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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE SUBSCRIPTION OF INTEREST IN A CAYMAN FUND

Reference is made to the announcement of International Entertainment Corporation (the “**Company**”) dated 15 June 2018 (the “**Announcement**”) in relation to the subscription of interest in a Cayman Fund. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

INFORMATION ON THE GENERAL PARTNER

The General Partner is indirectly wholly-owned by Chengdu Yunjoy Capital Investment Co., Ltd., a private fund manager (the “**PF Manager**”) incorporated in Cheng Du, Si Chuan, the People’s Republic of China (the “**PRC**”). The General Partner acts as the general partner for certain offshore funds indirectly controlled by the PF Manager. Currently, the PF Manager has launched and managed five Renminbi private funds.

As at the date of this announcement, save for the Fund, the General Partner is a general partner for an USD private fund which has been established in May 2018 and focuses on equity or equity-related investments in enterprises in fin-tech sectors, with a target fund size of approximately US\$3 million. The General Partner is still in the course of identifying appropriate investments for such USD private fund. As advised by the General Partner, its wholly-owned subsidiary also acts as the general partner of a USD private fund indirectly controlled by the PF Manager. Such USD private fund, which was established in December 2017, focuses on equity or equity-related investments in growing and early and medium stage enterprises in advertising technology and new media, games and media, and technology industries over the global market, in particular, the United States, Europe, Israel, Japan, South Korea, etc., with target fund size of approximately US\$1,000 million, and has achieved a floating profit rate of approximately 160% since its date of establishment.

INFORMATION ON THE INITIAL LIMITED PARTNER

The initial Limited Partner is incorporated in the Cayman Islands in March 2017 and is indirectly wholly-owned by the PF Manager. The terms of the subscription by the initial Limited Partner are the same as that by the Subscriber.

INFORMATION ON THE FUND

As disclosed in the Announcement, the Fund was established on 13 June 2018. As at the date of this announcement, (i) save for the General Partner, the Fund has two Limited Partners, namely the initial Limited Partner and the Subscriber; and (ii) the General Partner, the initial Limited Partner and the Subscriber has invested EUR1,000, EUR1,000 and EUR26.2 million in the Fund respectively, representing 0.0038%, 0.0038% and 99.9924% Interest of the Fund respectively. As it is an investment fund, no shares will be issued to the General Partner and the Limited Partners.

Investment objective and strategies

The Fund aims at building appreciation through acquiring, holding, managing and disposing equity and equity related investments by identifying and investing in shares and other types of securities (such as convertible bonds, rights, warrants, etc., if the investment committee of the General Partner (the “**Investment Committee**”) considers appropriate) of target companies and/or their affiliates which are engaged in the production and distribution of the sports events and entrainment content and sports media rights market (the “**Sports Entertainment and Media Market**”). The expected fund size of the Fund is EUR50 million.

The General Partner will be responsible for making all investment decisions, while the Limited Partners are passive investors with no right to appoint members of the Investment Committee, and no control on the investments of the Fund.

The Investment Committee has an average of over 10 years of solid experience in corporate equity investments, mergers and acquisitions, restructuring and listings, and private equity funds. The biographical details of the members of the Investment Committee are as below:

Mr. Ma Yuntao holds a Master’s degree of business administration from Peking University in China. He has also obtained the qualification of Certified Public Accountant in China and the qualification of Sponsoring Agent. He has over 12 years of investment banking and mergers and acquisition investments experience, with a wealth of experience in corporate equity investments, mergers and acquisitions, restructuring and listings, of which Mr. Ma has approximately 4 years’ professional management of investments. Mr. Ma has managed private funds which invest/invested in companies in advertising technology and new media, games and media and technologies industries, fin-tech, internet marketing and internet games sectors, and successfully established three buyout funds.

Mr. Zhao Xinghua holds a Bachelor’s degree in financial management from Sun Yat-Sen University in China and a Master’s degree of Business Administration and Master’s degree of arts in Financial Information Engineering from Peking University in China. He has more than 10 years’ experience in top-tier private equity funds and investment banks and across a broad range of industries, of which Mr. Zhao has approximately 6 years’ professional

management of investments. Mr. Zhao has a strong and proven investment track record which includes leading and executing many landmark transactions and managing private funds which invest/invested in companies in advertising technology and new media, games and media and technologies industries, fin-tech, internet marketing and internet games sectors.

Having reviewed the biographical details and the performance of the private funds managed/ currently managed by the members of the Investment Committee, the Board is of the view that the Investment Committee possesses the knowledge and expertise in managing and operating investment funds.

In addition, through the network of the General Partner and/or the PF Manager with global investment banking companies, proposed investment projects will be referred to the Fund. Due diligence on the proposed investments from the financial, tax, legal and business perspectives will be conducted, for the Investment Committee to discuss and review. With reference to the comprehensive due diligence report, the Investment Committee will consider whether (i) the proposed investment has potentials for development; (ii) there is any material legal or policy risks with the proposed investment; (iii) the proposed investments have team members with strong technical background or abundant resources; and (iv) the proposed investment has a relevant definite business model or business development path, before reaching the investment decision.

Prior to the Company's decision to make investment in the Fund, the General Partner has provided the information, analysis and market trend of the Sports Entertainment and Media Market to the Company. After reviewing the relevant information, the Company considered that investment in Sports Entertainment and Media Market is of great potential, please refer to paragraph headed "Reasons for and Benefits of the Subscription" in the Announcement. In addition, as disclosed above, the General Partner is currently managing another private fund which invests in enterprises in advertising technology and new media, games and media, and technology industries. Given that these companies are media-related, the General Partner has accumulated knowledge in the unique features of media companies, which will be advantageous for identifying and analysing potential investments under the Fund. When choosing an investment fund, the Directors considered that the investment knowledge, expertise and business network of an investment manager is the definite asset for a fund. The investment manager's experience in the particular industry or business it invested is also crucial. Nonetheless, the Company considered that the performance of the private funds managed by the investment manager overrides his experience in a particular industry.

The Directors believed that even though the General Partner and the Investment Committee did not have direct experience in the Sports Entertainment and Media Market, it is fair and reasonable and in the interest of the Company to subscribe for the Interest in the Fund taking account of (a) the Investment Committee's expertise and knowledge, including (i) the network with global investment banking companies which refer proposed investment projects in the Sports Entertainment and Media Market; (ii) the ability to select the projects by performing in-depth due diligence and analysis on its potentials before making the investments; (iii) the experience to liaise with the projects for better terms; and (iv) the expertise to review the performance of the projects before realising the investments, and (b)

the business prospect of the Sports Entertainment and Media Market. The investment in the Fund allows the Company to reach out to investments which is in line with the Group's existing business and enjoy the potential capital appreciation from the Fund.

Further, the expected Fund size is almost double of the contribution made by the Group. With a larger fund size, the investment options of the Fund will be much wider than that if the Group makes direct investment by its own. In light of its fund size, the Fund will have more bargaining power than the Group. Hence, the Directors consider the Group will benefit more by subscription of the Fund than making its own direct investment.

To facilitate the Group in monitoring the performance of the Fund closely, the General Partner has agreed to provide quarterly and annual reports to the Group keeping the Group update about the investment and performance of the Fund. Further, in order to safeguard the Company's assets and interest in the Fund, the Subscriber has requested, and the General Partner has agreed, to designate a representative of the Subscriber, reasonably acceptable to the General Partner, as an observer on the Investment Committee and attend the meetings of the Investment Committee. Though such observer shall not have any voting rights, he/she may bring up his/her view or advice on the proposed investment projects and supervise the process of decision making. The Directors are aware that limited partners are passive investors and commonly have no voting rights when investing in a private fund, and it is very rare that a limited partner would be accepted to attend the meetings of the Investment Committee. Thus, the designation of observer would allow the Group to understand the investment decisions of the Investment Committee, and in the event that the Investment Committee intends to make any investment which deviates from its investment strategy as set out in the offering memorandum, the observer would voice out and remind the Investment Committee, and could seek legal advice immediately for any legal action against the General Partner. Thus, the Board considered that such measures are sufficient to safeguard the Company's assets and interest in the Fund.

The Directors consider that the investment in the Fund which, by making investment in the Sports Entertainment and Media Market, will, in turn, provide a gateway for the Group to access and equip more information and knowledge about the Sports Entertainment and Media Market. The Directors further believe that, by leveraging the Fund's investment in the Sports Entertainment and Media Market, the Group can build up valuable network with other players in the Sports Entertainment and Media Market, which, in future will be valuable for the promoting and advancing the Group's football club business in the United Kingdom.

BASIS OF CONSIDERATION

The Capital Contribution of EUR26.2 million made by the Subscriber to the Fund is equivalent to the actual capital attributable to the Subscriber in the Fund as at the date of contribution. The Subscriber is not required to pay any premium to the Fund. The Capital Contribution of EUR26.2 million was the Group's surplus cash as at the date of entering into of the Subscription Agreement. Instead of leaving the surplus cash idle, the Directors considered to invest those surplus cash in the Fund which focuses in the investments of Sports Entertainment and Media Market, is in line with the entertainment business of the Group.

The attraction of live sports and its ability to deliver large and loyal audiences has continued to see established Pay-TV platforms in many markets bid aggressively for premium sports content. Apart from TV channels, a growing number of telecommunication companies have also pursued sports rights content as a core part of their strategy. With the advancement of technology, over-the-top streaming platforms, social media networks and other technology companies are being recognized as viable potential competitors for sports rights as well. As such, the competition for acquiring the sports media and sponsorship rights has become more intense and the Board is positive with the future prospects of the Sports Entertainment and Media Market.

Given that (i) the global drivers of sports media and sponsorship rights are predominantly positive based on the above, (ii) the Fund has the connection with global investment banking companies which will refer the opportunities to invest in companies such as the global sports media and sponsorship rights distributors, the leagues, and the sports clubs; and (iii) it is expected that more limited partners and thus the Fund will have more money to invest in a wide range of companies engaged in the production and distribution of the sports events and entrainment content and sports media rights, the Directors are of the view that the Company and its shareholders shall be benefited from the potential appreciation of the Fund and reaching out to investments to which the Group does not have access and connection.

Further, in view that (i) the Group has surplus cash as at the date of entering into of the Subscription Agreement, and (ii) the Group may exit from the Fund by written request for distribution if the Fund does not perform as expected, the Directors considered that (a) the Capital Contribution of approximately EUR26.2 million (equivalent to approximately HK\$242.35 million) to the Fund pursuant to the Subscription would allow the Group to utilise its financial resources more efficiently for long-term investment opportunity through investment returns and capital appreciation, and (b) the terms of the Subscription is fair and reasonable to the Company and its shareholders as a whole.

For and on behalf of the Board
International Entertainment Corporation
Dr. Choi Chiu Fai Stanley
Chairman

Hong Kong, 27 July 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Choi Chiu Fai Stanley, Mr. Zhang Yan Min and Mr. Chan Chun Yiu Thomas, and three independent non-executive Directors, namely Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.