaming tables in the Casino has been properly assigned;
- the Casino has implemented 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;
- VMG shall prepare a budget on the operating cost of the Gaming Tables with a view to monitoring the actual expenses to be incurred; and
- pursuant to the terms of the Assignment Agreement, Lion King has undertaken to VMG that, among other things, it will provide VMG all financial and non-financial data in relation to the Gaming Table Business on a regular basis or upon VMG’s request.

Based on the above-mentioned measures implemented, the Company is of the view that a proper accounting for the revenue and profits attributable to the Gaming Table Business could be maintained. In addition, having considered that following the Assignment Commencement, the Gaming Table Business Rights will belong to the Group and the Group will have the legal rights to request for full access to the books and records in respect of the Gaming Table Business pursuant to the terms of the Assignment Agreement, the Company is of the view that there would not have difficulties for the Company’s auditor in auditing the 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 business operating environment in Cambodia’s economy. 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.

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The Cambodian government had in August 2019 announced that it will no longer issue licenses to online gambling business and all existing online gaming licenses will not be renewed at the time they are expired by the end of 2019. As a result of the announcement of the prohibition of online gaming, obvious numbers of casinos in Cambodia, which the main sources of revenue were generated from online gaming, have been shuttered. According to a news reported by Reuters in December 2019, the number of casinos in Sihanoukville has been cut half from more than 70 to 36 as a result of the announcement of the prohibition of online gaming.

According to a meeting minutes between Cambodia's Finance Minister and relevant members of the Cambodian government quoted by Khmer Times in October 2019, the purpose of the prohibition of online gaming was to prevent unscrupulous businesses operating in Cambodia and to ensure the country's economic stability.

While the Cambodian government has directed the development strategies towards Sihanoukville aiming to attract foreign investors to invest in other business fields (except online gambling) and attract tourism in order to develop Sihanoukville into a sustainable and economically diversified urban city with well-equipped living and transportation facilities, the Cambodian government has been (i) renovating and will continue to renovate infrastructure in Sihanoukville; (ii) achieving and will continue to maintain an economically and politically stable environment for foreign investors and visitors; and (iii) improving and will continue to improve foreign investment policies.

Based on publicly available information, the Company noted that (i) the Sihanoukville airport's runway is currently under an expansion construction work and is expected to be completed by 2020 and the Cambodia's aviation authority has approved the master plan for a new terminal at Sihanoukville airport that will expand its passenger capacity to 10 million and construction work will begin in 2020; (ii) the Cambodian government had in September 2019 approved a US\$100 million budget for renovation of Sihanoukville's infrastructures; (iii) Sihanoukville's first foreign-invested modern shopping mall and entertainment complex namely "Furi Times Square Mall", an integrated shopping mall located at the city center of Sihanoukville with only approximately 10 minutes' drive from the Casino, opened in December 2019. The Furi Times Square Mall is a four-story shopping and entertainment complex including an immense 12,000 sq. meters of retail region which has been featured with international brands. The mall also includes various kind of entertainment construction such as cinema, sky bar, disco. Apart from the grand opening of the Furi Times Square Mall in December 2019, another sizable one-stop shopping mall namely "Prince Huan Yu Mall", a mall located within 10 minutes' drive from the Casino and with total gross area of 50,000 sq. meters, is expected to be opened in 2020.

The Company considered that the prohibition of online gaming has currently affected the visitors flow of certain brick and mortar casinos in Sihanoukville. Notwithstanding the potential impact brought by the prohibition of online gaming, the Company is of the view that the Cambodian government's planning on Sihanoukville is beneficial to the long-term development of the Gaming Table Business which could overcome the negative impact brought by the prohibition of online gaming given that (i) the clientele of the Casino comprises a mix of customers including labours working within the casino industry,

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construction workers, tourists and other foreign visitors such as business investors and that the Casino had not been engaging in online operation and hence not directly impacted; (ii) with the improvement on transportation and infrastructure facilities in Sihanoukville as well as the stabilization of economic and political environment as mentioned above, Sihanoukville would be able to gain confident from foreign investors and visitors to invest in and travel to Sihanoukville; (iii) the grand opening of Sihanoukville's first foreign-invested modern shopping mall marks the climax for a monumental project that is set to become a part of Sihanoukville's transformation into a major cosmopolitan destination. The Company believes that the expected continuous formation of modern living circles in Sihanoukville will drive Sihanoukville's foreign investments, employment and tourism; (iv) the closed down of casinos in Sihanoukville after the prohibition of online gaming would on the other hand, alleviate competition among casinos in Sihanoukville which have positive impact to the Casino in capturing any future increase in visitors/investors/workers due to the above-mentioned factors in the long run.

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

Based on the experience of the management of the Group, the Gaming Table Business will implement anti-money laundering policies in compliance with all applicable laws and regulations in Cambodia. However, the Gaming Table Business cannot assure such policies will be effectively carried out by 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 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 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 the Gaming Table Business offer is sensitive to downturns and uncertainty in the global and regional economy and corresponding decreases in discretionary consumer spending, including 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 have in the past reduced consumer demand for the gaming services the Gaming Table Business offer, imposed practical limits on pricing and materially and adversely affected our business, financial condition and results of operations and could affect the Gaming Table Business's liquidity position.

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## LETTER FROM THE BOARD

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

The gambling operations of the Casino are subject to regulations by local jurisdiction of Cambodia in which the Casino operates. Furthermore, the operations of the 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 Casino, the payment of tax, the responsibility, financial stability and character of the owners and managers of gambling operations, as well as persons financially interested or involved in gambling operations. The Casino is subject to ongoing regulations to maintain these operations. The Cambodian government has power to limit, condition, suspend or revoke a registration, gaming license or related approval and to approve changes in operations of the Casino. The Gaming Table Business Rights is granted by Lion King to VMG, the suspension or revocation of any license of the Casino could have material adverse effect to the validity of the Gaming Table Business Rights which will significantly harm the business, financial condition, results of operations and prospects of the Gaming Table Business.

### **Risk of suspension and cancellation of listing**

The Company would use its best endeavours to ensure that the Gaming Table Business at the Casino and procure the management of the 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**

At Assignment Commencement, the Group will commence the 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 proposed 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).

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## LETTER FROM THE BOARD

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Based on the legal opinions from qualified lawyers in Cambodia, the gaming activities under the Gaming Table Business do not violate any applicable laws in Cambodia. The Company has also been advised by Hong Kong legal adviser that the 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).

The Company understands from the Cambodia lawyer that in rendering its legal opinion dated 28 August 2019, in particular, the legality, validity and enforceability of the Casino Lease and Operation Agreement, the Cambodia lawyer has examined documents provided by the Company including but not limited to the casino license and the Casino Lease and Operation Agreement and has relied upon and assumed the correctness of the statements and information contained in those documents. Therefore, the Cambodia lawyer has made following assumptions in arriving at its legal opinion:

1. Sunshine Bay Hotel Management Co., Ltd. is the operator of Sunshine Bay Hotel or have rightful rights to sign the Casino Lease and Operation Agreement;
2. the representatives of the parties that have signed the Casino Lease and Operation Agreement are those who have the rights and are lawfully entitled to sign the Casino Lease and Operation Agreement;
3. Cheung Shing Global Travel Entertainment Limited, the parent company of Lion King, has been truly replaced by Lion King;
4. the lessor has received the notification and acknowledged Lion Kong as lessee in the Casino Lease and Operation Agreement;
5. the parties to the Casino Lease and Operation Agreement has not implemented the terms silently since the date of the Casino Lease and Operation Agreement; and
6. the contractual parties have full capacity and rights to affix their signatures and have properly paid the tax on monthly rental fee to the Cambodian government in conformity with the law.

As the Cambodia lawyer was not a witness or a party involved at the time when the contractual parties entered into the Casino Lease and Operation Agreement, it would be difficult for the Cambodia lawyer to perform independent verification of the factual matters of the Casino Lease and Operation Agreement and therefore, it is reasonable for the Cambodia lawyer to make assumptions 1,2,5 and 6 in arriving at its legal opinion on the legality, validity and enforceability of the Casino Lease and Operation Agreement.

Nevertheless, the Company has performed appropriate verification works and has obtained warranties from Lion King and the Guarantor to ensure the Assignment is valid and lawful.



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## LETTER FROM THE BOARD

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Regarding assumptions 3 and 4, Cheung Shing Global Travel Entertainment Limited and Lion King has on 1 October 2019 entered into a sub-lease agreement in accordance with the terms and requirement under the Casino Lease and Operation Agreement and pursuant to which, Cheung Shing Global Travel Entertainment Limited and Lion King mutually agreed that Lion King shall be the lessee under the same terms and conditions of the Casino Lease and Operation Agreement. The Company enquired the Cambodia lawyer who is of the view that the entering into of the sub-lease agreement between Cheung Shing Global Travel Entertainment Limited and Lion King has resolved assumptions 3 and 4 in the legal opinion.

### INFORMATION ON FORENZIA ENTERPRISES GROUP

#### Forenzia Enterprises Limited

As at the date of the Assignment Agreement up to and including the Latest Practicable Date, Forenzia Enterprises Limited was owned as the 60% by the Company and 40% by Mr. Yau Kam Wai. Save for the business partnership with the Company regarding the investment on Forenzia Enterprises Limited, Mr. Yau Kam Wai has no other relationship with the Company and its connected person.

Forenzia Enterprises Limited is an investment holding company incorporated in BVI and is owned as to 60% by the Company. Save and except for the 100% equity interest in Lion King Gaming Limited and Chartreuse Holdings Limited, Forenzia Enterprises Limited has no other material assets and liabilities as at the date of the Assignment Agreement.

#### Lion King Gaming Limited

Lion King Gaming Limited is an investment holding company incorporated in Vanuatu and is wholly-owned by Forenzia Enterprises Limited. Save and except for the 100% equity interest in Chartreuse Holdings Limited, Lion King Gaming Limited has no other material assets and liabilities as at the date of the Assignment Agreement.

#### Chartreuse Holdings Limited

Chartreuse Holdings Limited is a company incorporated in Vanuatu with limited liability. Chartreuse was granted the Vanuatu Gaming License issued by the Ministry of Finance and Economic Development of Vanuatu for a term of fifteen (15) years from 24 February 2014. The Forenzia Enterprises Group commenced its business operation since July 2016.

Under the Vanuatu Gaming License, the Forenzia Enterprises Group can conduct interactive gaming business in Vanuatu by allowing players to play games through a telecommunication device including, but not limited to, computers connected by Internet or other communication network, and a prize consisting of money or something else of value is offered or can be won under the rules of the game.

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## LETTER FROM THE BOARD

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The unaudited financial information of the Forenzia Enterprises Group for each of the two years ended 31 March 2018 and 2019 and for each of the six months ended 30 September 2018 and 2019 are as follows:

	For the year ended		For the six months ended	
	31 March 2018	31 March 2019	30 September 2018	2019
	<i>Approx.</i> <i>HK\$'000</i>	<i>Approx.</i> <i>HK\$'000</i>	<i>Approx.</i> <i>HK\$'000</i>	<i>Approx.</i> <i>HK\$'000</i>
Revenue	17,738	10,230	6,830	7,021
Loss before tax	(3,396)	(591)	(2,413)	(2,807)
Loss after tax	(3,396)	(591)	(2,413)	(2,807)

Unaudited consolidated net assets of the Forenzia Enterprises Group as at 30 September 2019 was approximately HK\$25.49 million.

Since completion of the acquisition of the Forenzia Enterprises Group, an aggregate impairment of approximately HK\$69.44 million has been provided in relation to the Vanuatu Gaming License.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSIGNMENT AGREEMENT

The principal activities of the Company are engaging in the gaming business in Asia Pacific and the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients. Given the recent economic downturn in the Asia Pacific regions, the Group is actively exploring investment opportunities in order to diversify its source of income and expand its gaming business.

The Company has been re-visiting the performances of its existing business from time to time. It has been a key focus of the Group to explore business opportunity in Cambodia as the Company sees potential to develop its gaming business in Cambodia, in particular, at Sihanoukville Municipal where there has been experiencing obvious growth in terms of tourism and foreign investment.

To cope with the continuous liberalisation of trade as well as stronger economic, investment and regulatory co-operation between China and ASEAN, majority of the ASEAN countries, including but not limited to Cambodia, Vietnam, Singapore and Philippines began to substantially loosen foreign investment policies to attract foreign investors; develop tourism and allow gambling businesses. Given that more attractive and convenient choices are available for high-roller players, high-roller players became more reluctant to visit the Company's Vanuatu casino. VIP gaming business of the Forenzia Enterprises Group has been facing keen competition. Revenue from the Forenzia Enterprises Group decreased from approximately HK\$17.74 million for the year ended 31 March 2017 to approximately HK\$10.23 million for the year ended 31 March 2018, representing a decrease of approximately 42.3%. Revenue from the Forenzia Enterprises Group throughout the six months ended 30 September 2019 did not show a sign of

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## LETTER FROM THE BOARD

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improvement when compared with the same period in 2018. Although the Company has obtained revenue from Vanuatu VIP gaming business, the Forenzia Enterprises Group has been making loss for each of the years ended 31 March 2018 and 31 March 2019 and for the six months ended 30 September 2019. In light of the loss-making situation of the Forenzia Enterprises Group, the Company has implemented strategy with an aim to improve profitability of the Forenzia Enterprises Group. On 18 October 2017, the Company and the operator of Vanuatu casino has mutually agreed to reduce the monthly operator fees by 50% with effect from 1 January 2018. However, the Forenzia Enterprises Group remains loss making.

Given the more advantageous ASEAN countries (in terms of investment environment and geographical locations) begin to value and accelerate the development of tourism and gambling industry, the Company expects that market conditions of gambling industry in Vanuatu would become even more volatile in the long run. Although the Vanuatu Gaming License is for a period of 15 years until 2029, the Company is of the view that due to the keen competition from the continuous and rapid developing ASEAN countries, the Company could find it difficult to turn around the continuous loss-making situation of the Forenzia Enterprises Group. The Disposal represents an opportunity for the Company to divest its investment in gaming business in Vanuatu and concentrate on its business focus in Cambodia.

The Group sees attractive potential in the gaming market in Sihanoukville Municipal and had entered into a lease agreement with Lion King which allowed the Group to commence its gaming business operation immediately upon the grand opening of the Casino and get familiar with the business environment of Sihanoukville Municipal's gaming market and the Casino.

The market position of the Casino is assessed to be among the highest standard in Sihanoukville in terms of location, scale, decoration and facilities which the Company believes that the Casino is competitive in the industry. Although, the number of issued casino licenses increased from 9 in 2015 to 91 licenses, casinos that have market position similar to or better than the Casino were assessed to be not more than 30 in Sihanoukville according to the Survey Report.

In addition, following the announcement by the Cambodian government in August 2019 that it will no longer issue licenses to online gambling business and all existing online gaming licenses will not be renewed by the time they expired by the end of 2019, the number of casinos in Sihanoukville has been reduced to approximately 36. The Company is of the view that the tightened policies of the Cambodian government in issuing gaming licenses in Sihanoukville together with the closed down of a number of casinos in Sihanoukville as a result of the effect of prohibition of online gaming in Cambodia not only have positive impact for the Casino to mitigate external competition in the market by eliminating casinos that were not compatible in the market, but are also beneficial to the Casino in capturing any future increase in visitors/investors/workers in the long run.

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## LETTER FROM THE BOARD

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Moreover, potential customers of the Casino are walk-in visitors, foreign investors and foreign workers visiting Sihanoukville, the newly opened Casino with more modern design and decoration than other existing casinos nearby and with compatible scale would have positive impact for the Casino to attract visitors when competing with other existing casinos nearby. Furthermore, the extensive experience of Mr. Ng and his management in the gaming industry would definitely be beneficial to the development of the Casino.

Based on the above, the Company is of the view that although the Casino has only commenced its business in October 2019, the short history of operation of the Casino is not a determining factor in assessing the competitiveness of the Casino in this regard.

The gaming activity of the Gaming Tables operating in the mass market area of the Casino is baccarat. Currently, the Casino is operating 38 mass gaming tables with 20 tables for niu-niu poker; 15 tables for baccarat (including the Gaming Tables); and 1 table for each of blackjack, sic bo and poker in the mass market area. As detailed in the section headed "Valuation" in this circular, the Company and the Casino has implemented appropriate arrangements to distinguish the Gaming Tables from the other baccarat tables within the Casino.

The Gaming Table Business Rights are for a term of 5 years until 2025. The Company and Lion King currently intended to renew the terms of the Assignment Agreement upon expiry. As at the Latest Practicable Date, VMG and Lion King has not commenced any negotiation or agreed on the terms (including the assignment fees) of the renewal of the Assignment Agreement.

Having considered (i) the continuous loss-making situation of the Forenzia Enterprises Group and the Company considered difficult to turn around such situation given the continuous declining attractiveness of Vanuatu's gaming market to players due to the rapid development of ASEAN countries; (ii) the Disposal provide an opportunity to divest its investment in the Forenzia Enterprises Group with disposal gain; (iii) the Assignment allows the Company to step into the gaming industry in Sihanoukville where the Company sees potential as discussed above; (iv) the valuation of the Gaming Business Table Rights is fair and reasonable as discussed in the section headed "Valuation" in this circular; (v) the Consideration (including the Guaranteed Profit with reasonable measures to ensure any compensation amount could be satisfied by Lion King and the Guarantor on time if any) represents a discount to the valuation of the Gaming Business Table Rights of approximately 5%; and (vi) the Consideration of the Assignment will be satisfied by means of the Disposal and the issue of the Promissory Note which would not have dilution effect to the Shareholders, the Directors (excluding Mr. Ng and Ms. Ng Wai Yee) consider that the terms of the Assignment Agreement (including the Disposal) are fair and reasonable and the entering into of the Assignment Agreement (including the Disposal) although is not in the ordinary and usual course of business of the Company, it is on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE ASSIGNMENT, THE DISPOSAL AND USE OF PROCEEDS

#### Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix II to this circular (assuming the Assignment and the Disposal has been completed on 30 September 2019), the consolidated total assets and total liabilities of the Group as at 30 September 2019 would be approximately HK\$218.96 million and HK\$157.08 million respectively. Accordingly, the unaudited consolidated pro forma net assets of the Group would be approximately HK\$61.88 million, representing a decrease of approximately 30.31% from the unaudited consolidated net assets of the Group of approximately HK\$88.79 million as at 30 September 2019.

#### Earnings

Upon commencement of the Assignment, the Company will possess the Gaming Table Business Rights and any results generated from the Gaming Table Business Rights would be recorded into the financial statements of the Company. Upon completion of the Disposal, the financial results of the Forenzia Enterprises Group will be deconsolidated into the financial statements of the Company. Given the guaranteed profit undertaken by the Guarantor and given the continuous loss making position of the Forenzia Enterprises Group, the Directors believe that the Assignment and the Disposal would enhance the Group's income stream and have possible impact on the profitability of the Group.

Upon Assignment Commencement, the Forenzia Enterprises Group will cease to become non-wholly owned subsidiaries of the Company and the Company will no longer hold the Vanuatu Gaming License. Based on (i) the Disposal Consideration of HK\$58,000,000; and (ii) the unaudited adjusted consolidated net assets of the Forenzia Enterprises Group as at 30 September 2019 of approximately HK\$28,160,000 after taken into account adjustments made on (a) addition of the carrying value of the Vanuatu Gaming License as at 30 September 2019 of approximately HK\$56,767,000; and (b) deduction of the non-controlling interests of approximately HK\$54,095,000, the Company will record a gain on the Disposal of approximately HK\$29,840,000. The actual amount of gain on the Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of Forenzia Enterprises Limited on the date of completion of the Disposal. As the Disposal Consideration forms part of the Consideration for the Assignment, there will be no cash proceed from the Disposal.

### IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated under the Assignment Agreement involves (i) the Assignment; and (ii) the Disposal. Pursuant to Rule 14.24 of the Listing Rules, since the transactions involve both acquisition and disposal, the transaction is classified by reference to the larger of the Assignment or the Disposal. As the highest of the applicable percentage ratios in respect of the Assignment exceeds 25% and is lower than 100% while the highest of the applicable percentage ratios in respect of the Disposal exceeds 25% and is lower than

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## LETTER FROM THE BOARD

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75%, the transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, Lion King is wholly-owned by Mr. Ng Man Sun, who is an executive Director, Chairman, Chief Executive Officer of the Company and a substantial Shareholder. Therefore, Lion King is a connected person of the Company. The transactions contemplated under the Assignment Agreement also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements.

### **SGM**

A notice convening the SGM to be held at 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is (i) no voting trust nor other agreement nor arrangement nor understanding entered into or binding upon any Shareholders; and (ii) no obligation nor entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or an adjournment thereof should you so wish.

### **CLOSURE OF THE REGISTER**

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Wednesday, 25 March 2020 to Monday, 30 March 2020, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 24 March 2020.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the Assignment and the transactions contemplated thereunder (including the Disposal) are in the best interests of the Company as well as its Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders of the Company should vote in favour of the resolutions to be proposed at the SGM to give effect to them.

### GENERAL

Given that Mr. Ng has material interest in the Assignment Agreement, Mr. Ng, Ms Ng Wai Yee (being Mr. Ng's daughter) are considered to be interested in the transactions contemplated under the Assignment Agreement and have abstained from voting at the Board resolutions approving the Assignment Agreement and the transactions contemplated thereunder.

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 Assignment Agreement and the transactions contemplated thereunder. In this connection, Lego Corporate Finance Limited has been appointed with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Assignment Agreement and the transactions contemplated thereunder are fair and reasonable, and to make recommendation(s) on voting.

In accordance with the requirements of the Listing Rules, all votes to be taken at the SGM will be by poll. Given that Mr. Ng is considered to have a material interest in the Assignment Agreement and Ms. Ng Wai Yee, being an executive Director and daughter of Mr. Ng, is an associate of Mr. Ng, therefore, both Mr. Ng and Ms. Ng Wai Yee are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Assignment Agreement and the transactions contemplated thereunder (including the Disposal).

### FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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



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)

13 March 2020

*To the Independent Shareholders*

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ASSIGNMENT OF GAMING TABLE BUSINESS RIGHTS  
IN CAMBODIA;  
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF THE GROUP'S ENTIRE EQUITY  
INTERESTS IN FORENZIA ENTERPRISES LIMITED**

We refer to the circular of the Company dated 13 March 2020 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall bear the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider whether the terms of the Assignment (including the Disposal) are fair and reasonable, whether the Assignment is on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 37 of the Circular, and the letter from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of whether the terms of the Assignment (including the Disposal) are fair and reasonable, whether the Assignment is on normal commercial terms or better and in the



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and the Independent Shareholders on how to vote as set out on pages 40 to 65 of the Circular.

Having taken into account the reasons relating to the Assignment and the terms of the Assignment Agreement and the advice of Lego Corporate Finance Limited, we consider that although the Assignment (including the Disposal) is not in the ordinary and usual course of business of the Group, it is on normal commercial terms or better, fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Assignment (including the Disposal) and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Ms. Yeung Pui Han, Regina**  
*Independent non-executive  
Director*

**Mr. Li Chi Fai**  
*Independent non-executive  
Director*

**Ms. Sie Nien Che, Celia**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Assignment Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



13 March 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE ASSIGNMENT OF  
GAMING TABLE BUSINESS RIGHTS IN CAMBODIA;  
AND  
(2) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
THE GROUP'S ENTIRE EQUITY INTERESTS IN  
FORENZIA ENTERPRISES LIMITED**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 March 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 October 2019, VMG, a wholly-owned subsidiary of the Company and Lion King entered into the 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 Assignment Commencement Date at the Consideration of HK\$120 million. The Consideration shall be payable by VMG by way of a combination of disposing of the Sale Shares and procuring the Company to issue the Promissory Note, to Lion King.

The transactions contemplated under the Assignment Agreement involves (i) the Assignment; and (ii) the Disposal. Pursuant to Rule 14.24 of the Listing Rules, since the transactions involve both acquisition and disposal, the transaction is classified by reference to the larger of the Assignment or the Disposal. As the highest of the applicable percentage ratios in respect of the Assignment exceeds 25% and is lower than 100% while the highest of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the applicable percentage ratios in respect of the Disposal exceeds 25% and is lower than 75%, the transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements. As at the Latest Practicable Date, Lion King is wholly-owned by Mr. Ng Man Sun, who is an executive Director, Chairman, Chief Executive Officer of the Company and a substantial Shareholder. Therefore, Lion King is a connected person of the Company. The transactions contemplated under the Assignment Agreement also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements.

The SGM will be convened for the purpose of, among other things, considering, and if thought fit, approving the Assignment Agreement and the transactions contemplated thereunder by the Independent Shareholders. Given that Mr. Ng is considered to have a material interest in the Assignment Agreement and Ms. Ng Wai Yee, being an executive Director and daughter of Mr. Ng, is an associate of Mr. Ng, therefore, both Mr. Ng and Ms. Ng Wai Yee are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Assignment Agreement and the transactions contemplated thereunder.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, has been established pursuant to the Listing Rules to advise the Independent Shareholders in respect of the Assignment Agreement and to make a recommendation as to whether the terms of the Assignment Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the SGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships with or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the past two years, save for the engagement in connection with the Assignment Agreement, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group and Lion King or any of their respective substantial shareholders, directors or chief executives, or their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.80 of the Listing Rules to act as the Independent Financial Adviser in connection with the Assignment Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the SGM and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and/or the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continue to be so as at the date of the SGM. The Company shall inform the Independent Shareholders as soon as possible if there is any material change to such information in accordance with the Listing Rules on or before the date of the SGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its respective subsidiaries or associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Assignment Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

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**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinions with respect to the Assignment Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

**1. Background information of the Group**

The principal activities of the Company are engaging in the gaming business in Asia Pacific and the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients. Set out in Table 1 below is a summary of the consolidated financial information of the Group for each of the three years ended 31 March 2017, 2018 and 2019 as extracted from the annual reports of the Company for the year ended 31 March 2018 (the “**Annual Report 2018**”) and the year ended 31 March 2019 (the “**Annual Report 2019**”), and each of the six months ended 30 September 2018 and 2019 as extracted from the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Report 19/20**”), respectively.

*Table 1: Financial highlights of the Group*

	For the six months ended		For the year ended		
	30 September		31 March		
	2019	2018	2019	2018	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>					
Gaming and entertainment	26,521	59,509	64,071	56,676	11,401
AR/VR and mobile games solutions	1,980	2,756	7,147	5,530	—
	<u>28,501</u>	<u>62,265</u>	<u>71,218</u>	<u>62,206</u>	<u>11,401</u>
<b>Loss for the year/period attributable to owners of the Company</b>	<u>(14,663)</u>	<u>(22,074)</u>	<u>(418,039)</u>	<u>(52,772)</u>	<u>(983,869)</u>

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	<b>As at</b> <b>30 September</b> <b>2019</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>2019</b> <i>(audited)</i> <i>HK\$'000</i>	<b>As at</b> <b>31 March</b> <b>2018</b> <i>(audited)</i> <i>HK\$'000</i>	<b>2017</b> <i>(audited)</i> <i>HK\$'000</i>
<b>Non-current assets</b>	155,782	157,411	537,183	511,107
<b>Current assets</b>	48,964	43,866	54,607	28,292
<b>Current liabilities</b>	84,950	60,252	216,160	206,088
<b>Net current liabilities</b>	(35,986)	(16,386)	(161,553)	(177,796)
<b>Non-current liabilities</b>	31,004	53,692	16,465	449
<b>Net assets</b>	88,792	87,333	359,165	332,862

*For the year ended 31 March 2018*

For the year ended 31 March 2018, the Group recorded revenue of approximately HK\$62.21 million, representing an increase of approximately 445.70% as compared to revenue of approximately HK\$11.40 million for the year ended 31 March 2017. According to the Annual Report 2018, such increase in revenue was mainly attributable to the revenue derived from the gaming business in Vanuatu which has continued to achieve progress after its operation commenced in July 2016 and the stable revenue contributed by the business in Cambodia. For the year ended 31 March 2018, the Group recorded loss attributable to owners of the Company of approximately HK\$52.77 million, which has significantly narrowed by approximately 94.64% from the loss of approximately HK\$983.87 million as recorded for the previous year. Based on the Annual Report 2018, such improvement for the year was mainly due to the result of continuing cost streamlining effects made by the Group and the reduction of the recognition of impairment losses during the year.

As at 31 March 2018, the net current liabilities and net assets of the Group amounted to approximately HK\$161.55 million and approximately HK\$359.17 million, respectively.

*For the year ended 31 March 2019*

For the year ended 31 March 2019, the Group recorded revenue of approximately HK\$71.22 million, representing an increase of approximately 14.48% as compared to the revenue of approximately HK\$62.21 million as recorded for the year ended 31 March 2018. With reference to the Annual Report 2019, such increase in revenue was mainly attributable to the revenue generated from the increase in gaming revenue of the Group. For the year ended 31 March 2019, the Group recorded loss attributable to owners of the Company of approximately HK\$418.04 million, representing an increase of approximately 692.19% as compared to approximately HK\$52.77 million as recorded in the previous year. With reference to the Annual Report 2019, such increase in loss was primarily resulted from the disposal of an associate company of the Group namely Greek Mythology (Macau) Entertainment Group Corporation Limited (“**Greek Mythology**”) which was completed in March 2019 upon which the Group

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recognised (i) impairment and disposal loss of the interest in Greek Mythology in the amount of approximately HK\$353.53 million; and (ii) impairment loss on the amount due from Greek Mythology in the amount of approximately HK\$28.50 million.

As at 31 March 2019, the net current liabilities of the Group amounted to approximately HK\$16.39 million, which had substantially reduced from the net current liabilities of the Group of approximately HK\$161.55 million as at 31 March 2018, while net assets of the Group amounted to approximately HK\$87.33 million, showing a substantial decrease from the net assets of approximately HK\$359.17 million as at 31 March 2018. The respective decreases in net current liabilities and net assets of the Group were primarily due to the impairment and disposal of the Group's interest in Greek Mythology.

*For the six months ended 30 September 2019*

For the six months ended 30 September 2019, the Group recorded revenue of approximately HK\$28.50 million, representing a decrease of approximately 54.23% as compared to the revenue of approximately HK\$62.27 million as recorded for the six months ended 30 September 2018. According to the Interim Report 19/20, such decrease in revenue was mainly due to the decreased income from the operation of the VIP room in Cambodia which was the result of the prudent approach taken by the Group to assess and manage the non-profitable portfolio of this operation and fine-tune its business strategy during the six months ended 30 September 2019. For the six months ended 30 September 2019, the Group recorded loss attributable to owners of the Company of approximately HK\$14.66 million, which was narrowed by approximately 33.57% from the loss attributable to owners of the Company of approximately HK\$22.07 million for the previous corresponding period. Such decrease in loss was primarily resulted from the decrease in general and administrative expenses and the absence of the loss on settlement of promissory notes as recognised in the previous corresponding period.

As at 30 September 2019, the unaudited net current liabilities of the Group amounted to approximately HK\$35.99 million, showing an increase from the net current liabilities of approximately HK\$16.39 million as at 31 March 2019, mainly due to increase in other borrowings of the Group. The net assets of the Group amounted to approximately HK\$88.79 million as at 30 September 2019.

**2. Background information of the Casino and the Gaming Table Business in respect of the Assignment and Forenzia Enterprises Group in respect of the Disposal**

*The Casino*

Cheung Shing Global Travel Entertainment Limited, the parent company of Lion King and wholly-owned by Mr. Ng, has entered into the Casino Lease and Operation Agreement with the hotel operator (who is an Independent Third Party) pursuant to which all parties agreed to lease to Lion King the first, second, fourth and fifth floor of the Sunshine Bay Hotel at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia for a term from 1 October 2018 to 30 September 2038. It is located approximately 10 to 15 minutes' drive from the Golden Lion Circle, the city centre of Sihanoukville. The Casino is situated on the first and second floor of the Sunshine Bay Hotel with total GFA of 8,100 sq. m.. The fourth and fifth floor with total GFA of 2,586 sq.m. are for use as office, restaurant and other entertainment functions. The operator of the Casino is Lion King. Pursuant to the terms of the Casino Lease and Operation Agreement, the Casino was allowed to launch various kinds of games subject to compliance with the provision under the Gaming License.

As at the Latest Practicable Date, the Casino has obtained a valid casino license issued by Ministry of Economy and Finance of Cambodia and commenced operation on 9 October 2019 with the gaming activities currently under operation by the Casino include (i) 38 mass gaming tables with 20 tables for niu-niu poker, 15 tables for baccarat (including the Gaming Tables), and 1 table for each of blackjack, sic bo and poker; (ii) 54 electronic gaming machines; (iii) 75 VIP tables; (iv) 1 multi-function leisure club house; and (v) 1 restaurant.

*The Gaming Table Business*

The Gaming Tables are located at the mass market area of the Casino. The Group will mainly launch baccarat on the Gaming Tables. It is worth noting that the Gaming Tables may be facing competition from the other mass gaming tables within the Casino, particularly with the other 11 tables which also operate baccarat. In view of the potential competition arising among the gaming tables in the mass gaming area within the Casino, it is noted that the minimum bet of the Gaming Tables is set at a rate lower than the other baccarat tables while the maximum bet is set at the same rate as the other baccarat tables, which is expected to attract more potential players to play at the Gaming Tables. On the other hand, whether to operate all or part of the gaming tables in the mass gaming area of the Casino is subject to the then operation environment of the Casino and the decision of the management of the Casino, whereby the Casino may close operation of any mass gaming tables from time to time. Based on the historical operation data, the Casino would seldom open all mass gaming tables at one time. In view of the lack of control by the Company over the Casino's operation, Lion King and the Guarantor have jointly undertaken to VMG that while the Casino is operating, in no circumstances the Casino will consider to close the Gaming Tables. Pursuant to the terms of the Assignment Agreement, Lion King has undertaken to VMG that, among other things, it will provide VMG with all financial and non-



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financial data in relation to the Gaming Table Business on a regular basis or upon VMG's request. Following the Assignment Commencement, the Gaming Table Business Rights will belong to the Group and the Group shall have the rights to request for full access to the books and records in relation to the Gaming Table Business in accordance to the Assignment Agreement. In addition, certain measures are in place including (i) proper assignment of a unique number for each of the Gaming Tables pursuant to the Assignment Agreement; (ii) implementation of a casino management system known as "KISS" to manage day-to-day gaming tables operations of the Casino, *inter alia*, produce comprehensive real time statistics, audit trials and management reports; and (iii) preparation of budget on a regular basis by VMG on the operating cost of the Gaming Tables to monitor the actual expenses to be incurred. As such, proper accounting for the revenue and profits attributable to the Gaming Tables and audit rights for the relevant accounting records shall be maintained. The gaming activities of the Gaming Table Business will take place only in Cambodia and outside Hong Kong. The bookmaking transactions and parties to the transaction will be only in Cambodia and outside Hong Kong. The Group shall be entitled to 100% house win winnings and responsible for 100% house losses while shall bear associate staff costs incurred and tax associated with the Gaming Table Business. The respective responsibilities and roles of each of Lion King and VMG as set out in the Assignment Agreement are disclosed in the Letter from the Board. Various risks relating to the Gaming Table Business, operations and the gaming industry in Cambodia are also particularly disclosed in the Letter from the Board. The Gaming Table Business Rights are for a term of 5 years until 2025. The Company and Lion King currently intended to renew the Gaming Table Business Rights upon expiry. As at the Latest Practicable Date, VMG and Lion King have not commenced any negotiation or agreed on the terms (including the assignment fees) of such renewal.

### ***Forenzia Enterprises Group***

As at the date of the Assignment Agreement up to and including the Latest Practicable Date, Forenzia Enterprises Limited was owned as to 60% by the Company and 40% by Mr. Yau Kam Wai. Save for the business partnership with the Company regarding the investment in Forenzia Enterprises Limited, Mr. Yau Kam Wai has no other relationship with the Company and its connected person. Forenzia Enterprises Limited is an investment holding company incorporated in BVI. Save and except for the 100% equity interest in Lion King Gaming Limited and Chartreuse Holdings Limited, Forenzia Enterprises Limited has no other material assets and liabilities as at the date of the Assignment Agreement. Lion King Gaming Limited is an investment holding company incorporated in Vanuatu, while Chartreuse Holdings Limited is a company incorporated in Vanuatu with limited liability. Chartreuse Holdings Limited was granted the Vanuatu Gaming License issued by the Ministry of Finance and Economic Development of Vanuatu for a term of fifteen (15) years from 24 February 2014. The Group's gaming business in Vanuatu, through Forenzia Enterprises Group, has commenced since July 2016. Under the Vanuatu Gaming License, the Forenzia Enterprises Group can conduct interactive gaming business in Vanuatu by allowing players to play games through a telecommunication device including, but not limited

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to, computers connected by Internet or other communication network, and a prize consisting of money or something else of value is offered or can be won under the rules of the game.

Set out below is the unaudited consolidated financial information of Forenzia Enterprises Group for each of the two years ended 31 March 2018 and 2019 and for each of the six months ended 30 September 2018 and 2019, respectively.

	<b>For the year ended</b>		<b>For the six months ended</b>	
	<b>31 March</b>		<b>30 September</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	17,738	10,230	6,830	7,021
(Loss) before tax	(3,396)	(591)	(2,413)	(2,807)
(Loss) after tax	(3,396)	(591)	(2,413)	(2,807)

The unaudited consolidated net assets of Forenzia Enterprises Group as at 30 September 2019 amounted to approximately HK\$25.49 million. Since completion of the acquisition of the Forenzia Enterprises Limited by the Group, an aggregate impairment of approximately HK\$69.44 million has been provided for in relation to the Vanuatu Gaming License.

The major business of Forenzia Enterprises Group is the operation of online casino which allows players to play online on a 24/7 basis, and is physically accessible from the VIP rooms located in hotels or commercial buildings in Vanuatu. The major customers of Forenzia Enterprises Group are high rollers from the PRC and across Asia who visit the online casino in Vanuatu to play bacarrat online. The revenue generated from the Vanuatu Gaming License was derived from the net winning (net of junket commission) conducted through the online casino, while the major operating cost of the business included the service fee payable to the third party operator, expenses on technical support and data centre as well as marketing expenses for promoting the online casino.

**3. Reasons for and benefits of entering into the Assignment Agreement**

***(i) The Group's existing gaming and entertainment business in Cambodia***

The Company has been gradually building a broad network in the gaming and entertainment business beyond Macau, which has opened up new revenue sources for the Company and at the same time enabled the Company to establish its brand name in Southeast Asia. As a strategic location for the Company to extend its business domain in Southeast Asia, the Group has commenced its gaming business in Cambodia through the operating rights of a VIP room with 13 bacarrat tables in Poipet, Cambodia since 1 December 2017. In order to strengthen its presence in Cambodia, on 11 October 2018, the Group entered into a service agreement pursuant to which the Group shall provide technical and pre-opening services in relation to the Casino,

including (i) the design, development and implementation of information technology system in the Casino; (ii) the overall design of the Casino; (iii) the establishment of organisation 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) 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. According to the Annual Report 2019, the Company recognised a service fee of HK\$9,000,000 from the provision of service under the aforementioned service agreement. On 28 October 2019, the Group entered into a lease agreement with Lion King which allowed the Group to commence its gaming business operation immediately upon the grand opening of the Casino including launching various games subject to compliance with the provision under the Gaming License, and get familiar with the business environment of Sihanoukville Municipal's gaming market and the Casino. As such, given the enhanced capability of the Group and the understanding of the relevant market in Cambodia, the assignment of the Gaming Table Business Rights pursuant to the Assignment Agreement would signify the furtherance of the Group into the gaming industry in Cambodia, which is in line with the Group's business strategy and objective.

***(ii) Outlook and prospect of the gaming market in Cambodia***

Following the Assignment, the Group would operate and manage the Gaming Tables at the Casino in Cambodia. On this basis, in assessing the future prospect of the Casino and accordingly the operation of the Gaming Tables, considering that the prospect of casinos primarily depends on the overall economy and number of visitations, we have primarily performed research on the overall economy of Cambodia and its tourism prospect in order to assess the general outlook of the casino and gaming market in Cambodia.

*Overall economy of Cambodia*

According to Cambodia Real Estate Highlights 1st Half 2019 published by Knight Frank, a leading independent property advisor, Sihanoukville has established itself as a secondary economic hub attracting international investors across a number of different sectors. With Cambodia being a strategic partner of China under the China's Belt and Road Initiative, Sihanoukville has benefitted from sizeable investments in the industrial sector, residential and commercial sectors, gaming and hospitality and soft infrastructure. In particular, it is noted that the number of approved construction projects in 2018 has doubled that in 2016. According to the data from the Ministry of Land Management, Urban Planning and Construction, total investment in Cambodia's construction sector has reached over US\$3 billion for the first half of 2019 as compared to US\$2.1 billion for the corresponding period in 2018, showing a 57.5% increase over the period. With respect to hotel infrastructure, it is notable that the supply of hotels with 50 rooms and above in Sihanoukville recorded at 5,238 rooms across 46 hotels, representing an increase of 69% as compared with the same period in 2018.

Furthermore, an additional of 7,880 hotel rooms are scheduled for completion from the second half of 2019 to post 2021. Therefore, it is anticipated that the hotel sector would expand exponentially and the construction industry in Sihanoukville is booming. According to “Asia Outlook: Casinos and Online Gambling 2018” published in April 2018 by GamblingCompliance, a leading and widely recognised provider of independent legal, regulatory and business intelligence to the global gambling industry with more than ten years of establishment history, it is stated that Chinese investment in Sihanoukville has increased and both countries agreed to strengthen their economic bonds for the upcoming years. With reference to IMF World Economic Outlook April 2019, Cambodia’s gross domestic products (“GDP”) for the next six years can be maintained at 6–6.8% as projected by the International Monetary Fund. As further noticed from the May 2019 “Cambodia Economic Update — Recent Economic Developments and Outlook” issued by the World Bank Group, which examines global economic development and prospects, the real GDP of Cambodia is forecasted to grow year-on-year by 6.9% and 6.8% in 2020 and 2021, respectively, with an inflation rate of 3.0% and 3.1% in the two years. Overall, the economic activity in Cambodia is expected to remain positive in the long run along with the significant investment in the country.

#### *Tourism development in Cambodia*

As foreign visitors are one of the key customers for casinos in Cambodia, we have looked into the tourism prospects in Cambodia. The introduction of the “Tourism Development Strategic Plan 2012–2020” as formulated by the Cambodian government aimed at ensuring that Cambodia becomes a tourism destination with the highest quality and warmth hospitality for tourists and strengthening the role of tourism sector in supporting national economic growth. In 2016, the Ministry of Tourism of Cambodia was aiming to attract seven million visitors by 2020, of which two million are expected to be from China, being the major source of clients to casinos. In 2018, Chinese visitor arrivals reached 2.03 million, achieving the target set for 2020. With reference to the Tourism Statistics Report for the year of 2018 published by the Ministry of Tourism of Cambodia, the number of international tourist arrivals to Cambodia amounted to approximately 5.6 million and 6.2 million in 2017 and 2018, respectively, representing a year-on-year increase of around 11.8% and 10.7% from that recorded for the respective previous years, and at the same time demonstrated a growing trend from 2014 to 2018. It is also notable that the number of visitors from China increased substantially by approximately 67.2% in 2018 as compared to 2017 and contributed largely by approximately 32.6% to the total visitations, being the leading source of visitation to Cambodia. Moreover, while the average length of stays and hotel occupancy rate remained steady from 2014 to 2018, the international tourism receipts exhibited consecutive year-on-year growth during the years and amounted to approximately US\$4,375 million in 2018. In light of the foregoing, the tourism sector in Cambodia is generally expanding.

*Gaming industry in Cambodia*

With respect to the development of gaming industry in Cambodia, we noted that the number of issued casino licenses in Sihanoukville had grown rapidly from 9 licenses in 2015 to 27 licenses as of December 2017. As reported in June 2019, the number of issued casino licenses in Sihanoukville reached a total of 91 licenses, while nearly 90 of the 150 casinos in Cambodia are located in the Sihanoukville, being the key attraction of the coastal city. Notwithstanding the growing issuance of casino licenses, with respect to the recent development of the casino industry in Cambodia, we noted that the government of Cambodia announced in August 2019 that it will no longer issue licenses to online gambling business and all existing online gaming licenses will not be renewed at the time they are expired by the end of 2019, with the purpose to clamp down on illegal gambling activities in the Asian nation. Since all online gaming operations shall be ceased, those physical casinos which had online operations have been impacted given the decline in income due to the ban. In particular, a number of casinos which the main sources of revenue were generated from online gaming have been shuttered as a result of the prohibition of online gaming. According to a news reported by Reuters in December 2019, the number of casinos in Sihanoukville has been cut half from more than 70 to 36 as a result of the announcement of the prohibition of online gaming. Nonetheless, the number of licenses or casinos in Sihanoukville still grow at a CAGR of approximately 41.4% from 2015 to 2019, indicating an overall keen competition among the casino industry. As disclosed in the Letter from the Board, it is noted that (i) the Sihanoukville airport's runway is currently under an expansion construction work and is expected to be completed by 2020 and the Cambodia's aviation authority has approved the master plan for a new terminal at Sihanoukville airport that will expand its passenger capacity to 10 million and construction work will begin in 2020; (ii) the Cambodian government had in September 2019 approved a US\$100 million budget for renovation of Sihanoukville's infrastructures; (iii) Sihanoukville's first foreign-invested modern shopping mall and entertainment complex namely "Furi Times Square Mall" was opened in December 2019; and (iv) another sizable one-stop shopping mall in Sihanoukville namely "Prince Huan Yu Mall" with total gross area of 50,000 sq. m. is expected to be opened in 2020. As such, it is expected that with the improvement on transportation and infrastructure facilities, Sihanoukville would be able to gain confidence from foreign investors and visitors to invest and travel to Sihanoukville. On the other hand, the closed down of casinos in Sihanoukville after the prohibition of online gaming is expected to alleviate competitions among the casinos in Sihanoukville against the rapid growth in recent years. In the long run, notwithstanding the impact brought by the prohibition of online gambling as seen from the recent closed down of a number of brick and mortar casinos, taking into consideration that the Casino had not been engaging in online operation and hence not directly impacted and, as enquired with the Management, we were given to understand that the clientele of the Casino comprises a mix of customers including labours working within the casino industry, construction workers, tourists and other foreign visitors such as business investors, it is expected that the Casino would capture any future

increase in visitors including tourists, investors and workers along with the abovementioned investments in infrastructure facilities in Sihanoukville. Further, as enquired with the Management, various marketing measures have been rolled out to attract visitors to the Casino and strengthen customer relationships including but not limited to (i) loyalty program by way of subscription to a VIP card which enables the players to earn points based on the rolling sum incurred while such earned points could be cashed out or redeemed within the Casino; and (ii) promotional program for the players to win special cash prizes for specified combinations of cards.

Despite of the imposition of the prohibition of online gambling, based on the above and leveraging on (i) the overall growth of visitations as primarily driven by the influx of Chinese tourists/visitors as a result of increasing consumerism as well as tourists/visitors from other Southeast Asian countries; (ii) the local economic growth in Cambodia coupled with increasing investments and renovation of infrastructures in the country, hence the stimulation of employment and tourism; and (iii) the development of the casino industry in Sihanoukville in view of the growing number of casinos in recent years, we are of the view that the prospect of the casino industry of Cambodia remains positive over the long run.

***(iii) Disposal of Forenzia Enterprises Group***

The Group completed the acquisition of 60% of equity interests in Forenzia Enterprises Limited in 2014, which principally operates gaming business in Vanuatu under an interactive gaming license valid for a period of 15 years from February 2014. Since then, the operating results of Forenzia Enterprises Limited have been consolidated into the consolidated financial statements of the Company. The Group's gaming business in Vanuatu commenced in July 2016. With reference to the Annual Report 2018 and the Annual Report 2019, it is noted that the revenue generated from Vanuatu represents around 28.51% of the total revenue of the Group for the year ended 31 March 2018 and further reduced to a proportion of approximately 14.36% of the total revenue of the Group for the year ended 31 March 2019. Upon our review of the unaudited management accounts of Forenzia Enterprises Group for the two years ended 31 March 2018 and 2019, we noted that the revenue of Forenzia Enterprises Limited showed a decreasing trend while recorded consecutive net losses before taxation for the years ended 31 March 2018 and 2019. Forenzia Enterprises Limited continued to record net loss before taxation for the six months ended 30 September 2019. Moreover, Forenzia Enterprises Limited has maintained net liabilities positions as at each of 31 March 2018 and 2019, respectively. Further, based on the data available from the World Bank, it is noted that the GDP of Vanuatu which recorded a GDP growth of 3.2% in 2018 is lower than most of the ASEAN countries such as Vietnam, Cambodia, Myanmar, Lao, Indonesia and the Philippines the GDP growths of which ranged from 5.2% to 7.5% in 2018. It is also noted that the economic development of Vanuatu is hindered by its long distances to major markets and investments are deterred by its inadequate physical and legal infrastructures. In contrast, the ASEAN economy, being developing countries, have consistently outperformed the global economy according to "ASEAN Integration

Report 2019” conducted by the ASEAN Secretariat as of September 2019. Moreover, according to the “Asian Development Outlook 2019” conducted by the Asian Development Bank, the GDP growth rate of Vanuatu is forecasted to be 2.8% in 2020, which fall behind the top five Pacific countries in terms of forecasted GDP growth which ranged from 3.2% to 5.4%. Accordingly, notwithstanding (i) the competitions of the overall casino industry in Cambodia and within the Casino; and (ii) the term of the existing interactive gaming licence of Forenzia Enterprises Limited which shall expire in 2029 being longer than the term of the Gaming Table Business Rights which shall expire in 2024, taking into consideration (i) the unsatisfactory operating results and financial position of Forenzia Enterprises Limited as seen from its declining revenue and consecutive loss-making performance in recent years; (ii) that in view of the lack of control by the Company over the Casino’s operation, Lion King and the Guarantor have jointly undertaken to VMG that as long as the Casino is operating, the Casino will not close the Gaming Tables in order to protect the Company’s interest in the Gaming Table Business; (iii) Lion King has undertaken to VMG that it will provide VMG with all financial and non-financial data in relation to the Gaming Table Business on a regular basis or upon VMG’s request pursuant to the Assignment Agreement to ensure proper accounting for the revenue and profits attributable to the Gaming Tables and audit rights for the relevant accounting records in view of the lack of control over the Casino’s operation by the Company; (iv) most of the casinos in Sihanoukville are not direct competitors to the Casino given the difference in location of the Casino and its higher ranking in market positioning as compared to most of the casinos; and (v) the overall economic activities and investment environment in Vanuatu are not as favourable as those among the ASEAN countries, we concur with the Company’s view that given the more advantageous ASEAN countries (in terms of investment environment and geographical locations) begin to value and accelerate the development of tourism and gambling industry, the market conditions of the gambling industry in Vanuatu will remain volatile in the long run, and the Disposal pursuant to the Assignment Agreement represents a lucrative opportunity for the Group to divest its investments in the gaming business in Vanuatu with an expected gain on Disposal, and focus on its gaming business in Cambodia.

***(iv) Risks in relation to the Gaming Table Business***

The Gaming Table Business is subject to the following risks, details of which are disclosed in the section headed “Risks relating to the Gaming Table Business, operations and the gaming industry in Cambodia” in the Letter from the Board:

- a) The winnings of the players could exceed the Gaming Table Business’s winnings;
- b) Theoretical win rates for the Gaming Table Business’s operations depend on a variety of factors, some beyond the Company’s control;
- c) Social and economic conditions, travelling restrictions and currency exchange control in the PRC may be subject to uncertainties;
- d) The Casino has no direct operating history;

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- e) Conducting business in Cambodia involves certain economic and political risks;
- f) The Gaming Table Business cannot assure its anti-money laundering and anti-corruption policies will be effective in preventing the occurrence of money laundering or other illegal activities at the Gaming Tables;
- g) The Gaming Table Business is sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending;
- h) Operation of the Casino is subject to gaming regulations in Cambodia, non-compliance with which may result in suspension or revocation of licenses granted to the Casino which could have material adverse effect to the Gaming Table Business Rights; and
- i) Risk of suspension and cancellation of listing.

Taking into consideration that (i) certain risks associated with the Gaming Table Business are commonly arising from the inherent nature of casino operation, such as the element of chance and the theoretical win rates which are beyond the Company's control; (ii) the Company is prepared to manage the risk associated with the changes in the rules and regulations as well as investment laws and political practices in Cambodia, including (a) the continuous monitoring and assessment on the economic and political risks in Cambodia and, where appropriate, adjust its business strategy with respect to the Gaming Table Business to ensure the operation of the Gaming Table Business as well as the Casino complies with all applicable rules and regulations, (b) the regular internal control review on the internal systems and procedures as well as the anti-money laundering policies of the Gaming Table Business to be carried out by the Group, and (c) that the Company would use its best endeavors and procure Lion King and the management of the Casino to ensure compliance with the applicable laws in Cambodia and/or the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong) such that the Company and its business continue to be suitable for listing under Rule 8.04 of the Listing Rules; and (iii) the reasons for and benefits of the Assignment Agreement as discussed in this section, we are of the view that, notwithstanding the various risks in relation to the Gaming Table Business, the Assignment is in the interests of the Company and its shareholders as a whole.

***(v) Compliance with applicable regulatory and licensing requirements***

The Company has obtained the Cambodia legal opinion with respect to the legality and validity of the Gaming License and the legality, validity and enforceability of the Casino Lease and Operation Agreement and the Assignment. Based on the Cambodia legal opinion, the Company is of the view that the gaming activities under the Gaming Table Business do not violate any applicable laws in Cambodia. The Company has also obtained the Hong Kong legal opinion which concluded that the



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operation of the Gaming Table Business by the Group and the transactions contemplated thereunder conducted in Cambodia do not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

Based on the Cambodia legal opinion dated 28 August 2019, we noted that the Cambodia lawyer has examined certain documents including the Gaming License and the Casino Lease and Operation Agreement and assumed the correctness of the statements and information contained in those documents, which are set out in the Letter from the Board. Having reviewed the underlying assumptions and taking into consideration that (i) it would be difficult for the Cambodia lawyer to perform independent verification of the factual matters of the Casino Lease and Operation Agreement given that it was not a witness or a party involved at the time when the contractual parties entered into such agreement; (ii) we have reviewed documents including the ownership certificate of Sunshine Bay Hotel where the Casino is housed and the company search results of the respective parties provided by the Company which verified the relevant assumptions; and (iii) based on the sub-lease agreement dated 1 October 2019, we noted that it is agreed that Lion King shall be the lessee under the same terms and conditions of the Casino Lease and Operation Agreement, while the Cambodia lawyer was of the view that such sub-lease agreement would resolve the relevant assumptions in relation to the validity of Lion King as the lessee of the Casino Lease and Operation Agreement, we are of the view that, notwithstanding the assumptions made in arriving at the opinion, the Cambodia legal opinion can be reasonably relied on.

As further noted from the Cambodia legal opinion, it is expressly stated that it is uncertain whether the Prakas (proclamation) on the management of slot machine gambling business and all kinds of electronic and machine games issued by the Ministry of Economy and Finance on 25 May 2005 remains effective and applicable for managing casino and gambling business in Cambodia, while in February 2009, the Ministry of Economy and Finance issued another announcement on the closure of all kinds of electronic and mechanic games and closure of football gambling business across Cambodia. Notwithstanding the uncertainty on the effectiveness of the Prakas (proclamation) or other guidelines with respect to management of casino and gambling business in Cambodia, upon enquiry with the Cambodia lawyer, the letter dated 5 August 2019 issued by the Cabinet of Government of the Kingdom of Cambodia to Lion King, which according to the Cambodia legal opinion, is a document issued by the competent institution and having lawful validity in accordance with the law of the Kingdom of Cambodia, allowing Lion King to operate, among other things, slot machines, electronic machines and sport betting in the Casino is not contradict to the Prakas (proclamation) on the management of slot machines gambling business and all kinds of electronic and machines games and it is also not contradict to the announcement on the closure of all kinds of electronic and mechanic games across Cambodia on 25 February 2009, as such announcement is to prohibit any place or shop which are not the class of the Casino to operate the slot machine, we therefore concur with the view of the Company that the Casino is validly lawful to operate slot machines and electronic machines in the Casino.

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Accordingly, having reviewed the Cambodia legal opinion and the Hong Kong legal opinion (including the underlying assumptions), we are of the view that the Company will comply with the applicable laws where the Gaming Table Business operates upon completion of the Assignment and throughout the term of the Gaming Table Business Rights.

Taking into consideration of the above, we are of the view that the entering into of the Assignment Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Assignment Agreement**

Pursuant to the Assignment Agreement, Lion King has conditionally agreed to assign and VMG has conditionally agreed to accept the assignment of the Gaming Table Business Rights at the Consideration of HK\$120 million, which shall be satisfied by VMG as to (i) HK\$58,000,000 by way of disposing of the Sale Shares, representing 60% of the total issued and paid up capital of Forenzia Enterprises Limited upon Assignment Commencement; and (ii) the balance of HK\$62,000,000 by way of procuring the Company to issue the Promissory Note upon Assignment Commencement.

##### ***4.1 Valuation of the Gaming Table Business***

According to the valuation report as prepared by the Independent Valuer with respect to the Gaming Table Business (the “**Valuation**”), the full text of which is contained in Appendix III to the Circular, the appraised value of the Gaming Table Business as at 30 September 2019 was approximately HK\$126 million, subject to the assumptions, terms and conditions as set out therein.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the Valuation and discussed with the Independent Valuer the methodology of, and bases and assumptions adopted for, the Valuation. In performing the Valuation, we understand that the Valuer has considered three valuation approaches namely cost approach, market approach and income approach. As advised by the Independent Valuer, cost approach is inappropriate since it neglects the ability to generate streams of benefits by the Gaming Tables in the future and therefore may not be able to fully reflect the expected future economic benefit of the Gaming Tables. On the other hand, market approach was also not considered as the Casino has not been commercialised as at the date of the valuation and therefore direct comparison with public comparable companies is not appropriate. Accordingly, the income approach, which measures the income generating ability of the Gaming Tables, being the major driving factor of the value of the Gaming Tables, was considered to be the most appropriate approach for the valuation of the Gaming Table Business Rights. As advised by the Independent Valuer, income approach valuation is a common practice for appraisals of intangible assets including operating rights. We noted that the Independent Valuer has adopted the discounted cash flow method under the income approach to derive the market value of the Gaming Table Business Rights, by way of discounting the future economic benefits to be generated by the Gaming Tables to a

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present value at an appropriate discount rate reflecting the appropriate risks including those related to macroeconomic conditions, industry-specific and company-specific factors, among others.

Pursuant to the Assignment Agreement, the term of the assignment of the Gaming Table Business Rights is for a period of 5 years commencing from the Assignment Commencement Date. At the time when entered into the Assignment Agreement on 28 October 2019, the Casino has commenced its business operation since 9 October 2019. Moreover, we noted that the Casino has obtained all requisite license and permits, legal approvals, business certificate and license for its operation including but not limited to a valid casino license issued by the Ministry of Economy and Finance of Cambodia. The Company therefore considered it reasonable to prepare a 5-year financial projection for the Gaming Table Business from 1 October 2019 to 30 September 2024 to arrive at the valuation of the Gaming Table Business Rights as of 30 September 2019. On the other hand, the Company initially expected that commencement of the Assignment could be achieved by the end of 2019 at the time of entering the Assignment Agreement. In view of the longer than expected time to complete the Assignment to around March 2020 or later, the Company has requested the Independent Valuer to re-assess the situation and advise on any impact to the Valuation. As advised by the Independent Valuer, there would not be any material impact to the appraised value of the Gaming Table Business Rights of HK\$126 million as at 30 September 2019 as a result of the expected delay in commencement of the Assignment. The Independent Valuer further advised that in the event the Assignment will be completed by March 2020, cashflow from the Gaming Table Business Rights will be generated shortly, which is very similar to the case when cashflow starts to generate in October 2019 assuming commencement of the Assignment in September 2019. As time lags between the commencement date of the Assignment and commencement of cashflow is insignificant, value impact from time of money should be very limited regardless of when the Assignment will commence. Accordingly, the Valuation shall remain to be valid and shall not be dependent on the commencement date of the Assignment. As such, considering that (i) the Casino has obtained all relevant licenses and permits and has commenced its business operation in October 2019; and (ii) the forecast period started from the month of commencement of operation of the Casino, we are of the view that the relevant assumptions in the Valuation are fair and reasonable.

The expected net revenue, operating expenses and the expected revenue growth rate throughout the five-year forecast period were estimated by the Management after taking into consideration a survey report (the “**IGamiX Report**”) in connection with the Casino dated 30 June 2019 prepared by an independent consulting firm commissioned by the Company namely IGamiX Management & Consulting Ltd (“**IGamiX**”), an established Macau-based gaming consultancy firm which is considered a leading expert in the Asia gaming market. As further advised by IGamiX, they are the sole data provider on Bloomberg terminal providing estimated monthly data and projections on gaming revenue metrics in Macau on a regular basis. We have also reviewed the track record of IGamiX as well as the experience and qualifications of the researchers who prepared the IGamiX Report and we consider that the IGamiX Report is appropriate

for reference with respect to the Valuation. The IGamiX Report provides insight on the overall gaming market in Cambodia, gaming tax regulations, competitors of the Casino with their respective rankings, parameters on gaming revenue projections including expected house win rate as derived from frequency counts of net wins conducted within the relevant comparable casinos, as well as the expected future growth of the Casino. We have reviewed the IGamiX Report and noted that the expected house win rate in terms of projected win per unit (i.e. table) per day (“WPUPD”), which the expected net revenue is made reference to by the Management, are determined after conducting the “floor walk” (as defined below) during specific hours of the day within the comparable casinos (“Comparable Casinos”) which were selected based on similar accessibility, target clients and market positioning of the casinos. In this regard, we have independently performed research to assess the fairness and reasonableness of the determination basis of the projected WPUPD. According to IGamiX, the projected WPUPD of each type of gaming tables at each of the Comparable Casinos is calculated by multiplying (i) average bet of each player per each floor walk hour; (ii) average number of players at each table per each floor walk hour; (iii) number of hands dealt per hour; (iv) theoretical house edge, being the casino profit in terms of percentage of the player’s original bet for the particular type of game; and (v) number of operating hours, i.e. 24 hours. In order to estimate the aforesaid (i), (ii) and (iii), a number of “floor walk” in the Comparable Casinos at different sampling times were conducted, being the inspection of the whole gaming floor to (a) count the number of operational tables; (b) count the number of players at each table; (c) count the amount of bets played by each players; and (d) time the duration of each hand played at the table. Accordingly, based on the results of the “floor walk”, various data were estimated being (i) the average bet of each player per each floor walk hour, which is derived by dividing the aggregate amount of bets of all players by the number of all players; (ii) the average number of players at each table per each floor walk hour, which is derived by dividing the total number of players by the total number of operational tables; and (iii) the number of hands dealt per hour, which is estimated based on the duration of each hand played at the table. The projected WPUPD for each type of gaming tables are then averaged out between the different sampling times which resulted in the average WPUPD for each type of the gaming tables. Given that each of the Comparable Casinos operate different number of gaming tables of different types such as baccarat and “Niu-Niu”, the average WPUPD for each type of the gaming tables are then multiplied by the weighted number of different types of gaming tables to give the blended average WPUPD of each of the Comparable Casinos. As advised by IGamiX, the sampling method by way of “floor walk” is commonly adopted in similar projections of net gaming wins, while the sampling times represent the peak hours typically seen in a casino. As estimated by IGamiX, the blended average WPUPD of the Comparable Casinos ranged from US\$3,482 to US\$8,919. We noted that a projected average WPUPD of US\$3,500, being at the low end of the range of the estimated blended average WPUPD of the Comparable Casinos, was adopted to each of the Gaming Tables for 2019. On the other hand, we have also assessed the fairness and reasonableness of the selection of the Comparable Casinos. Firstly, in terms of location and accessibility, while the other casinos are mostly concentrated within the Golden Lion Circle, being the core central district in Sihanoukville, we noted that the Comparable Casinos are located within five minutes’ walk from the Sunshine Bay

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Hotel in which the Casino is housed. Secondly, we understand that the major target clienteles of the Comparable Casinos are expected to be shared by the Casino, being the staff and management of the online gaming industry. Thirdly, we noted that the Comparable Casinos comprised of one three-star casino housed in a three-star hotel and two five-star casinos housed in a five-star hotel, while the Casino is positioned to be at least a four-star casino housed in the four-star Sunshine Bay Hotel. The Comparable Casinos are therefore considered to be similar to the Casino in terms of market positioning. The respective rankings of the casinos are determined by IGamiX based on their professional judgements taking into consideration the interior decoration of the casinos, furnishings, ambiance, appearance of staff and the gaming equipment. In this connection, taking into account the similarity in terms of all relevant factors including accessibility, source of clientele and market positioning, we consider that the Comparable Casinos represent an appropriate reference to the Casino. On the other hand, we noted that due care has been exercised by the Management in examining the IGamiX Report including site visits to the Sunshine Bay Hotel and each of the Comparable Casinos as well as conducted interviews with the Casino operators, which further validated the appropriateness of the Comparable Casinos which are considered to possess similar characteristics as the Casino.

Pursuant to the Assignment Agreement, VMG shall be solely responsible for the costs of the Gaming Table Business (including but not limited to any tax payable in respect of the Gaming Table Business, the costs of engaging employees to serve at the Gaming Tables, and the costs of meals and refreshments served to such guests). Based on our review of the Valuation, we noted that the operating expenses in 2019 to be incurred by VMG are mainly based on the expected staff cost estimated by the Management which was derived based on the number of staff expected to be hired with respect to various positions required for operation of the Gaming Tables and their expected monthly salaries. In particular, upon enquiry with IGamiX, we were given to understand that the number of dealers, which represents a majority portion of the total staff costs, as estimated by the Management for each Gaming Table is similar to other casinos in Sihanoukville. Further, we have cross-checked such estimated staff costs against the actual staff costs incurred in the Casino for the month of December 2019 and are of the view that the determination of staff costs, including the number of staff and monthly salaries under the Valuation are in line with the actual operating data of the Casino. An annual inflation rate of 3% to the expected staff costs has been applied across the forecast period to reflect the potential raise in such costs. According to the Asian Development Outlook 2019 Update published by Asian Development Bank, the inflation rate in Cambodia is forecasted to amount to 2.5% in 2020. Based on the above, we consider that the determination of the expected operating expenses in the Valuation are fair and reasonable.

Pursuant to a signed meeting report provided by the Casino regarding a meeting held between the Casino and the Ministry of Economy and Finance of Cambodia on 4 July 2019 in determining the Casino's obligation to pay duty to the government of Cambodia, it was determined in the meeting that the Gaming Tables are subject to a monthly gaming table duty of US\$1,600 per table in 2019. Save for such gaming table duty, there is no requirement for the holder of the Gaming Table Business Rights to

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pay profits tax and/or withholding tax in Cambodia. Therefore, no profit tax and/or withholding tax is assumed to be payable with respect to operation of the Gaming Table Business which we consider fair and reasonable. We noted that the monthly gaming tax of each of the Gaming Tables adopted in the Valuation is consistent with that as determined by the Ministry of Economy and Finance of Cambodia, which we consider fair and reasonable.

We noted that the expected revenue of the Gaming Tables showed respective growths of 13.8% in 2020, 10% in 2021 and then 6% onwards until 2024. We noted that the growth rates applied in 2020 and 2021 are based on the actual growth rate of 13.8% as recorded in 2019 from a casino located in the central area, being the only available public source among all casinos in the Sihanoukville City, as considered in the IGamiX Report, which also projected revenue growth rate of 10% to 13% for the next years. As such, the expected respective revenue growth rates in 2020 and 2021 are consistent with the projected revenue growth as set out in the IGamiX Report. With reference to the Global Economic Prospects issued from the World Bank in June 2019, it is noted that the annual GDP of Cambodia are forecasted to grow at 6.9% and 6.8%, respectively. As such, we consider that the applying of a 6% annual revenue growth rate to the Gaming Tables from 2022 to 2024 are in line with the forecasted GDP and are fair and reasonable.

We noted that the Independent Valuer has calculated the weighted average cost of capital (“WACC”) as the discount rate of the Valuation. We were given to understand that the WACC technique is widely used in the investment and financial analysis communities for the purpose of estimating the required rate of return on equity of a company. The WACC as computed in the Valuation was arrived at taking into account various factors including (i) the cost of equity as derived from (a) risk-free rate; (b) equity beta; (c) market risk premium; (d) size premium; (e) country risk premium; and (f) company-specific risk premium; (ii) cost of debts; and (iii) the assumed capital structure based on the industry’s average debt-to-equity ratio. In this regard, we have discussed with the Independent Valuer on the major factors considered in deriving the discount rate, i.e. WACC, and noted that such factors are commonly used parameters in performing valuations of similar nature. Moreover, we have (i) reviewed the calculations provided by the Independent Valuer and the relevant source of information; and (ii) performed desktop research on the determination basis of major parameters including the risk-free rate, market risk premium, country risk premium, small size premium and cost of debt in arriving at the discount rate and noted that such determination basis are common. In particular, each of the country risk premium and small size premium is based on reference sources published by Damodaran Online and Duff & Phelps, respectively, being recognised sources commonly cited in the valuation industry, while the relevant parameters including risk-free rate, market risk premium and cost of debt are based on the data as of the date of Valuation. As advised by the Independent Valuer, the company specific risk premium of 10% was applied in deriving the WACC having taken into account that the Casino was newly established and at pre-revenue stage with no operating history as of the date of Valuation, which is often considered in similar valuations. We have also reviewed the six comparable companies (the “Comparable Companies”) selected by the

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Independent Valuer in determination of the average equity beta as well as the average debt-to-equity ratio and noted that (i) the selection criteria of the Comparable Companies are fair and reasonable considering that such factors are similar to those of the operation of the Casino in terms of business operation and operating locations; and (ii) all Comparable Companies fall under the selection criteria including their respective principal businesses, principal operating locations and operating histories after having reviewed their respective published annual reports. As confirmed by the Independent Valuer, the Comparable Companies represent an exhaustive list identified on a best-effort basis. Having considered the degree of certainty of realising future cash flows from the operating right of the Gaming Tables, being an intangible asset, the Independent Valuer has further imposed an asset specific risk premium of 3% on top of the computed WACC in arriving at the final discount rate of 29%. As advised by the Independent Valuer, asset specific risk premium is commonly adopted among valuations of intangible assets. The Independent Valuer further advised that the adoption of asset specific risk premium in the Valuation reflected the specific risk associated with the Gaming Table Business Rights including but not limited to risk arising from potential competitions between the Gaming Tables and the other gaming tables operating within the Casino, as well as the risk arising from relationship between the operator of the Gaming Table Business and the management of the Casino, such as the risk of no control by the Company over the Casino operation. Accordingly, we consider that the potential competition faced by the Gaming Tables within the Casino and the risk of no control over the Casino's management and operation by the Company have appropriately been taken into account in the Valuation. Based on the above, we are of the view that the determination of the projected average WPUPD being the project revenue of the Gaming Tables, operating expenses and expected revenue growth rates throughout the forecast period, as well as the adopted discount rate are fair and reasonable.

As part of our due diligence, we have also reviewed (i) the terms of the engagement letter of the Independent Valuer in performing the Valuation; and (ii) the relevant qualifications and track record of the Independent Valuer in performing valuation across various industries including the hotel and gaming industry. The Independent Valuer confirmed that it is an independent third party to the Group, Lion King and their respective core connected persons as at the Latest Practicable Date. Upon our assessment on the scope of work, qualifications, experience and independency of the Independent Valuer, we noted that the scopes of work are appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation.

Based on our review on the Valuation, the underlying valuation worksheets and the supporting documents, and our discussion with the Independent Valuer and the Management regarding (i) the reasons and appropriateness of adopting the income approach by way of discounted cash flow to appraise the value of the Gaming Tables Business; (ii) the basis, assumptions and methodologies adopted in the Valuation, in particular, the projections of revenue and operating expenses and determination of the discount rate; and (iii) the scope of work and experiences of the Independent Valuer,

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nothing has come to our attention that causes us to doubt the fairness and reasonableness of the assumptions of the Valuation. In view of the above, we consider that the basis, assumptions and methodologies adopted in the Valuation are appropriate.

### *4.2 Consideration adjustment*

Pursuant to the Assignment Agreement, Lion King and the Guarantor unconditionally and irrevocably guaranteed to VMG that the audited net profit after tax of the Gaming Table Business for the 12-month period after Assignment Commencement (the “**First 12-month Period**”) (the “**First Actual Profit**”) and for the 12-month period immediately following the expiry of the First 12-month Period (the “**Second Actual Profit**”) shall be not less than HK\$28,000,000 (the “**First Guaranteed Profit**”) and HK\$32,000,000 (the “**Second Guaranteed Profit**”) respectively (collectively, the “**Guaranteed Profits**”).

#### *The First Guaranteed Profit*

In the event that the First Actual Profit failed to meet the First Guaranteed Profit, Lion King and the Guarantor shall indemnify VMG the First Compensation Amount (as defined below) by deducting the First Compensation Amount in the following order of priority:

- (i) by reducing the principal amount of the Promissory Note in the sum equal to such First Compensation Amount; and
- (ii) in the event that the principal amount of the Promissory Note is not sufficient to meet the First Compensation Amount, by way of cash as to the remaining balance subject to a maximum limit of HK\$56,000,000.

The First Compensation Amount shall be determined in accordance with the formula below:

$$\text{the “First Compensation Amount”} = (\text{the First Guaranteed Profit} - \text{the First Actual Profit}) \times 2$$

#### *The Second Guaranteed Profit*

In the event that the Second Actual Profit failed to meet the Second Guaranteed Profit, Lion King and the Guarantor shall indemnify VMG the Second Compensation Amount (as defined below) by deducting the Second Compensation Amount in the following order of priority:

- (iii) by reducing the principal amount of the Promissory Note in the sum equal to such Second Compensation Amount; and



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- (iv) in the event that the principal amount of the Promissory Note is not sufficient to meet the Second Compensation Amount, by way of cash as to the remaining balance subject to a maximum limit of HK\$64,000,000.

The Second Compensation Amount shall be determined in accordance with the formula below:

the “Second Compensation Amount” = (the Second Guaranteed Profit – the Second Actual Profit) × 2

In the event that the net profit after tax of the Gaming Table Business for the relevant guarantee period exceeds the Guaranteed Profits, the Consideration shall not be adjusted.

Despite that there is no security requirement on the part of Lion King and/or the Guarantor to secure the First Compensation Amount and the Second Compensation Amount, taking into account that (i) the deduction of the maximum principal amount of the Promissory Note of HK\$62 million to partly satisfy the maximum compensation amount of HK\$120 million; (ii) the Company was indebted to the Guarantor an amount of approximately HK\$51.3 million as at the Latest Practicable Date, while such sum would allow the Guarantor to partly compensate the Company such that the Company’s payment obligation of the indebted amount would be released; and (iii) the Guarantor being a substantial shareholder of the Company who is considered to possess sufficient financial capability, while the consideration adjustment (i) would compensate the Company in full by providing a maximum compensation equal to the amount of the Consideration, in the event that the Gaming Table Business fails to perform satisfactorily in accordance with the Assignment Agreement; and (ii) is a show of confidence by Lion King and the Guarantor in the profit-generating ability of the Gaming Table Business, we are therefore of the view that the adjustment to the Consideration and its arrangements thereof (including no security required over the compensation amount) are normal commercial terms, fair and reasonable, and could safeguard the interest of the Company and the Shareholders as a whole.

### ***4.3 Disposal Consideration***

With reference to the Letter from the Board, the Disposal Consideration was determined after arm’s length negotiations between the parties to the Assignment Agreement with reference to, among other things, (i) the unaudited consolidated net assets of Forenzia Enterprises Group of approximately HK\$25.49 million as at 30 September 2019; and (ii) the carrying value of the Vanuatu Gaming License of approximately HK\$56.77 million as at 30 September 2019. In assessing the fairness and reasonableness of the Disposal Consideration, we have reviewed the financial position of Forenzia Enterprises Group as at 30 September 2019 and noted that the consolidated net assets of Forenzia Enterprises Group amounted to approximately HK\$25.49 million as at 30 September 2019. After adjusting for (i) the additional carrying value of the Vanuatu Gaming License of approximately HK\$56.77 million as at 30 September 2019 (which has taken into account the impairment provided for since

acquisition by the Group in 2014 in the aggregate amount of approximately HK\$69.44 million) which shall be disposed of together with Forenzia Enterprises Group under the Disposal; and (ii) the deduction of the non-controlling interests of approximately HK\$54.10 million, being the 40% equity interests in Forenzia Enterprises Limited not owned by the Company, the adjusted consolidated net assets (“**Adjusted NAV**”) of Forenzia Enterprises Group, which reflects the total underlying value of the Sale Shares, amounted to approximately HK\$28.16 million. Notwithstanding that the preliminary valuation of Forenzia Enterprises Group has not been considered by the Company in determination of the Disposal Consideration, considering that (i) the Disposal Consideration in the amount of HK\$58.0 million represents a premium of approximately 105.97% to the Adjusted NAV of approximately HK\$28.16 million; and (ii) the Adjusted NAV has reflected the carrying value of the Vanuatu Gaming License after taking into account of the accumulated impairment provided for in prior years since completion of acquisition by the Group in 2014, we are of the opinion that the Disposal Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **5. Possible financial effects of the Assignment Agreement**

### *Net assets value*

As set out in the unaudited pro forma financial information of the Group in Appendix II to the Circular (“**Pro Forma Financial Information**”), on the basis of the notes set out therein to illustrate the impact on the Group’s financial position as at 30 September 2019 assuming that completion of the Disposal and the Assignment had taken place on 30 September 2019, the consolidated total assets and total liabilities of the Group as at 30 September 2019 would be approximately HK\$218.96 million and HK\$157.08 million, respectively. Accordingly, the unaudited consolidated pro forma net assets of the Group would be approximately HK\$61.88 million, representing a decrease of approximately 30.31% from the unaudited consolidated net assets of the Group of approximately HK\$88.79 million as at 30 September 2019.

### *Gearing*

The Group’s gearing ratio (being total liabilities divided by total Shareholders’ equity) was approximately 130.59% as at 30 September 2019. After excluding the assets and liabilities of Forenzia Enterprises Group and upon issuance of the Promissory Note pursuant to the Assignment, based on the Pro Forma Financial Information, the Group’s gearing ratio shall be increased to approximately 253.85%.

### *Liquidity*

According to the Assignment Agreement, the consideration of the Assignment shall be settled by a combination of (i) disposing of the Sale Shares; and (ii) the issue of Promissory Note upon the Assignment Commencement. As such, no cash outflow is expected to be created from the Assignment Agreement with respect to settlement of the Consideration and therefore it is expected that there will be no material change to

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the cash level of the Group. According to the Pro Forma Financial Information, the cash and cash equivalents would remain stable and maintain at approximately HK\$3.93 million as at 30 September 2019.

Notwithstanding the expected decrease in consolidated net assets and expected increase in gearing ratio of the Group, in view of that (i) no cash outflow would be created from the Assignment; and (ii) the earnings of the Group is expected to enhance given the prospect of the Gaming Table Business (as discussed in the above section headed “3. Reasons for and benefits of entering into the Assignment Agreement”), we consider that the overall financial effect on the Group as a result of the Assignment Agreement is justifiable.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Assignment Agreement.

### RECOMMENDATIONS

Having considered the principal factors and reasons as set out in this letter, although the entering into of the Assignment Agreement is not in the ordinary and usual course of business of the Group, we are of the view that the terms of the Assignment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed for approving the Assignment Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Billy Tang**  
*Managing Director*

*Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has over 20 years of experience in the corporate finance advisory profession.*

**I. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for each of the year ended 31 March 2017, 2018 and 2019 and the six months ended 30 June 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange at on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ceihldg.com](http://www.ceihldg.com):

- Interim report of the Company for the six months ended 30 September 2019 published on 13 December 2019 (pages 18 to 23) (hyperlinks: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1213/2019121300581.pdf>);
- Annual report of the Company for the year ended 31 March 2019 published on 29 July 2019 (pages 43 to 48) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltn20190729235.pdf>);
- Annual report of the Company for the year ended 31 March 2018 published on 30 July 2018 (pages 43 to 48) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0730/ltn20180730457.pdf>); and
- Annual report of the Company for the year ended 31 March 2017 published on 27 July 2017 (pages 40 to 45) (hyperlinks <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0727/ltn20170727432.pdf>).

**II. INDEBTEDNESS STATEMENT**

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness.

**Borrowings**

	<i>HK\$'000</i>
Convertible notes	27,119
Other borrowing	<u>81,291</u>
Total borrowings	<u><u>108,410</u></u>

The other borrowing with amount HK\$51,291,000 was loan from a director, Mr. Ng Man Sun where was interest free, unsecured and repayable on demand.

The other borrowings with amount HK\$30,000,000 was loan from independent third parties with the following terms:

- a) the Company shall pay HK\$2,000,000 on 18 February 2020 together with interest on the aggregated sum of HK\$30,000,000 at the rate of 10% p.a. from 23 January 2020 to 18 February 2020;
- b) the Company shall pay HK\$2,000,000 on 23 April 2020 together with interest on the remaining sum of HK\$28,000,000 at the rate of 10% p.a. from the 18 February 2020 to 23 April 2020; and
- c) the Company shall pay HK\$26,000,000 on 23 July 2020 together with interest on the remaining sum of HK\$26,000,000 at the rate of 10% p.a. from 23 April 2020 to 23 July 2020.

#### **Disclaimer**

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Group since 31 January 2020, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

### **III. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account (i) the Group's financial resources available; (ii) the guarantee given by Mr. Ng Man Sun in favour of the Company on the Company's payment obligation under the deed of settlement dated 29 December 2017; and (iii) financial assistance provided by Mr. Ng Man Sun to the Group, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

Pursuant to the personal guarantee provided by Mr. Ng Man Sun under the Deed, Mr. Ng Man Sun shall upon request by the Company, provide unsecured interest free funding to the Company to meet any payment obligation under the Deed. There is no specific terms to repay the funding provided by Mr. Ng Man Sun under the personal guarantee provided and there is no conditions or uncertainties attached to such arrangement.

Pursuant to the financial assistance letter, Mr. Ng Man Sun shall upon request by the Company, provide unsecured interest free funding to the Company to supporting the daily operation of the Company. There is no specific terms to repay the funding provided by Mr. Ng Man Sun under the financial assistance letter and there is no conditions or uncertainties attached to such arrangement.

#### **IV. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **V. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

Regarding Augmented reality (“AR”)/Virtual reality (“VR”) entertainment and mobile games solutions, the Company is of the view that the AR/VR business has been developing and growing stably. The Company will continue to explore more business opportunities in the VR/AR industry.

Regarding the Cambodia gaming business, Along with the trade war between USA and China, more and more Chinese enterprises are, together with a significantly growing number of labour force from China, moving towards ASEAN countries. Meanwhile, visitation and spending in Asia Pacific have also been growing in the past few years. These two factors created increasing demands towards basic necessities and auxiliary elements, especially entertainments, thus provide an opportunity to the domestic gaming industry development. With the Group’s comprehensive knowledge and in-depth experience in gaming industry in Asia Pacific, the Group decided to shift its key focus to explore business opportunity in Cambodia where we see potential to develop its gaming business, in particular, at Sihanoukville Municipal where there has been experiencing obvious growth in terms of tourism and foreign investment. By entering into the gaming industry in Cambodia, not only did the Company successfully open new income sources with its valuable experience and knowledge in the gaming industry, but also further established its reputation in Cambodia.

Upon commencement of the Assignment, the Company could further participate into the gaming industry in Cambodia.

The unaudited consolidated pro forma financial information of the Group illustrating the financial impact of the Assignment on the assets and liabilities of the Group is set out in Appendix II to this circular. The pro forma financial information of the Group has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and, due to its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date of commencement of the Assignment or any future date.

*The following is the text of a report, prepared for the sole purpose of inclusion in this Circular from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants.*

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP AND THE ENLARGED GROUP**

**The Remaining Group**

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared, in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, to illustrate the effect of the Proposed Disposal that might have on the financial information of the Group, assuming that the Assignment of Gaming Table Rights (the “**Assignment**”) was undertaken after the completion of the Proposed Disposal.

The unaudited pro forma consolidated statement of the financial position of the Remaining Group which is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2019, after giving the effect to the pro forma adjustments as explained in the notes in section (C) of the appendix attached, for the purpose of illustrating the effect of the Proposed Disposal on the financial position of the Group as if the Proposed Disposal had taken place on 30 September 2019.

The unaudited pro forma financial information of the Remaining Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Proposed Disposal been completed as at 30 September 2019 for the financial position or at any future date.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the unaudited financial statements of the Group for the six months ended 30 September 2019 as set out in the interim report of the Company for the six months ended 30 September 2019 and other financial information included elsewhere in this Circular.

**The Enlarged Group**

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared, in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, to illustrate the effect of the Assignment that might have on the financial information of the Remaining Group, assuming that the Assignment was undertaken after the completion of the Proposed Disposal.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as shown in the column headed “Unaudited pro forma consolidated statement of financial position of the Enlarged Group after the Proposed Disposal and Assignment” of the section (B) of the appendix attached, after giving effect to the pro forma adjustments as explained in the notes in section (C) of the appendix attached, for the purpose of illustrating the effect of the Assignment on the financial position of the Enlarged Group as if the Assignment had taken place on 30 September 2019.

The unaudited pro forma financial information of the Enlarged Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Assignment has been completed as at 30 September 2019 for the financial position, or at any future date.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this Circular.



**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION OF THE ENLARGED GROUP AFTER THE PROPOSED DISPOSAL  
AND ASSIGNMENT**

As at 30 September 2019

	Unaudited consolidated statement of financial position of the Group as at 30 September 2019			Unaudited consolidated statement of financial position of the Enlarged Group after the Proposed Disposal and Assignment
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3) and (6)</i>	
<b>Non-current assets</b>				
Property, plant and equipment	1,408	(672)		736
Right-of-use assets	5,443		96,407	101,850
Intangible assets	101,428	(56,767)		44,661
Goodwill	41,761			41,761
Other financial assets	—	—	4,043	4,043
Deposit paid for acquisition of computer software and property, plant and equipment	<u>5,742</u>	(5,742)		<u>—</u>
	155,782			193,051
<b>Current assets</b>				
Trade and other receivables	45,037	(23,050)		21,987
Consideration receivables	—	58,000	(58,000)	—
Cash and cash equivalent	<u>3,927</u>	(1)		<u>3,926</u>
	48,964			25,913
<b>Current liabilities</b>				
Trade and other payables	8,952	(3,977)	2,657	7,632
Other borrowings	43,520			43,520
Promissory notes	28,662			28,662
Lease liabilities	2,810			2,810
Tax payables	<u>1,006</u>			<u>1,006</u>
	84,950			83,630
Net current liabilities	<u>(35,986)</u>			<u>(57,717)</u>
Total assets less current liabilities	<u>119,796</u>			<u>135,334</u>

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	<b>Unaudited consolidated statement of financial position of the Group as at 30 September 2019</b>			<b>Unaudited consolidated statement of financial position of the Enlarged Group after the Proposed Disposal and Assignment</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3) and (6)</i>	
<b>Non-current liabilities</b>				
Promissory notes	—		42,450	42,450
Convertible bonds	25,921			25,921
Lease liabilities	2,664			2,664
Deferred tax liabilities	<u>2,419</u>			<u>2,419</u>
	<u>31,004</u>			<u>73,454</u>
<b>NET ASSETS</b>	<u>88,792</u>			<u>61,880</u>
Capital and reserves				
Share capital	256,495			256,495
Reserves	<u>(221,798)</u>	29,840	(2,657)	<u>(194,615)</u>
Total equity attributable to owners of the Company	34,697			61,880
Non-controlling interests	<u>54,095</u>	(54,095)		<u>—</u>
<b>TOTAL EQUITY</b>	<u>88,792</u>			<u>61,880</u>

## C. NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2019 is extracted, without adjustments, from the published interim report of the Company for the six months ended 30 September 2019.
- The adjustments represent (a) the deconsolidation of 60% equity interest of Forenzia Enterprises Limited as at 30 September 2019, and (b) the estimated net gain on the Proposed Disposal as if the Proposed Disposal had taken place on 30 September 2019, which is calculated as follows:

	<i>HK\$'000</i>
Consideration for the Proposed Disposal	58,000
Less: net assets of the Proposed Disposal as at 30 September 2019 ( <i>note</i> )	<u>(28,160)</u>
Estimated net gain on the Proposed Disposal	<u>29,840</u>

*Note:*

Net assets of the Proposed Disposal as at 30 September 2019 are calculated as follows:

	<i>HK\$'000</i>
Property, plant and equipment	672
Intangible assets	56,767
Prepayment, deposits and other receivables	28,792
Cash and cash equivalents	1
Other payables	<u>(3,977)</u>
Total assets and liabilities of Forenzia Enterprises Limited as at 30 September 2019	82,255
Non-controlling interest	<u>(54,095)</u>
Net assets of the Proposed Disposal as at 30 September 2019	<u>28,160</u>

The actual amount of gain on the Proposed Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of the Forenzia Enterprises Limited on the date of completion of the Proposed Disposal.

- The adjustment reflects the consideration for the Assignment to be satisfied by the Company. Pursuant to the Assignment Agreement, the consideration of the Assignment is HK\$120,000,000. The Consideration will be satisfied by (i) as to HK\$58,000,000 by way of disposing of the Sale Shares, representing 60% of the total issued and paid up capital of Forenzia Enterprises Limited upon Assignment Commencement; and (ii) HK\$62,000,000 by way of issuing the Promissory Note upon Assignment Commencement.

4. The fair value of the Promissory Note as at 30 September 2019 is estimated by using binomial option pricing model.
5. The fair value of the profit guarantee as at 30 September 2019 is estimated by using Monte-Carlo simulation method.
6. The adjustment represents the estimated professional fees attributable to the Proposed Disposal and Assignment of approximately HK\$2,657,000 and the amounts will be recognised in profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.
7. No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2019.
8. When the actual transaction takes place, the fair values may be determined to be different from the carrying value, which consequently may result in a financial effect which is materially different from the above. Since the fair values of the right-of-use assets as at the completion date may be different from the above, the resulting amount of right-of-use assets at the date of acquisition may be different from the pro forma shown above. If the recoverable amount of the right-of-use assets is below its carrying amount as at the completion date, the related right-of-use assets will be impaired.

For the purpose of this unaudited pro forma financial information, the directors of the Company have assessed if there is any impairment loss on the right-of-use assets in accordance with the Hong Kong Accounting Standard 36 Impairment of Assets, which is consistent with the Company's accounting policy. The directors of the Company are of the view that, after performing the impairment assessment, there is no impairment indication of the right-of-use assets as set out in the unaudited pro forma financial information.

**D. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

*The following is the text of a report on the unaudited pro forma financial information received from the reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular*

The Board of Directors,  
Century Entertainment International Holdings Limited  
(formerly known as Amax International Holdings Limited),  
Suite 6303-04, 63/F.  
Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Century Entertainment International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2019 and related notes as set out in Appendix II of the circular dated 13 March 2020 issued by the Company (the “**Circular**”) (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Disposal and Assignment on the Group’s financial position as at 30 September 2019 as if the Proposed Disposal and Assignment Disposal had taken place at 30 September 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim report for the six months ended 30 September 2019 as set out in the published interim report of the Company dated 28 November 2019

**Directors’ responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants’ responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Disposal and Assignment on unadjusted financial information of the Group as if the Proposed Disposal and Assignment had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal and Assignment would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Disposal and Assignment, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Disposal and Assignment in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Elite Partners CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 13 March 2020

**Chan Wai Nam, William**  
Practising Certificate Number: P05957

*The following is the text of a valuation report prepared for inclusion in this document, received from International Valuation Limited, an independent valuer, in connection with their valuation as of 30 September 2019 of the Gaming Table Business Rights to be acquired by the Group.*



INTERNATIONAL VALUATION LIMITED  
國際評估有限公司

March 13, 2020

### **The Board of Directors**

#### **Century Entertainment International Holdings Limited**

**(formerly known as AMAX International Holdings Limited)**

Suite 6303-04, 63/F,

Central Plaza,

18 Harbour Road,

Wanchai,

Hong Kong

Dear Sir and Madam,

International Valuation Limited (“**IVL**”) has concluded its analysis on the market value of the Gaming Table Business Rights of four mass tables (“**Gaming Table Business Rights**”) in the Century Entertainment Casino in Sihanoukville, Cambodia (“**Host Casino**” or “**Casino**”) for 5 years. This valuation was performed for transaction reference purpose. The purpose of this engagement is to assist the management (the “**Management**”) of Century Entertainment International Holdings Limited (formerly known as AMAX International Holdings Limited) (“**Century Entertainment**” or the “**Client**”) to consider a potential acquisition of the Gaming Table Business Rights in the Casino. The date of valuation is September 30, 2019 (the “**Valuation Date**”). No other use of our valuation report is intended or should be inferred.

This report states the purpose of appraisal and scope of our works, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

### **DEFINITION OF VALUE**

In determining the market value of the Gaming Table Business Rights appraised under this engagement, our efforts will be based on the definition of market value as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

### **SCOPE OF THE ENGAGEMENT**

Our services included performing market value estimations of the Gaming Table Business Rights as of the Valuation Date for transaction reference purpose.



In the process of the valuation under this engagement, we relied on operating and/or financial information of the Casino provided by Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the current status and future operations of the Casino;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Gaming Table Business Rights in the Casino, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more details of the Casino and the Gaming Table Business Rights;
  - Gain a more thorough understanding of the nature and operations of the Casino and the Gaming Table Business Rights including the estimated market trends;
- Reviewing projected financial information (“PFI”) relating to the Gaming Table Business Rights; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the Gaming Table Business Rights.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

## CONCLUSION

Based on the information provided and the analysis conducted, and subject to the attached Statements of Assumptions and Limiting Conditions, our opinion of the market value of the Gaming Table Business Rights as of September 30, 2019 are reasonably represented in the amounts of **HONG KONG DOLLARS ONE HUNDRED TWENTY-SIX MILLION ONLY (HKD126,000,000)**.

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,  
**International Valuation Limited**

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## INTRODUCTION

### Description of the Assignment

International Valuation Limited (“**IVL**”) has concluded its analysis on the market value of the Gaming Table Business Rights of four mass tables (“**Gaming Table Business Rights**”) in the Century Entertainment Casino in Sihanoukville, Cambodia (“**Host Casino**” or “**Casino**”) for 5 years.

This valuation was performed for transaction reference purpose. The purpose of this engagement is to assist the management (the “**Management**”) of Century Entertainment International Holdings Limited (formerly known as AMAX International Holdings Limited) (“**Century Entertainment**” or the “**Client**”) to consider a potential acquisition of the Gaming Table Business Rights in the Casino. The date of valuation is September 30, 2019 (the “**Valuation Date**”). No other use of our valuation report is intended or should be inferred.

In determining the market value of the Gaming Table Business Rights appraised under this engagement, our efforts will be based on the share of the present value of the estimated future cash flows expected to be generated by using the Gaming Table Business Rights. Unless otherwise noted, in estimating the market value of the subject assets, we have assumed the assets will remain a going concern until expiry of the assignment in accordance with the relevant accounting literature.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the current status and future operations of the Casino;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation models to value the Gaming Table Business Rights of the Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Gaming Table Business Rights and the Casino;
  - Gain a more thorough understanding of the nature and operations of the Gaming Table Business Rights and the Casino including the estimated market trends;
- Review projected financial information for the Company relating to the Gaming Table Business Rights and the Casino; and

- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value for the Gaming Table Business Rights.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

### Sources of Information

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- Draft Agreement in respect of Gaming Table Business Rights to be signed between the Company and Casino owner;
- Business plan of the Gaming Table Business Rights of the Casino;
- Projected financial information (“PFI”) relating to the Gaming Table Business Rights in the Casino for the franchise period;
- Operating License of the Casino dated July 23, 2019;
- Supplemental Rental Agreement of the Host Casino in Cambodia dated September 23, 2018;
- Floor plan of the Casino dated April 14, 2019;
- Legal opinion letter written by Cheng, Yeung & Co, a law firm in Hong Kong, with respect to the proposed acquisition of four gaming Tables at the Casino dated October 31, 2019;
- Legal opinion letter written by Commerce & Investment Law Group, a law firm in Cambodia, with respect to the legality and validity of the gaming license and operation, lease agreement and anti-money laundering dated August 28, 2019;
- Sihanoukville Mass Gaming Survey research report by IGamiX Management & Consulting Limited dated June 30, 2019; and
- Letter from the Ministry of Economy and Finance, Kingdom of Cambodia on tax duty to be paid by the Casino with respect to a meeting between the operator of Casino and the Ministry on July 4, 2019, with English translation.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Gaming Table Business Rights.

## OVERVIEW OF THE CASINO AND GAMING TABLE BUSINESS RIGHTS

### Description of Casino

The Casino is situated at the first and second floor of the Sunshine Bay Hotel (海納天酒店) at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia with total gross floor area of approximately 8,100 sq.m. As of the Valuation Date, the Casino has obtained a valid casino license issued by Ministry of Economy and Finance of Cambodia. According to Management, the Casino is expected to commence operation in mid-October 2019.

The operator of the Casino has entered into the casino lease and operation agreement with the hotel operator pursuant to which all parties agreed to lease the Casino and certain prescribed areas situated at the fourth and fifth floor of the Sunshine Bay Hotel to the Casino operator from October 1, 2018 to September 30, 2038. The leased premises cover total gross floor area of 2,586 square metres for use as office, restaurant and other entertainment functions.

### Description of Mass Tables Gaming Table Business Rights

The gaming tables will be located at the mass market area of the Casino. The gaming activities of the gaming table business will take place only in Cambodia and outside Hong Kong. The bookmaking transactions and parties to the transaction will be only in Cambodia and outside Hong Kong.

According to the Management, the Client will mainly launch baccarat on the gaming tables. The Client will be entitled to 100% house win winnings and responsible for 100% house losses while the Casino will bear associate staff costs incurred and tax associate with the gaming table business.

Pursuant to the Assignment Agreement, Casino operator will:

- be solely responsible for the operation and management of the gaming tables;
- ensure that games played at the 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 Casino;
- ensure all disputes with guests playing games at the gaming tables shall be resolved without adverse effect to the reputation of the Casino;
- ensure that no damage or loss shall be caused to any part of the Casino (including furniture and decoration, chips on the Gaming Tables) in connection with or arising from the conduct of the gaming tables, and if there shall be any such damage or loss, to be solely responsible for the costs of repair and making good of such damage or loss;

- keep the Casino in good condition that allow the Client to run the gaming table business in a proper manner;
- provide all necessary utilities, equipment and facilities, etc that allow the Client to run the gaming table business in a proper manner which shall include but not limited to gaming tables and furniture, renovations, card shoes, play cards, chips, IT system and CCTV system;
- comply in all respects with the relevant anti-money laundering and combating financing of terrorism legislation of Cambodia and develop and implement proper internal control and reporting systems in the Casino;
- provide the Client all financial and non-financial data in relation to the gaming table business on a regular basis or upon the Client's request;
- bear all tax payable arising from the gaming table business; and
- renew the gaming licence of the Casino on an annual basis.

On the other hand, upon assignment of the Gaming Table Business Rights, the Client will:

- be solely responsible for the costs of operation and management of the Gaming Tables (including but not limited to any tax payable on the bets wagered at or operation of 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);
- reimburse the Casino the winnings that shall be paid to guests winning games at the gaming tables; and
- subject to the above payments and deductions, be entitled to retain all the loss of guests playing games at the gaming tables.

### **Site Inspections**

During May 1 to 3, 2019, we attended a site inspection in the Sunshine Bay Hotel premises in Sihanoukville, Cambodia where the Casino is located. Renovation of the Casino was in progress during our inspection. Accommodation and dining facilities in the Sunshine Bay Hotel had commenced business activities. We also discussed with the local management staff on the operating plan and business outlook of the Casino and the mass tables. The Management expected the Casino would commence operation in the third quarter, the Gaming Table Business Rights franchise period would start upon commencement of the Casino.

We also visited several casinos in nearby areas in Sihanoukville, located in hotels with rating ranging from 2 to 5 stars. Decorations varied from basic to luxury among different hotels with dozens of mass gaming tables in each casino. Frequently seen gaming facilities for mass tables included baccarat, niu-niu poker, dragon tiger. Visitors usually paid with cash in United States Dollars currency notes.

## ECONOMIC OVERVIEW

### Overview of the Cambodian Economy

**ECONOMIC GROWTH:** Despite complicated political situation, the economic outlook of Cambodia remains robust and vibrant. Over the past two decades, the economic growth rate of Cambodia was slightly above 7 percent per annum. In 2016, Cambodia was transformed from under developed country to lower-middle-income country. Official statistics stated that garment and footwear exports rose to USD4.1 billion in the first half of 2018, increased by 11 percent over the same period in 2017. The World Bank Group has projected Cambodia's annual gross domestic product (GDP) growth rate at 6.8 percent for 2019, declining slightly from a peak of 7.1 percent in 2018. The trend is projected to continue into 2020 and 2021 at 6.8 percent and 6.7 percent respectively.

**INFLATION:** The inflation rate in Cambodia was 2.17 percent in July 2019 with an average inflation rate of 4.78 percent for the period 1995 to 2019. The easing of petroleum prices since the fourth quarter of 2018 more than offset the increase in food prices. As a result, Consumer Price Index declined to 1.6 percent in 2018, down from 2.2 percent in 2017, thanks largely to the moderation of the transport component as retail prices of gasoline and diesel declined, and helped by the easing of international oil prices toward the end of 2018. Given the high level of dollarization in Cambodia, the appreciation of US dollar in the second-half of 2018 has also been a contributing factor to keeping inflation low.

**EXCHANGE RATES:** The exchange rate of Riel ("CR"), the official currency of Cambodia, against US dollars has remained stable, at CR 4,068 per US dollar in October 2019, compared to CR 4,018 in December 2018. The Riel also slightly depreciated against the Thai baht, but appreciated against the Vietnamese dong and Chinese yuan. Against the currencies of its main export markets (besides the United States), the riel recently appreciated against the euro, the Canadian dollar, and the British pound.

**EXTERNAL SECTOR:** Cambodia recently experienced a surge in imports, reflecting rising consumer confidence. Motor vehicles and steel imports, which gauge domestic consumption and construction demands, accelerated quickly. The imports of motor vehicles, which include largely passenger vehicles and motorcycles, skyrocketed, increased by 52.9 percent in 2018 and was accompanied by soaring fuel imports. Gasoline and diesel imports rose by 30 percent each from the previous year. Reflecting a rapid expansion of construction activity, the imports of steel, cooling equipment, and other construction materials, skyrocketed, grew at 47.6 percent, 54.3 percent, and 73 percent respectively.

Cambodia's external position, however, remains stable as healthy exports partly offset the surge in import demand and the current account deficit is fully financed by foreign direct investment (FDI) inflows. The current account deficit is estimated to have widened to 10.4 percent of GDP in 2018, compared to 9.7 percent of GDP in 2017. The better-than-expected export performance and record high FDI inflows also allowed the central bank to accumulate more international reserves, which reached US\$10.1 billion by end-2018, covering about six months of prospective imports.

## INDUSTRY OVERVIEW

### Overview of Casino Market in Cambodia

Casinos in Cambodia are regulated with a licensing system. In 2018, 52 casino licences were granted, predominantly to Chinese investors, bring the total number up to around 150. Gambling is illegal for Cambodian and access to casinos is restricted to foreigners. As for online gambling, since 2015, the government has been granting online licenses to operators licensed to run land-based casinos. However, in August 2019, Prime Minister of Cambodia, Hun Sen declared that Cambodia would stop the issuance of online gambling policy and licenses. According to the Cambodian Minister for Economy and Finance, Aun Pornmoniroth, the purpose of the ban was to prevent unscrupulous business from operating in Cambodia. Current online gaming licences will not be renewed and all current licences are due for renewal in January 2020.

According to a Khmer Times report in August 2019, visitors from China represented the largest tourism market in Cambodia, accounting for 38.7 percent of all tourists. About 1.2 million Chinese nationals visited the country during the first half of 2019, representing a 38 percent increase year-on-year. The influx of Chinese visitors promoted the growth of the casino industry as they are not allowed to operate any casino in the mainland. NagaCorp, a monopolistic casino operator in Phnom Penh registered a 53 percent increase in net profit in 2018 to US\$390.6 million. The gross gaming revenue (GGR) of the gaming company was up 55 percent to US\$1.4 billion according to the company's annual report.

The mass market segment generates gaming revenues from both table games and Electronic Gaming Machines (EGMs). Traditionally, the mass market segment has the highest operating margins since VIP junket commissions and credit facilities are not required. Low average bet levels spreading across a higher volume of individual players also provide greater stability in revenue. According to a study on Sihanoukville mass gaming by IGamiX Management & Consulting Ltd in June 2019, the three-star casino surveyed averaged US\$3,483 per table per day, while two five-star casinos combined 68 tables yielded US\$6,004. The blended win per unit per day (WPUPD) is US\$5,709.



## DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of Market Value: *“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income, Market, and Cost Approaches.

### Income Approach

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

### Market Approach

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

### Cost Approach

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

### Selected Approach

In developing our opinions, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the Gaming Table Business Rights of the Casino, we relied primarily on the Income Approach using discounted cash flow method. The Cost Approach was not applied for the valuation of the Gaming Table Business Rights as it may not be able to fully reflect the expected future economic benefit of the Gaming Table Business Rights. The Market Approach was not considered because the Gaming Table Business Rights has not been commercialized as of the Valuation Date such that direct comparison with public comparable companies is not appropriate.

The selected approaches and specific methodologies applied in the valuation are described in the related sections of this report.

## **ESTIMATION OF THE MARKET VALUE OF THE GAMING TABLE BUSINESS RIGHTS**

### **Introduction**

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the Gaming Table Business Rights.

### **Valuation Approach**

As previously mentioned, in applying the Income Approach to the valuation of the Gaming Table Business Rights in the company, the discounted cash flow method (“**DCF**”) was used. Under the discounted cash flow method, the value of the subject intangible asset is determined using cash flow projections that assume the only asset of the business at the valuation date is the subject intangible asset. All other tangible and intangible assets must be bought, built or rented.

The first key step in applying the valuation method is to prepare projections of revenue, expenses, capital expenditures and working capital needs for the business assuming the subject intangible asset is the only asset owned by the subject business at the valuation date, including the time period needed to “ramp up” to stabilised levels, and to estimate the timing and amount of expenditures related to the acquisition, creation or rental of all other assets needed to operate the subject business.

The Management provided the financial projections for a 5-year period from October 2019. These projections formed the basis of our DCF analysis. Our DCF analysis was based on key qualitative factors applicable to the valuation of the Company, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the Management.

The projected free cash flows, were discounted to present value at an appropriate rate of return, or “discount rate”. The discount rate is the rate of return that an investor would require on an investment in the business. This rate of return should reflect macroeconomic, industry, and company-specific factors that translate into the degree of perceived risk to achieve these projected results. The discount rate is discussed further in a later section of this report.

### Discounted Cash Flow Analysis

The following paragraphs present some of the key assumptions of the financial forecast used in the DCF analysis. As discussed earlier, the Management's projections were prepared for a 5-year period from October 2019.

**Net Revenue:** An average net revenue of US\$3,500 per day per table is expected for 2019 from commencement of the Casino, with an annual growth rate of 6.0% to 13.8% in the forecast period.

**Operating expenses:** Operating expenses mainly comprise of staff costs at US\$35,000 per month. Consumables like cards and chips and fixed overheads such as rents and electricity charges will be provided by the Casino without extra charges to the Company. An annual growth rate of 3% on operating expense is assumed.

**Tax:** Profit tax will not be charged according to Management and legal opinion. A monthly gaming table duty of US\$1,600 per table is expected in the forecast period.

**Fixed assets and depreciation charges:** Fixed assets will be provided by the Casino without extra charges to the Company. No depreciation expense will be charged.

**Working capital:** Net revenue generated from the mass market tables will be collected by the Casino and be split to the Company on monthly basis. Operating expenses will be paid by the end of every calendar month.

### Cash Flow

The debt-free cash flow for each year of the projection period was calculated as follows: net income, plus after-tax interest expense, plus depreciation and amortization, if any, less incremental investments in working capital, and less Capex, if any. According to Management, all fixtures and equipment for mass tables operations will be provided by the Casino without extra cost to the Company. An appropriate discount rate corresponding to each Valuation Date was applied to the after-tax cash flow over the projection period to derive the present value of the projected debt-free cash flows. The discount rate is discussed in further detail later in this report.

### Tax Amortization Benefit

When a finite-life intangible asset is recognized on the balance sheet, it will usually be amortization over the expected economic life in accordance with generally accepted accounting standards. Depending on transaction nature and the local tax jurisdiction, amortization of intangible asset may be eligible as a deductible expense for tax computation. The present value of this economic benefit, known as Tax Amortization Benefit ("TAB"), can be capitalized as part of economic value of an intangible to its owner under income approach valuation under certain circumstances.

As profit tax will not be charged on the income generated from the Gaming Table Business Rights, tax amortization benefit will not be considered in our valuation analysis for the Gaming Table Business Rights.

## DETERMINATION OF THE DISCOUNT RATE

### Introduction

Since the Income Approach measures the value of an asset as the present value of its future monetary benefits, application of this approach necessitates the development of an appropriate discount rate. We calculated a market derived weighted-average cost of capital (“WACC”) for the Company, which was used in determining the appropriate discount rate in the valuation of the Asset in the Company. An asset specific risk premium was added onto the WACC to reflect the specific risk factor of the assets.

The WACC is comprised of a required rate of return on equity plus the current tax-effective rate of return on debt, weighted by the relative percentages of equity and debt in the capital structure of comparable public companies whose have similar business. The WACC should reflect macroeconomic, industry, and firm-specific factors in determining the degree of perceived risk associated with the projected cash flows.

### Cost of Equity

In estimating the WACC we considered market data concerning the following companies that engaged in similar casino operation business in South-East Asia:

The selection of guideline companies is by understanding the principal business of the valuation target and search for public companies with businesses as similar with the valuation target as possible. Generally speaking, company in same geographical location is preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of the Target Group as comparable companies on best-effort basis with reference to the following selection criteria:

- Not less than 50% assets or businesses revenue of the company involves casino operation in South-East Asian countries, including Cambodia, Malaysia, Philippines, Singapore, and Vietnam;
- The companies have pertinent listing and operating histories of not less than 3 years in casino operations; and
- The financial information of the companies are available to the public.

The following table presents the comparable companies adopted in the valuation of Gaming Table Business Rights in the Casino:

<b>Comparable Companies</b>	<b>Business description</b>
Imperial Pacific International Holdings Ltd (1076 HK)	Imperial Pacific International Holdings Limited develops and operates destination casinos. Through its subsidiaries, the company develops integrated resorts featuring casinos, luxury hotels, restaurants, retail space and leisure facilities in Saipan, Northern Mariana Islands, Philippines.
NagaCorp Ltd (3918 HK)	NagaCorp Limited is a leisure and tourism company with casino operations in Phnom Penh, the capital city of Cambodia. The company also offers hotel accommodation, manages food and beverage outlets, recreational facilities, entertainment and retail operations.
Bloomberry Resorts Corp (BLOOM PM)	Bloomberry Resorts Corp is a holding company for its subsidiaries which provide lodging and leisure services. The subsidiaries operates and develops, tourist facilities, casinos, and hotel and amusement-themed projects in Philippines and Korea.
Donaco International Ltd (DNA AU)	Donaco International Limited operates leisure and entertainment businesses. The company owns and manages casinos and casino hotels. Donaco International Limited serves customers across the Asia Pacific region, including Vietnam and Cambodia.
Genting Singapore Ltd (GENS SP)	Genting Singapore Limited, through its subsidiaries, develops resort properties as well as operates casinos. The company has casinos and integrated resorts in Singapore.
Genting Malaysia Bhd (GENM MK)	Genting Malaysia Berhad operates a tourist resort in Genting Highlands in Malaysia which includes hotels, restaurants, casinos, and recreational and amusement facilities. The company, through its subsidiaries, also develops and leases property, operates leisure and hospitality services, and provides time share ownership scheme.

*Source: Bloomberg*

In order to estimate the current market yield required on equity, we applied the Capital Asset Pricing Model (“CAPM”) adjusted for specific risks associated with the industry. The CAPM is a generally accepted method for estimating investors’ yield requirement and hence a company’s cost of equity capital. The CAPM is represented by the following algebraic equation:

$$\text{CAPM} = \text{Risk-Free Rate} + (\text{Relevered Beta} * \text{Market Risk Premium}) \\ + \text{Small Stock Premium} + \text{Company-Specific Risk Premium}$$

The following discuss the inputs used in the CAPM formula.

Risk-Free Rate — Based on available information, the yield on the long-term government bond in the country of the Company business as of the Valuation Date. Government bonds are considered risk-free because if held to maturity, default risk is assumed to be negligible. 10-year US government bond yield of 1.50 percent as of the valuation date is adopted in the calculation.

Beta — Beta is a measure of relative risk associated with an investment in a particular company as compared to the risk associated with an investment in a diversified portfolio of common stocks such as the HSI. For example, investing in a company with a beta of 1.10 means that the investment is 10.0 percent riskier than an investment in a diversified portfolio. Betas are available only for publicly traded companies. We reviewed the betas of the guideline companies discussed above to ascertain a proxy for an industry beta. Once the industry average beta was estimated, the beta was re-levered to reflect the Company’s debt-to-equity ratio. Based on the guideline companies’ averaged debt-to-equity ratio of 37 percent, was selected for the calculation of the relevered beta for the Company.

Market Risk Premium — The market risk premium is the expected return on a diversified, market-weighted portfolio of common stocks less the expected return on a long-term risk-free bond. The market risk premium is based on consideration of both historical and forward-looking evidence of investors’ expectations and was extracted from Bloomberg. We adopted the US stock market risk premium in our calculation. According to Bloomberg, the long-horizon US market risk premium was about 7.28 percent as of valuation date.

Country Risk Premium — A country risk premium (CRP) is the additional risk associated with investing in an international company rather than the domestic market. Country risk premium is taken with reference to risk of Cambodia at 7.64 percent.

Small Stock Premium — A small size risk premium is utilized to reflect the extra risk of an investment in a small company. The size of the Company falls in the 10th decile and therefore, we utilized a size premium of 5.37 percent, which is extracted from the 10th decile according to 2018 CRSP Deciles Size Study.

Company-Specific Risk Premium — In certain situations, an incremental or company risk factor, in addition to the equity risk and small stock premiums cited above may be appropriate. For this appraisal, 10 percent of company-specific risk premium was

considered with a consideration of the operating risks and forecast results associated with the Casino. Such risk factors include specific business, economic, and legal risks relating to the specific location of the Casino, lack of operating history etc.

By applying the CAPM using the inputs discussed above, the cost of equity of the Company as of the Valuation Date was determined to be approximately 32.26 percent.

### **Cost of Debt**

The next step in computing the WACC was to determine the cost of debt as of the Valuation Date. We determined the expected cost of debt of the Company to be 10.52 percent as of the Valuation Date, based on the data of lending rate in Cambodia from International Monetary Fund. The after-tax rate of return for long-term debt was determined by applying the effective corporate income tax rate of gaming industry at zero percent to the pre-tax rate, resulting in an after-tax cost of debt of 10.52 percent.

### **Calculation of the WACC**

To compute the WACC, the required rates of return on equity and long-term debt were then weighted by the selected capital structure. The capital structure applied was based on the industry's average debt-to-equity ratio. The WACC was then calculated in accordance with the following equation:

$$\text{WACC} = \text{Debt/Capital Ratio (After-tax Cost of Borrowing)} + \text{Equity/Capital Ratio (Cost of Equity)}$$

Based on this computation at the Valuation Date, the risk level of equity investments in general, and the specific risks associated with the Company, the WACC was calculated to be approximately 26.4 percent.

### **Asset Specific Risk Premium**

Assets with higher specific risk, such as early stage research and development assets, would exhibit returns that approached those required by venture capital investors in start-up ventures with the risk declining as the project neared completion. The intuitive notion is that the perceived relative riskiness of assets reflects their liquidity/ease of transferability, their ability to be financed by debt or equity, as well as the degree of certainty of realizing future cash flows from the asset. Asset specific risk premium reflects risk factors including but unlimited to relationships and potential competition between the Gaming Tables and the other tables in the Casino. The subject Gaming Table Business Rights is still in pre-revenue stage. A 3 percent specific asset risk premium is imposed onto the WACC to arrive at the concluding discount rate of approximately 29 percent.

## SENSITIVITY ANALYSIS

A sensitivity analysis on the Market Value of the Gaming Table Business Rights was performed, assuming different levels of discount rate and revenue from the Gaming Table Business Rights.

Discount rate (HKD'000)	Percentage of variation in revenue				
	-20%	-10%	0%	10%	20%
27%	101,534	115,808	<b>130,084</b>	144,359	158,634
28%	99,737	113,761	<b>127,787</b>	141,811	155,838
29%	<b>97,995</b>	<b>111,781</b>	<b>125,562</b>	<b>139,345</b>	<b>153,129</b>
30%	96,311	109,860	<b>123,408</b>	136,956	150,506
31%	94,677	108,000	<b>121,320</b>	134,641	147,963

## STATEMENT OF ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded market value of the Gaming Table Business Rights. The major assumptions adopted in this appraisal are:

- The Casino will obtain and renew all relevant licenses and permits throughout the Gaming Table Business Rights franchise period to maintain its gaming activities during the period;
- The Casino will continue to rent and occupy its present premises in the Sunshine Bay Hotel;
- The Casino will commence its business activities on the date as expected by the Management;
- Profit tax and withholding tax will not be required during the Gaming Table Business Rights franchise period;
- There will be no major changes in the political, legal, economic or financial conditions in the territories in which the Casino operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Casino;
- The Casino will retain and have competent management, key personnel, and technical staff to support its ongoing operation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Casino operates or intends to operate has or would be officially obtained and renewable upon expiry; and
- All information and representations provided by the Casino, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.



Any deviation from the above major assumptions may significantly vary the valuation result.

### CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the attached Statements of Assumptions and Limiting Conditions, our opinion of the market value of the Gaming Table Business Rights of the Company as of September 30, 2019 are reasonably represented in the amounts of **HONG KONG DOLLARS ONE HUNDRED TWENTY-SIX MILLION ONLY (HKD126,000,000)**.

This report and the observations and analyses are intended solely for use by the Client for the purpose of assisting the management of the Client to assess the market value of the Gaming Table Business Rights in the Casino as of September 30, 2019 and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Client.

Yours faithfully,  
For and on behalf of  
**International Valuation Limited**

Prepared and analysed by: Jack K.W. Leung, CFA, CVA, FRM, MPhil  
Reviewed by: Winnie Lam, CFA

*Mr. Jack Leung has more than 16 years of experience in investment and financial analyses, including more than 9 years of experience in business and financial instruments valuations. Jack is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM). He graduated from the University of Hong Kong with a Master of Philosophy majored finance.*

*Ms. Winnie Lam has more than 9 years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Winnie is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration double-majored in finance and management of organizations.*

**STATEMENT OF LIMITING CONDITIONS**

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents without prior written consent from IVL.
2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Neither IVL nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.
3. Information furnished by others or taken from Company reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.
4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.
5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.
9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.
10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
12. Our valuation is only any an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.
13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

13 March 2020

The Board of Directors  
Century Entertainment International Holdings Limited  
Suite 6303–04, 63/F.,  
Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong

Dear Sirs,

**CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED (THE “COMPANY”) AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “GROUP”)**

**Comfort letter on profit forecast underlying the valuation of the a the assignment of gaming table business rights in Cambodia (the “Assignment”) in connection with the major and connected transaction of the Group**

We report on the calculations of the future estimated cash flows on which the valuation (the “**Valuation**”) report dated 13 March 2020 prepared by International Valuation Limited in respect of the Valuation of the transaction in connection with the Assignment. Capitalised terms used in this letter have the same meanings as defined in the circular of the Company dated 13 March 2020 (the “**Circular**”) unless the context otherwise requires.

The Valuation which is determined based on the cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Respective responsibilities of the directors of the Company and the reporting accountants**

The directors of the Company are responsible for the preparation of the future estimated profit forecasts for the Valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the future estimated profit forecasts on which the Valuation is based. The future estimated profit forecasts do not involve the adoption of accounting policies.

The future estimated profit forecasts depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the future estimated profit forecasts, and thus the Valuation, are based.

**Basis of opinion**

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Acquisition. Accordingly, we do not express an audit opinion.

**Opinion**

Based on the foregoing, in our opinion, the future estimated profit forecasts, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully,

**Elite Partners CPA Limited**

*Certified Public Accountants Hong Kong*

**Chan Wai Nam, William**

Practising Certificate Number P05957

*The following is the text of a letter from Chanceton Capital Partners Limited, the financial adviser of the Company, in connection with the profit forecast underlying in the valuation of the Gaming Table Business Rights, for the purpose of inclusion in this circular.*



13 March 2020

The board of Directors  
Century Entertainment International Holdings Limited  
(Formerly known as Amax International Holdings Limited)  
Suite 6303-04, 63/F., Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong

Dear Sirs,

**Re: Major and connected transaction — The assignment of Gaming Table Business Rights in Cambodia**

We refer to the valuation prepared by International Valuation Limited in relation to the valuation of the Gaming Table Business Rights as at 30 September 2019 (the “**Valuation**”). Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the circular (the “**Circular**”) of Century Entertainment International Holdings Limited dated 13 March 2020.

We have reviewed the forecasts upon which the Valuation has been made and have discussed with the management of the Company and the Independent Valuer the information and documents provided by the management of the Company which formed part of the basis and assumptions upon which the profit forecasts have been prepared. We have also considered the report from Elite Partners CPA Limited dated 13 March 2020 as set out in Appendix IV to the Circular regarding the calculations and arithmetical accuracy of the Valuation upon which the profit forecasts have been made. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the Gaming Table Business may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Independent Valuer on the Valuation, for which the Independent Valuer and the Company are responsible, we are of the opinion that the profit forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,  
For and on behalf of  
**Chanceton Capital Partners Limited**  
**Cheung Shun Lim Ignatius**  
*Associate Director*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong, “SFO”)) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares held (Note 1)	Total	Approximate percentage of issued share capital
Mr. Ng Man Sun	Beneficial owner	355,494,593	7,454,780	362,949,373	28.30%
	Interest in a controlled corporation (Note 2)	307,366	—	307,366	0.02%
	Total	<u>355,801,959</u>	<u>7,454,780</u>	<u>363,256,739</u>	<u>28.32%</u>
Ms. Ng Wai Yee	Beneficial owner	—	7,703,040	7,703,040	0.60%
Ms. Yeung Pui Han, Regina	Beneficial owner	—	2,213,040	2,213,040	0.17%
Mr. Li Chi Fai	Beneficial owner	—	1,964,780	1,964,780	0.15%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	1,716,520	2,016,520	0.16%

*Notes:*

1. These interests represent the number of underlying shares in respect of the share option scheme of the Company adopted on 12 September 2012.
2. For 307,366 shares being held by East Legend Holdings Limited (“**East Legend**”), Mr. Ng Man Sun is interested in the entire issued share capital of East Legend and he is deemed to be interested in the 307,366 Shares held by East Legend.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

**Interest of substantial Shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company (being 5% or more of the Company’s issued share capital) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders maintained under section 336 of the SFO. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of issued share capital</b>
East Legend Holdings Limited <sup>(1)</sup>	Interest of a controlled corporation	307,366	0.02%

*Note:*

1. East Legend Holdings Limited is wholly-owned by Mr. Ng Man Sun who is the sole director. Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or the chief executive of the Company) who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, other than interests as disclosed above in respect of Mr. Ng Man Sun as Director, the Chairman and CEO (as defined below), Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia as Directors, the following persons had interests or short position in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under section 336 of the SFO.

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Ms. Cheng Wai Man	Beneficial owner	96,212,121	7.50%
Mr. Huang Wei Qiang	Beneficial owner	86,900,000	6.78%
Mr. Wong Kam Wah	Beneficial owner	82,542,121	6.44%

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

#### 4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

#### 5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Ng Man Sun, the Chairman, executive Director and a substantial Shareholder, is the sole beneficial owner of the Casino.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and his/her respective associates had interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

Mr. Ng Man Sun has undertaken to the Company that for so long as he remains as a Director or a substantial Shareholder, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to the Gaming Table Business (the “**Business Opportunities**”) shall be referred to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

#### 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

#### 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the deed of settlement dated 29 December 2017 entered into among the Company, Ms. Lee Bing, Mr. Wu Weide (collectively as bondholders) to settle the outstanding promissory notes in the aggregate sum of HK\$190,000,000 in accordance with the settlement proposal, out of which a promissory note in the amount of HK\$104,500,000 (as set out in (j) below) was issued to Mr. Ng Man Sun;

- (b) the advisory agreement dated 18 January 2018 entered into the Company and LDJ Cayman Fund Ltd. (as adviser) in relation to the provision of non-exclusive advisory service in relation to blockchain technology and cryptocurrency;
- (c) the deed of settlement dated 1 March 2018 entered into between the Company and Mr. Ng Man Sun to settle the outstanding promissory notes due by the Company to Mr. Ng Man Sun in the aggregate sum of HK\$104,500,000 by issuing convertible bonds in the same amount;
- (d) the conditional placing and subscription agreement dated 24 July 2018 entered into among the Company (as issuer), SBI China Capital Financial Services Limited (as placing agent) and Mr. Ng Man Sun (as subscriber) in relation to the placing of a total of up to 39,000,000 existing Shares and top-up subscription of 39,000,000 new Shares at the placing price of HK\$0.238 per placing Shares for fund raising of approximately HK\$9.28 million;
- (e) the subscription agreements dated 28 August 2018 entered into between the Company with each of Chanceton Capital Partners Limited, Mr. Wong Kam Wah and Skyline Ace Limited separately to settle their respective indebted amount in the aggregate sum of HK\$9,000,000 by issuing an aggregate of 37,188,000 subscription shares;
- (f) the service agreement dated 11 October 2018 entered into between Victor Mind Global Limited (a wholly-owned subsidiary of the Company) and Cheung Shing Global Travel Entertainment Limited in relation to the provision of technical and pre-opening services by Victor Mind Global Limited to a casino operated by Cheung Shing Global Travel Entertainment Limited in Cambodia for a service fees of HK\$9,000,000;
- (g) the loan capitalisation agreements dated 12 February 2019 entered into between the Company with each of Mr. Wong Kam Wah and Ms. Cheng Wai Man separately to settle the respective outstanding promissory notes in the aggregate sum of HK\$14,000,000 by issuing an aggregate of 42,424,242 loan capitalisation shares;
- (h) the conditional sale and purchase agreement dated 16 February 2019 entered into between the Company (as vendor) and Fu Bo International Limited (as purchaser) in relation to the disposal of 24.8% equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited by the Company to Fu Bo International Limited at the consideration of HK\$38,000;
- (i) the supplemental agreement dated 27 February 2019 entered into between the Company and Fu Bo International Limited in relation to the disposal of 24.8% equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited by the Company to Fu Bo International Limited;

- (j) the conditional sale and purchase agreement dated 5 June 2019 entered into between the Digital Zone Global Limited (a wholly-owned subsidiary of the Company as vendor) and Galaxy World Co., Ltd (as purchaser) in relation to the disposal of the mobile game apps at the consideration of HK\$30,000,000;
- (k) the lease agreement dated 28 October 2019 entered into between Victor Mind Global Limited (a wholly-owned subsidiary of the Company as lessee) and Lion King Entertainment Company Limited (as lessor) for the lease of 4 gaming tables located at the mass market gaming area in the Century Entertainment casino in Cambodia for a monthly rent of HK\$1,200,000;
- (l) the Assignment Agreement; and
- (m) the agreement dated 18 February 2020 entered into among Ms. Lee Bing, Mr. Wu Weide as note holders and the Company in relation to the extension of the payment date in respect of outstanding promissory notes issued by the Company in the aggregate principal amount of HK\$30,000,000.

## 8. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinions, letter or advice included in this circular (collectively, the “**Experts**”):

<b>Name</b>	<b>Qualification</b>
Elite Partners CPA Limited	Certified Public Accountants
International Valuation Limited	Independent valuer
Lego Corporate Finance Limited	a licensed corporation to carry out type 6 (advising in corporate finance) regulated activities under SFO
Chanceton Capital Partners Limited	a licensed corporation to carry out type 6 (advising in corporate finance) regulated activities under SFO

Each of the letter or report of the Experts is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2019, the date to which the latest published audited accounts of the Company were made up.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

**9. GENERAL**

- (a) The company secretary of the Company is Mr. Cheung Tai Chi. Mr. Cheung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company is situated at Suite 6303–04, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection from 9:00 a.m. to 6:00 p.m. on any weekday other than public holidays, at the principal place of business of the Company at Suite 6303–04, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 September 2019;
- (d) the Assignment Agreement;
- (e) the accountant’s report from on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix II to this circular;
- (f) the valuation report of the Gaming Table Business Rights, the text of which is set out in Appendix III to this circular;
- (g) the written consents referred to in paragraph headed “8. Qualification and Consent of Experts” of this appendix;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (i) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that a Special General Meeting (the “SGM”) of Century Entertainment International Holdings Limited (the “Company”) will be held at 33/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional agreement dated 28 October 2019 (the “Assignment Agreement”) entered into among Lion King Entertainment Company Limited, Victor Mind Global Limited and Mr. Ng Man Sun (a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved and confirmed; and
- (b) any one or more of the directors of the Company be and is/are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry and implement the Assignment Agreement and all the transactions contemplated thereunder.”

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

Hong Kong, 13 March 2020



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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered Office in Bermuda:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*  
Suite 6303-04, 63/F,  
Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong

*Notes:*

1. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder.
2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
4. In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Wednesday, 25 March 2020 to Monday, 30 March 2020, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 24 March 2020.
5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.

The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will post an announcement on the Company’s website (<http://www.ceihldg.com>) and on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) to notify Shareholders of the date, time and place of the rescheduled meeting.