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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 DISCLOSEABLE TRANSACTION**

**Financial adviser to the Company**

**VEDA | CAPITAL**  
**智略資本**

Reference is made to the announcement of International Entertainment Corporation (the “**Company**”) dated 28 August 2018 (the “**Announcement**”) in relation to, among other things, the discloseable transaction in relation to the Acquisition and the Loan Assignment. Unless otherwise stated, capitalised terms used in this announcement have the same meanings as defined in the Announcement.

The Company wishes to provide the Shareholders and potential investors of the Company additional information in relation to the Acquisition and the Loan Assignment as the followings:

#### **FURTHER INFORMATION OF THE TARGET COMPANY**

##### **Principle business of the Target Company**

The Target Company is focused on the promotion and organization of poker tournaments in the premises of casino duly and legally licensed to perform gaming activities in Macau.

##### **Business and operation model of the Target Company**

A poker tournament is a tournament where players compete by playing poker. To enter the tournament, a player has to pay a fixed entrance fee at the start of game and is given a certain quantity of poker chips. The poker chips represent merely a notional value but no cash value, and only poker chips can be used during the game. When a player has exhausted all his chips, he is eliminated from the tournament. The game continues until a prescribed

number of top players, ranging from one to eight player(s), depending upon the scale and the theme of the tournament in question, has/have eliminated the losing players, and such top player(s) in the game win(s) the prize awards.

Throughout the previous years, on average, tournaments were held 8–10 times each year by the Target Company.

To the best of the Directors' knowledge, information and belief, The Stars Group, as the parent company of the Target Company immediately before the completion of Acquisition, is a well-known provider of technology-based products and services in the global gaming and interactive entertainment industries. As part of their business, The Stars Group through the Target Company organized numerous live events/poker tournaments in Macau under the brand name "PokerStars Live", including Asia Championship of Poker (ACOP), Macau Poker Cup series and the PokerStars Championship (PSC) Macau poker festival. The brand name "PokerStars Live" has established itself as a premier poker event organizer and gained great popularity among poker players.

As the Target Company is a live events/poker tournaments organizer, the revenue of the Target Company derives from a portion (approximately 5% to 10%) of the service or entrance fees (the "**Service Fee**") charged to the players for organizing live events/poker tournaments. As mentioned above, in each tournament, each poker player is required to pay an entrance fee. The poker players will have competition in the tournaments without any cash transactions involved. Depending on each tournament, the top player or up to the top 8 players of the poker tournament will have prize awards. In each tournament, the Target Company charges a fixed amount of entrance fee as Service Fee while the remaining amount would be used for the cost and expenses for organizing the tournament, for example, rental expense for the premises of the licensed casino, and the prize awards. Thus, the revenue of the Target Company derives from the amount of Service Fee which is in turn dependent on the number of players in a tournament, as opposed to gaming revenue through wins.

### **Financial performance of the Target Company**

As disclosed in the Announcement, the Target Company experienced a significant increase in net profit from US\$38,625 (equivalent to approximately HK\$303,206) in 2016 to US\$147,824 (equivalent to approximately HK\$1,160,418), the significant increase was mainly due to the net effects of (i) the increase in number of the tournament events for the year ended 2017; and (ii) the decrease in both general expenses and administration cost resulting from the reductions in consultancy fee and the salary.

### **LEGAL IMPLICATIONS**

Pursuant to section 2 of the Gambling Ordinance (Cap 148 of the Laws of Hong Kong), gambling includes gaming, betting and bookmaking. Gaming also means the playing of or at any game for winnings in money or other property whether or not any person playing the game is at risk of losing any money or other property. And a game is defined as a game of chance and a game of chance and skill combined, etc. The Board considers that given the Target Company's major business would involve the promotion and organization of some live events and poker tournaments in Macau, on this basis, as advised by the legal counsel of the Company, such operation of gambling activities would fall within the definition of the

Gambling Ordinance (Cap 148 of the Laws of Hong Kong). Nevertheless, due to its extra-territorial nature, the operational activities organized by the Target Company would not contravene the Gambling Ordinance.

Further advised by the Company's legal advisers as to Macau laws, the Target Company, being an organizer for live events/poker tournaments to be held in the premises of casino duly and legally licensed to perform gaming activities in Macau, is not subject to the supervision of Macau Gaming Inspection and Coordination Bureau, and does not fall within the requirements set forth by Law 6/2006, amended by Law 3/2017, as currently in force in Macau, which it is not required to adopt specific internal control or anti-money laundering measures. As such, there is no procedures, nor measures, the adoption of which would enable the Company to comply with or not contravene at all times the relevant laws and regulations of Macau as the Target Company is not legally obliged to adopt specific internal control or anti-money laundering measures in Macau.

Notwithstanding that there are no legal requirements on the part of the Target Company to adopt any specific anti money laundering ("AML") procedures and internal control measures, as the game will be held in licensed and regulated casinos which have laid down its own AML and internal control policy, the Target Company will have to adhere to such internal control and AML policy as adopted by the casinos from time to time. Before admitting each player to the tournament and accepting their entry fee, the Target Company will collect the necessary documents from the players and allow the respective casino to perform its prescribed AML procedure. Only the players who have complied with the respective AML procedure are allowed to join the tournament.

The Board is aware of the fact that in accordance with the Guidance Letter HKEx-GL71-14 issued by the Stock Exchange, where a listed issuer invests directly or indirectly in gambling activities, it would be required to use its best endeavours to ensure that the operation of the gambling activities must, after the investment and throughout the holding of such investment, (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong). As advised by the legal counsel of the Company, the business operation of the Target Company would not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong) and the same complies with the applicable laws in Macau, being the area where business operation takes place, and with additional disclosure in relation to the business of the Target Company having been made, the Board considers that the requirements under the Guidance Letter have been complied with.

## **DEVELOPMENT PLAN FOR THE TARGET COMPANY AND RISK FACTORS**

Under the current development plan, the Target Company will engage in organizing poker related gambling activities in Macau and any related bookmarking transactions shall take place in Macau.

After reviewing the operation of the Target Company, the Group considers that major potential risks in relation to the operation including:

- (i) risk of fraud or cheating by players: it is possible that players in the tournaments may commit fraud or attempt to cheat in order to increase the chance of winning, at times in collusion with employees of the tournaments. In addition, negative publicity arising

from such schemes could have a material and adverse impact on the Target Company's reputation, thereby adversely affecting the Target Company's business, cash flow, financial condition, results of operations and prospects; and

- (ii) there is no assurance that live events and poker tournaments will continue to be well received by or popular among, the players. In the event of a decline of popularity, the financial performance of the Target Company may be adversely affected.

## **CHANGE IN THE BOARD COMPOSITION OF THE TARGET COMPANY AND THE RELEVANT MANAGEMENT**

Given that the original directors of the Target Company are employees of and nominated by The Stars Group, their resignation, as customarily required in case of change in control of a corporate entity, would enable the Company to obtain control of the Target Company.

In addition to the two directors newly appointed to the board of directors of the Target Company, namely Mr. Zhang Yan Min and Mr. Chan Chun Yiu Thomas, who, respectively, possesses more than 20 years of experience in the fields of commercial development, investment and business management and legal/corporate advisory, the senior management of the Target Company will remain at their respective positions to assist the new directors. The biographies of the senior management are as follows:

Sou, Sok Leng ("**Ms. Sou**"), a senior events manager of the Target Company, obtained a Bachelor of Hotel Management from the Institute for Tourism Studies of Macao in 2009 and other professional diploma in the year between 2011 to 2013. Ms. Sou has extensive live event experience and was involved in organizing a number of live events since the year 2015, such as the PokerStars Live Poker Tournaments in multiple countries around Asia Pacific.

Lei, Kin Pan ("**Mr. Lei**"), joined the Target Company since 2013 and currently as a tournament supervisor and IT support. Mr. Lei obtained a Bachelor of Computer Science (Software Engineering), involved in organizing poker tournaments for the Target Company since 2014.

Kuan, Ka Meng, joined the Target Company since 2013 and has 2 years of experience as an event coordinator before obtaining the title as a tournament supervisor in the Target Company in 2014.

Kong, Ka Hou ("**Mr. Kong**"), joined the Target Company since 2014 and has approximately 3 years of experience as an event coordinator before receiving the title as a tournament supervisor of the Target Company. Mr. Kong obtained a Bachelor Degree from Macau University of Science and Technology majoring in International tourism management.

The Board thus considers that the Company has the expertise necessary to carry on the business of the Target Company.

## **BACKGROUND INFORMATION OF THE VENDORS**

The Vendors are the subsidiaries of The Stars Group. To the best knowledge and information of the Company, each of the Vendors is principally an investment holding company.

Dr. Choi Chiu Fai Stanley, the Chairman and an Executive Director, has come to know the management of The Stars Group through his previous participation of a poker tournament.

## **FURTHER REASONS AND BENEFIT OF THE ACQUISITION AND THE LOAN ASSIGNMENT**

The Stars Group through the Target Company organised a substantive numbers of live events/poker tournaments in Macau under the brand name “PokerStars Live”, including Asia Championship of Poker (ACOP), Macau Poker Cup series and the PokerStars Championship (PSC) Macau poker festival. The brand name “PokerStars Live” has established itself as a premier poker event organiser and gained great popularity among poker players. Since the Target Company has previously organized numbers of live events/poker tournaments in Macau, it would allow the Company to leverage on the extensive experience possessed by the Target Company.

Furthermore, attracting poker players to join the tournaments is vital for maintaining the revenue of the Target Company. The Target Company has strived to maintain its goodwill and has maintained its established reputation among poker players through certain numbers of charity work. Hence, the Company is able to save up time and resources as compare to setting up a new entity to organize the live events/poker tournaments.

Moreover, the Group is principally engaged in hotel operations, and leasing of properties equipped with entertainment equipment at the hotel complex of the Group in Metro Manila in the Philippines. The Group operates in two segments: hotel and leasing. Hotel segment includes operation of hotel business in the Philippines. Leasing segment includes leasing of properties equipped with entertainment equipment. In view of this, the Company considers that it might be able to create and recognize synergize effect with, and complement, the existing business of the Company and gain popularity among poker players, through the Target Company. As aforementioned, the Target Company has maintained its excellent reputation among poker players, as well as established itself as a premier poker event organiser under the brand name “PokerStars Live”, the Board believes that in future, the Company will be able to boost the popularity of, and guest and visitor traffic to, the Company’s hotels and leasing properties through organizing and promoting live events/poker tournaments in the hotels and leasing properties of the Company, in particular those properties installed with entertainment equipment and facilities.

By order of the Board  
**International Entertainment Corporation**  
**Dr. Choi Chiu Fai Stanley**  
*Chairman*

Hong Kong, 27 September 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.*

*For the purposes of illustration only, any amount denominated in “US\$” in this announcement were translated into HK\$ at the rate of US\$1 = HK\$7.85. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*