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INTERNATIONAL ENTERTAINMENT CORPORATION **國際娛樂有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN MAXPROFIT INTERNATIONAL LIMITED

The Board announces that on 25 July 2016 (after trading hours), Fortune Growth, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Cross-Growth to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK\$1,138 million of which HK\$788 million will be settled by cash and HK\$350 million will be settled by way of the issuance of the Promissory Note.

The Target Group is principally engaged in hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

Upon completion of the Acquisition, the Company will be interested in 100% of the entire issued share capital in Maxprofit and Maxprofit will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Cross-Growth is beneficially and wholly-owned by CTFE and CTFE is wholly-owned by CTFHL, which is a controlling shareholder of the Company, hence Cross-Growth is an associate of CTFHL and a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition and the issuance of the Promissory Note thus 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. Under the Listing Rules, CTFHL and its associate(s) are required to abstain from voting on the resolution(s) to approve the Acquisition (including the issuance of the Promissory Note).

GENERAL

The Independent Board Committee (comprising the independent non-executive Directors only) has been formed to advise the Independent Shareholders, among other things, as to whether the terms of the Acquisition Agreement (including the issuance of the Promissory Note) are fair and reasonable and how to vote in respect of the resolution(s) in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note), after taking into account the recommendation of the independent financial adviser.

BOSC International Company Limited was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding, among other things, the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

A circular (the "Circular") containing, among other things, (i) further information on the Acquisition; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the Enlarged Group; (iv) the recommendation of the Independent Board Committee in relation to the Acquisition and the issuance of the Promissory Note; (v) a letter from the Independent Financial Adviser containing its advice on the Acquisition and the issuance of the Promissory Note to the Independent Board Committee and the Independent Shareholders; and (vi) notice of the EGM, is expected to be despatched to the Shareholders on or before 31 August 2016, as additional time is required to prepare and finalise the contents of the Circular (including but not limited to the statement of indebtedness of the Enlarged Group and the financial information of the Target Group).

As the Acquisition is subject to the conditions precedent set out in the Acquisition Agreement being satisfied or waived, as applicable, and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board announces that on 25 July 2016 (after trading hours), Fortune Growth, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Cross-Growth to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK\$1,138 million, of which HK\$788 million will be settled by cash and HK\$350 million will be settled by way of the issuance of the Promissory Note.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date:	25 July 2016
Vendor:	Cross-Growth
Purchaser:	Fortune Growth

Interest to be acquired under the Acquisition

Subject to the terms and conditions of the Acquisition Agreement, Cross-Growth shall sell and Fortune Growth shall purchase the 49 ordinary shares of US\$1.00 each in the share capital of Maxprofit legally and beneficially owned by Cross-Growth, representing 49% of the entire issued share capital in Maxprofit, with effect from the Completion Date free from all encumbrances together with all rights attaching thereto, including but not limited to all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the date of the Acquisition Agreement.

Consideration

The Purchase Price shall be a fixed sum of HK\$1,138 million, which shall be satisfied by the Fortune Growth at Completion in the following manners:

- (i) as to HK\$788 million, by way of cashier's order dated on or before the Completion Date and issued by a licensed bank in Hong Kong in favour of Cross-Growth or as it may direct, or in such other manner as may be agreed between Cross-Growth and Fortune Growth; and
- (ii) as to HK\$350 million, by way of Fortune Growth issuing to Cross-Growth (or as it may direct) the Promissory Note, which shall bear interest at the rate of 4% per annum on the outstanding principal, and shall include a guarantee to be provided by the Company in favour of the holder of the Promissory Note to secure the performance of Fortune Growth's payment obligations thereunder.

Conditions

Completion of the Acquisition shall be conditional upon all the following conditions precedent being fulfilled (or, where applicable, waived) at or before 5:00 p.m. on the Longstop Date:

- (A) the Company having complied with (or, as the case may be, having obtained waiver from) any requirements under the Listing Rules (including but not limited to the requirements set out in paragraph (B) below) as may be applicable in connection with the Acquisition Agreement and the transactions contemplated thereunder;
- (B) (where applicable) Independent Shareholders having passed an ordinary resolution or resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Promissory Note) at the EGM;
- (C) (where required) all necessary governmental and regulatory (including the Stock Exchange and the regulatory authorities of the Philippines) approvals and consents (or waivers) in relation to the transactions contemplated under the Acquisition Agreement having been obtained; and
- (D) (where required) all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Acquisition Agreement having been obtained from any third party.

Completion

Subject to the fulfillment or (where applicable) waiver of all conditions precedent stated above, Completion shall take place on the day falling 10 Business Days following the date on which the last condition precedent is fulfilled or (where applicable) waived.

BASIS FOR DETERMINING THE CONSIDERATION

The Purchase Price of HK\$1,138 million was determined on normal commercial terms and after arm's length negotiations having regard to various factors, including but not limited to (i) the unaudited adjusted net asset value of the Target Group; (ii) the estimated value of the properties of the Target Group as at 31 March 2016 which was carried out by an independent valuer of approximately HK\$2,381.0 million; (iii) a dividend of HK\$245 million declared by Maxprofit on 12 July 2016; and (iv) the historical financial results of the Target Group. Based on the unaudited adjusted net asset value of the Target Group as calculated based on the above factors, which amounted to approximately HK\$2,531.0 million, the Purchase Price of HK\$1,138 million represents a discount of approximately 8.2% to the 49% of the unaudited adjusted net asset value of the Target Group as at 31 March 2016 of approximately HK\$1,240.2 million.

The Directors (excluding the independent non-executive Directors, whose view will be set out in the circular to be issued by the Company) consider that the consideration payable to Cross-Growth is fair and reasonable.

The Group will finance the cash portion of the Purchase Price by the Group's internally generated cash flows.

THE PROMISSORY NOTE

The principal terms of the Promissory Note are summarised below:

Issuer:	Fortune Growth
Guarantor:	the Company
Principal amount:	HK\$350 million
Term:	5 years
Interest Rate:	The Promissory Note carries interest which accrues on the outstanding principal amount from its issue date until repayment in full of the principal amount at the fixed rate of four per cent. (4%) per annum. Such interest shall accrue on a daily basis and be calculated on the basis of the actual number of days elapsed and a 365 day year, and shall be payable yearly in arrears on the Business Day immediately preceding each anniversary of its issue date
Transferability:	The Promissory Note shall not be transferred by its holder to any person or persons at any time unless (i) the prior written consent will have been obtained from Fortune Growth and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limited to the Listing Rules)

Maturity date and early redemption:	<p>The Promissory Note shall become due and payable in full on the Business Day immediately preceding the fifth anniversary of its issue date</p> <p>Fortune Growth has the right to redeem the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the Maturity Date if Fortune Growth has given to the holder of the Promissory Note not less than seven days' prior written notice (to the extent the holder of the Promissory Note being located and such notice served) specifying the date of redemption, provided that any partial prepayment shall be not less than HK\$10 million or (if the amount prepaid is greater than HK\$10 million) integral multiples of HK\$1 million and interest accrued on such amount prepaid (if any) shall be paid at the same time</p>
Status:	<p>The Promissory Note constitutes the direct, general, unsubordinated and unsecured obligations of Fortune Growth which will at all times rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of Fortune Growth, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application</p>
Guarantee:	<p>The Company unconditionally and irrevocably guarantees, by way of continuing security, the payment to the holder of Promissory Note, on its written demand, of any principal or interest payable under the Promissory Note which Fortune Growth fails to pay on the due date for payment in accordance with the terms of this Promissory Note</p>
Listing:	<p>No application has been or will be made for the listing of the Promissory Note on the Stock Exchange or any other stock exchange</p>

INFORMATION OF THE GROUP AND FORTUNE GROWTH

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

Fortune Growth, a direct wholly-owned subsidiary of the Company, is a company incorporated in the BVI with limited liability and is an investment holding company.

INFORMATION ON THE TARGET GROUP

The Company, through Fortune Growth, is interested in 51% of the equity interest in Maxprofit. Maxprofit and its subsidiaries (i.e. the Target Group) owns and/or leases properties which are used for hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

The Target Group appointed NWH Management Philippines, Incorporated, and New World Hotel Management Limited to provide management services, sales and marketing services and other related services in respect of the Hotel for a term of three years commencing from 1 January 2015 and expiring on 31 December 2017.

Apart from hotel operations, the Target Group also leased out certain premises located within the hotel complex of the Target Group to Philippine Amusement and Gaming Corporation (“PAGCOR”), a corporation incorporated in the Philippines and controlled and owned by the government of the Philippines, for gaming and/or support functions for gaming and office space for PAGCOR’s executive headquarters and other general office administration functions. In December 2015, an indirect wholly-owned subsidiary of Maxprofit as lessor entered into a lease agreement with PAGCOR as lessee for the renewal of the lease of certain premises in the hotel complex of the Target Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to the subsidiary of Maxprofit under the lease agreement reaching an aggregate of Peso 24.5 billion (equivalent to approximately HK\$4.0 billion).

The key specification of the Hotel is as follows:

Name:	New World Manila Bay Hotel
Location:	1588 M.H. Del Pilar cor. Pedro Gil, Malate Manila, The Philippines
Number of guestrooms and suites:	376
Facilities:	Restaurants, Business Center, Conference Rooms, Swimming Pool, Music Bar and Fitness Center
Year of opening:	Commenced to receive guest in year 2004

According to the record of Cross-Growth, the total cost of Cross-Growth in respect of the 49% equity interest in Maxprofit amounted to approximately HK\$502.8 million.

Financial information

As at 31 March 2016, based on the unaudited consolidated management accounts of the Target Group for the year ended 31 March 2016, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKFRSs”), the unaudited total assets of the Target Group amounted to approximately HK\$1,314.0 million and the unaudited net assets amounted to approximately HK\$1,154.8 million.

Set out below is the financial performance of the Target Group for the two years ended 31 March 2016, prepared in accordance with HKFRSs:

	Financial year ended 31 March	
	2015	2016
	<i>HK\$' million</i>	<i>HK\$' million</i>
Unaudited consolidated profit before taxation	47.3	43.9
Unaudited consolidated profit after taxation	28.3	27.6

Following the Completion, Maxprofit will become a wholly-owned subsidiary of the Company, profit or loss and each item of other comprehensive income and net assets of the Target Group will no longer be required to attribute to non-controlling interests in the consolidated financial statements of the Group.

INFORMATION ON CROSS-GROWTH

Cross-Growth, a company incorporated in the BVI and is wholly-owned by CTFE. As at the date of this announcement, Cross-Growth is an investment holding company and is interested in 49% of the equity interest in Maxprofit.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations. The Group acquired 51% interest in the Target Group in year 2007, since then the Target Group has provided the Group with continuous positive contribution. Even though the Group has been prudently exploring various investment opportunities, the Group continue to focus on its existing business operations and investments in the Philippines. The management of the Group will also consider a renovation plan to improve the hotel complex of the Target Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

The tourism industry in the Philippines has experienced steady growth, with higher disposable incomes, increasingly discerning market demographic and other positive factors have driven the booming development of the hospitality and gaming industries in the Philippines.

Having considered the recent renewal of the lease between the subsidiary of Maxprofit and PAGCOR, the Directors (excluding the independent non-executive Directors), in view of (i) the prospect of the hospitality and gaming industry in the Philippines; (ii) the historical performance of the hotel operation and the leasing of properties of the Target Group; and (iii) the making of good use of available cash on hand of the Group, consider it is of the appropriate time for the Group to consolidate its interest in the Target Group by acquiring the remaining 49% equity interest in Maxprofit. Equipped with more than 8 years of successful experience in running the Hotel and the related casino facilities, the Directors believe that the Acquisition will be able to continue to provide a steady contribution to the Group.

Based on the above, the Directors (excluding the independent non-executive Directors, whose views will be set out in the Circular to be issued by the Company) consider that the terms of the Acquisition Agreement (including the issuance of the Promissory Note) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Cross-Growth is beneficially and wholly-owned by CTFE and CTFE is wholly-owned by CTFHL, which is a controlling shareholder of the Company, hence Cross-Growth is an associate of CTFHL and a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition and the issuance of the Promissory Note thus 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. Under the Listing Rules, CTFHL and its associate(s) are required to abstain from voting on the resolution(s) in relation to approve the Acquisition (including the issuance of the Promissory Note).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from CTFHL and their respective associates (including Mediastar), no other Shareholder has any material interest in the Acquisition (including the issuance of the Promissory Note) and thus no other Shareholder will be required to abstain from voting on the resolution(s) to approve the Acquisition (including the issuance of the Promissory Note) at the EGM.

GENERAL

The Independent Board Committee (comprising the independent non-executive Directors only) has been formed to advise the Independent Shareholders, among other things, as to whether the terms of the Acquisition Agreement (including the issuance of the Promissory Note) are fair and reasonable and how to vote in respect of the resolution(s) in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note), after taking into account the recommendation of the independent financial adviser.

BOSC International Company Limited was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding, among other things, the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

A Circular containing, among other things, (i) further information on the Acquisition; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the Enlarged Group; (iv) the recommendation of the Independent Board Committee in relation to the Acquisition and the issuance of the Promissory Note; (v) a letter from the Independent Financial Adviser containing its advice on the Acquisition and the issuance of Promissory Note to the Independent Board Committee and the Independent Shareholders; and (vi) notice of the EGM, is expected to be despatched to the Shareholders on or before 31 August 2016, as additional time is required to prepare and finalise the contents of the Circular (including but not limited to the statement of indebtedness of the Enlarged Group and the financial information of the Target Group).

As the Acquisition is subject to the conditions precedent set out in the Acquisition Agreement being satisfied or waived, as applicable, and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the proposed acquisition of the remaining 49% equity interest in Maxprofit by Fortune Growth pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 25 July 2016 entered into between Cross-Growth and Fortune Growth in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“BVI”	British Virgin Islands
“Company”	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01009)
“Completion”	completion of the Acquisition in accordance with the provisions of the Acquisition Agreement
“Completion Date”	the date on which Completion will take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Cross-Growth”	Cross-Growth Co., Ltd., a company incorporated in the BVI and is wholly-owned by CTFE, as at the date of this announcement, hold 49% equity interest in Maxprofit
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by CTFHL
“CTFHL”	Chow Tai Fook (Holding) Limited, a company incorporated in the BVI and a controlling shareholder of the Company
“Director(s)”	director(s) of the Company

“EGM”	an extraordinary general meeting of the Company to be convened and to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issuance of the Promissory Note to Cross-Growth and other ancillary matters as may be required under the Listing Rules
“Enlarged Group”	the Group immediately after completion of the Acquisition
“Fortune Growth”	Fortune Growth Overseas Limited, a company incorporated in the BVI and is wholly-owned by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	New World Manila Bay Hotel, a deluxe hotel located within the hotel complex of the Target Group in Metro Manila, the Philippines
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of, among other things, the Acquisition and the issuance of the Promissory Note
“Independent Shareholders”	Shareholders other than CTFHL and their respective associates and persons who have a material interest in the Acquisition and are required to abstain from voting on the resolution(s) for approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Promissory Note) at the EGM under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	31 December 2016 or such other date as the parties of the Acquisition Agreement may agree in writing
“Maturity Date”	the Business Day immediately preceding the fifth anniversary of the date of issue of the Promissory Note
“Maxprofit”	Maxprofit International Limited, a company incorporated in the BVI and the holding company of the companies comprising the Target Group
“Mediastar”	Mediastar International Limited, a company incorporated in the BVI and a substantial shareholder of the Company holding approximately 74.78% of its issued share capital as at the date of this announcement and is an indirect wholly-owned subsidiary of CTFHL
“Philippines”	The Republic of the Philippines
“Promissory Note”	an interest bearing promissory note in the principal amount of HK\$350 million due in 5 years, to be issued by Fortune Growth on Completion to settle part of the consideration of the Acquisition

“Purchase Price”	the purchase price for the 49% equity interest in Maxprofit pursuant to the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Group”	Maxprofit and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Peso”	Philippines Peso, the lawful currency of the Philippines
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
International Entertainment Corporation
Dr. Cheng Kar Shun
Chairman

Hong Kong, 25 July 2016

As at the date of this announcement, the Board comprises seven executive Directors, namely Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Dr. Cheng Chi Kong and Mr. Cheng Chi Him, and four independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William.

For ease of reference and unless otherwise specified in this announcement, sum in HK\$ and Peso in this announcement is translated at the rate of HK\$1.0 = Peso 6.084. This does not mean that HK\$ could be converted into Peso, or vice versa, based on such exchange rate.