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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 TRANSACTION IN RELATION TO THE ENTERING INTO OF THE COOPERATION AGREEMENT

Financial adviser to the Company



References are made to the Provisional License Announcements in relation to the application to PAGCOR for the Provisional License by MSPI.

THE COOPERATION AGREEMENT

MSPI, an indirect wholly-owned subsidiary of the Company in the Philippines, and PAGCOR, the regulatory and licensing authority for gaming in the Philippines, intend to enter into the Cooperation Agreement, in order for MSPI to participate and accumulate relevant experience in gaming operations prior to issue of the Notice of Commencement by PAGCOR in early 2022.

The Cooperation Agreement shall become effective upon signing by MSPI and PAGCOR with a period of fifteen (15) years as from the Commencement Date until 31 March 2031 (both dates inclusive), unless otherwise lawfully terminated in accordance with the Cooperation Agreement.

Pursuant to the Cooperation Agreement, during the Term, (i) MSPI shall provide the Gaming Premises for the operations of the Casino and the Office Premises for PAGCOR as headquarters and general head offices, in return of a consideration; and (ii) PAGCOR and MSPI will jointly establish the Management Committee in connection with the gaming operations of the Casino.

Pursuant to the terms of the Cooperation Agreement, MSPI shall receive the Consideration, which shall be the higher of: (i) PHP100,000.00 in respect of each calendar month or part thereof during the Term; and (ii) forty percent (40%) of the net gaming revenues in that calendar month, or relevant part thereof.

IMPLICATIONS UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios will be more than 25% but less than 100%, the transactions contemplated under the Cooperation Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Cooperation Agreement and the transactions contemplated thereunder.

The Company proposed that the Cooperation Agreement be entered into within seven days after Shareholders' approval. A circular containing, among other information, (i) further details of the Cooperation Agreement; (ii) financial information of the Group; (iii) a notice convening the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched on or before 21 July 2021.

References are made to the Provisional License Announcements in relation to the application to PAGCOR for the Provisional License by MSPI.

BACKGROUND

On 22 June 2020, MSPI, an indirect wholly-owned subsidiary of the Company in the Philippines, submitted an application to PAGCOR, the regulatory and licensing authority for gaming in the Philippines, for the Provisional License from PAGCOR in relation to the establishment and operation of a casino in the City of Manila, Philippines.

On 4 November 2020, PAGCOR in principle agreed to grant the Provisional License to MSPI subject to the parties entering into the Provisional License Agreement. As at the date of this announcement, it is the Company's preliminary plan to construct two to three sky-high buildings (being the Integrated Resort) with over 250,000 square meters in total area, around 800 5-star luxury hotel rooms, a casino with over 250 gaming tables, 1,600 slot machines, 100 junket tables, and numerous restaurants, leisure facilities and shopping arcades. Given that MSPI is in the course of reviewing the terms of the Provisional License Agreement, which is subject to the negotiation with PAGCOR, the detailed plan to expand and upgrade the current hotel premises is still pending. Details of the expansion plan will be disclosed in the announcement(s) to be published by the Company as and when appropriate.

The Provisional License

The operation of gambling casinos in the Philippines is a regulated activity, and every gambling casino in the Philippines has to be licensed by PAGCOR and obtain a valid license from PAGCOR for the operation of the gambling activities.

Pursuant to the draft Provisional License Agreement, the Provisional License to be granted to MSPI shall take effect on the date of the Provisional License Agreement and shall be valid until the issuance of the Regular Casino Gaming License by PAGCOR upon completion of the development of the Integrated Resort and upon approval by PAGCOR of the report detailing the actual total project cost to ensure MSPI's compliance with the approved project cost based on the approved plan. The Provisional License and the Regular Casino Gaming License shall have an aggregate term of fifteen (15) years from the issue date of the Provisional License or until 11 July 2033, whichever comes first. The Regular Casino Gaming License may be renewed subject to the same terms and conditions pursuant to the Provisional License Agreement.

According to the draft Provisional License Agreement, MSPI can only commence the operation of Gambling Activities upon the receipt of the Notice of Commencement after PAGCOR is satisfied that the casino in the Integrated Resort is fully compliant with the approved plans and the pre-conditions provided by PAGCOR, and in any event, the Notice of Commencement will not be issued by PAGCOR earlier than 28 February 2022.

In order for MSPI to participate and accumulate relevant experience in gaming operations prior to issue of the Notice of Commencement by PAGCOR in early 2022, PAGCOR and MSPI intended to enter into the Cooperation Agreement. The entering into of the Provisional License Agreement and the execution of the Cooperation Agreement are not inter-conditional upon each other.

THE COOPERATION AGREEMENT

Pursuant to the Cooperation Agreement, during the Term, (i) MSPI shall provide the Gaming Premises for the operations of the Casino and the Office Premises for PAGCOR as headquarters and general head offices, in return of a consideration; and (ii) PAGCOR and MSPI will jointly establish the Management Committee in connection with the gaming operations of the Casino.

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

- Date : Within seven days upon the passing of the resolution approving the entering into of the Cooperation Agreement at the EGM
- Parties : (a) Marina Square Properties, Inc., an indirect wholly-owned subsidiary of the Company in the Philippines; and
- (b) Philippine Amusement and Gaming Corporation, the regulatory and licensing authority for gaming and gambling in the Philippines

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, PAGCOR is a 100 percent government-owned and controlled corporation under the Office of the President of the Republic of the Philippines, which and whose ultimate beneficial owner are Independent Third Parties.

Term of the Cooperation Agreement

The Cooperation Agreement shall become effective upon signing by MSPI and PAGCOR with a period of fifteen (15) years as from the Commencement Date until 31 March 2031 (both dates inclusive), unless otherwise lawfully terminated in accordance with the Cooperation Agreement.

Contribution by MSPI pursuant to the Cooperation Agreement

Pursuant to the Cooperation Agreement, MSPI shall provide the same premises as provided under the Existing Lease Arrangement, i.e. (i) the Gaming Premises which MSPI and PAGCOR designate and/or re-designate for use by PAGCOR for Gambling Activities or supporting functions for Gambling Activities (including Gambling Activities areas and the public area, back of house and equipment area for Gambling Activities operations); and (ii) the Office Premises which MSPI and PAGCOR designate from time to time for use by PAGCOR as premises for the location of PAGCOR's executive headquarters and general head offices functions and activities.

The Hotel Premises provided under the Cooperation Agreement only comprised the existing Gaming Premises and Office Premises in the Manila Hotel. The Cooperation Agreement does not provide PAGCOR to use other area of the Manila Hotel or any of areas or premises after the upgrading and the expansion of the hotel premises. Parties thereto need to negotiate for the use of area other than the existing Gaming Premises and Office Premises. As at the date of this announcement, the parties to the Cooperation Agreement has yet negotiated or determined for any supplemental agreement.

Management Committee

Upon the execution of the Cooperation Agreement, MSPI and PAGCOR will jointly establish the Management Committee as a governing body for the management and operations of the Casino.

The Management Committee shall consist of a total of six (6) committee members, with four (4) members to be nominated by PAGCOR and two (2) members to be nominated by MSPI, respectively.

The functions of the Management Committee include (i) acting as steering committee for the management and operation of the Casino; (ii) business planning for the operation and development of the Casino; (iii) budget approval and forecasting; (iv) conduct of regular monthly meetings; (v) review of operational performance; (vi) review and approval of operational expenses; and (vii) other similar functions.

The Management Committee shall commence Casino Operations immediately upon the execution of the Cooperation Agreement, in which MSPI will have the authority to participate in the management of the Casino through the Management Committee.

Profit distribution arrangement

Pursuant to the terms of the Cooperation Agreement, MSPI shall receive the Consideration, which shall be the higher of: (i) PHP100,000.00 in respect of each calendar month or part thereof during the Term; and (ii) forty percent (40%) of the net gaming revenues in that calendar month, or relevant part thereof. The Consideration was determined after arm's length negotiations between MSPI and PAGCOR and is in accordance with the same mechanism the rental income is derived under the Existing Lease Arrangement.

Net gaming revenues means the total of all sums, including checks and other negotiable instruments, whether collected or not, that is received by PAGCOR in any month from the conduct of Gambling Activities in the Casino less the total of all sums paid out as winnings to casino players during that month in respect of Gambling Activities excluding revenues derived in that month from Gambling Activities in the premises designated for exclusive use for Gambling Activities by foreigners, after deducting (i) the franchise tax of five percent (5%) of the gross revenue or earnings and (ii) the promotional cash bonus(es) of the amount(s) of non-negotiable chips used for the purpose of granting certain privileges to the players at the Casino.

PAGCOR shall ensure that all payments to MSPI pursuant to the Cooperation Agreement shall be made to MSPI within ten (10) days from the close of each calendar month.

Considering that it is beneficial and advantageous for the Group to accumulate relevant experience in managing a casino through the participation in the Management Committee prior to the operations of the Gambling Activities, and at the same time the Group is able to receive the Consideration which is in accordance with the same mechanism the rental income is derived under the Existing Lease Arrangement, the Board is of the view that the terms of the Cooperation Agreement, including the Consideration, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Termination

Pursuant to the Cooperation Agreement, MSPI may terminate the Cooperation Agreement by notice to PAGCOR in the event that (i) PAGCOR unreasonably fails to pay any Consideration or other amount due under the Cooperation Agreement; or (ii) PAGCOR commits any other material breach of the Cooperation Agreement and fails to rectify such breach within fifteen (15) business days of the notice from MSPI requiring such rectification; or (iii) PAGCOR no longer holds the rights to conduct Gambling Activity(ies) in Metro Manila.

INFORMATION OF PAGCOR

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, PAGCOR, the regulatory and licensing authority for gaming in the Philippines, is a 100 percent government-owned and controlled corporation under the Office of the President of the Republic of the Philippines, which and whose ultimate beneficial owner are Independent Third Parties.

Based on the PAGCOR Charter, PAGCOR was given a three-pronged mandate, particularly: (i) regulate, operate, authorize and license games of chance, games of cards and games of numbers, particularly casino gaming in the Philippines; (ii) generate revenues for the Philippine Government's socio-civic and national development programs; and (iii) help promote the Philippine tourism industry.

REASONS FOR ENTERING INTO THE COOPERATION AGREEMENT

The Company is an investment holding company and the Group is engaged in (i) hotel operations at the hotel complex in Metro Manila in the Philippines; (ii) leasing of properties equipped with entertainment equipment at the Manila Hotel; and (iii) live poker events operations.

MSPI, an indirect wholly-owned subsidiary of the Company in the Philippines, is principally engaged in the leasing of Hotel Premises in the Philippines.

As set out in the interim report of the Company for the six months ended 31 December 2020, the revenue derived from Properties Leasing represents the rental income from leasing the Hotel Premises to PAGCOR, for PAGCOR's operation of the Casino and PAGCOR's office. The monthly rental income is based on an 40% of net gaming revenue generated from the local gaming area operated by PAGCOR as lessee of the Group's premises or a fixed rental amount, whichever is higher.

The Existing Lease Arrangement commenced with effect from 31 March 2004 for an initial term of twelve (12) years pursuant to the 2003 Lease Agreement entered into between PAGCOR and MSPI. The 2003 Lease Agreement was subsequently renewed by the 2015 Lease Agreement for a term commencing from the Commencement Date and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the 2015 Lease Agreement reaching an aggregate of PHP 24.5 billion (equivalent to approximately HK\$3.77 billion).

On 22 June 2020, MSPI, submitted an application to PAGCOR for the Provisional License in relation to the establishment and operation of a casino in the City of Manila, Philippines.

On 4 November 2020, PAGCOR in principle agreed to grant the Provisional License to MSPI subject to the parties entering into a provisional license agreement in relation to the grant of Provisional License from PAGCOR. As the date of this announcement, MSPI is in the course of reviewing the terms under the Provisional License Agreement.

Subject to the negotiation between MSPI and PAGCOR, it is expected that MSPI will enter into the Provisional License Agreement no later than end of February 2022, and submit the development plan in relation to the Integrated Resort to PAGCOR for approval within 120 days from the date of the Provisional License Agreement. Upon obtaining PAGCOR's approval, MSPI may commence the development of the Integrated Resort. The Company anticipates that the development of the Integrated Resort will take at least two years to complete. Upon completion of the development of the Integrated Resort, PAGCOR will issue the Regular Casino Gaming License provided that MSPI has complied with the approved project cost based on the development plan.

Based on the terms of the Provisional License Agreement, MSPI can only commence the operation of Gambling Activities upon the receipt of the Notice of Commencement and in any event, the Notice of Commencement will not be issued by PAGCOR earlier than 28 February 2022. In order for MSPI to participate and accumulate relevant experience in gaming operations prior to the issue of the Notice of Commencement by PAGCOR in 2022, PAGCOR and MSPI negotiated and intended to enter into the Cooperation Agreement pursuant to which, amongst others, the parties will jointly establish the Management Committee, in which MSPI will have the authority to participate in the Casino Operations, to commence Casino Operations at the Casino located in the Hotel Premises immediately upon the execution of the Cooperation Agreement.

The Cooperation Agreement will not be replaced upon the grant of the Provisional License, and the Cooperation Agreement can be performed alongside the Provisional License Agreement. Hence, upon the execution of the Provisional License Agreement and the receipt of the Notice of Commencement, MSPI could still continue the Casino Operations through the Management Committee and at the same time, operate the new casino in the Integrated Resort pursuant to the Provisional License Agreement.

Upon the receipt of the Notice of Commencement after PAGCOR is satisfied that the casino in the Integrated Resort is fully compliant with the approved plans and the pre-conditions provided by PAGCOR, it is the preliminary intention for MSPI to operate its casino located in the Integrated Resort solely. After that, MSPI will continue to develop the Integrated Resort in order to obtain the Regular Casino Gaming License from PAGCOR.

Regarding the Management Committee, in light that (i) MSPI and PAGCOR are still negotiating the terms of the draft Provisional License Agreement, including the development scale and timeline of the Integrated Resort; (ii) the Group has not yet identified suitable land to expand the Hotel Premises; and (iii) it is estimated that the Group would still take certain extent of time to fulfill and comply with the requirements (i.e. identifying suitable land, and designing and construction of the Integrated Resort) for obtaining the Notice of Commencement from PAGCOR upon the execution of the Provisional License Agreement, the Group may, subject to future circumstances, take over the operation rights of the Casino upon obtaining the Notice of Commencement. However, the Group has not arrived at any decision as at the date of this announcement.

Taking into account that (i) the terms of the Cooperation Agreement were negotiated on an arm's length basis between the parties to the Cooperation Agreement; (ii) the major terms of the Cooperation Agreement are substantially identical to the Existing Lease Arrangement which has been effective since 2003; (iii) the Consideration mechanism is the same under the Cooperation Agreement and the Existing Lease Arrangement; and (iv) in addition to the receipt of the Consideration, MSPI can participate in the Management Committee which allows MSPI to participate and accumulate relevant experience in Casino Operations prior to the issue of the Notice of Commencement by PAGCOR, the Directors, including the independent non-executive Directors, considered that the terms of the Cooperation Agreement are fair and reasonable, on normal commercial terms, and that the entering into of the Cooperation Agreement is beneficial to the Company, and is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GAMBLING ACTIVITIES

The operations of the Gambling Activities by the Management Committee will be conducted at the Casino located in the Hotel Premises, which shall commence immediately upon the execution of the Cooperation Agreement.

Types of Gambling Activities in the Casino

The Gambling Activities currently under operation at the Casino include (i) 24 mass gaming tables with 1 table for Pontoon; 22 tables for baccarat; and 1 table for Roulette; and (ii) 175 electronic gaming machines.

The Applicable Laws in the Philippines

The operation of the Gambling Activities has to be in compliance with the Applicable Laws.

According to the Philippines Legal Advisor, the operation of gambling activities in the Philippines is a regulated activity under the auspice of PAGCOR. Every gambling casino in the Philippines has to be licensed by PAGCOR and obtain a valid licence from PAGCOR for the operation of the gambling activities. PAGCOR is a government owned and controlled corporation responsible for the licensing and monitoring of gambling activities conducted in the Philippines and enforcement of the Applicable Laws.

The Philippines Legal Advisor was engaged to advise on the major laws, rules and regulations in the Philippines which the operation of the Gambling Activities is subject to. Set out below are the relevant laws in the Philippines in relation to the operation of the Gambling Activities:

1. *Presidential Decree (P.D.) No. 1869, as amended by Republic Act (R.A.) No. 9487*
 - The PAGCOR Charter provides the legal basis for (i) the grant of Provisional License and Regular Casino Gaming License to MSPI; (ii) exemption from customs duties, taxes and other imposts on importations of gaming equipment, vehicles, and other gaming paraphernalia; and (iii) the special 5% franchise tax on income from gaming operations, which is in lieu of all national and local taxes, fees and charges.
2. *Casino Regulatory Manual for Entertainment City Licenses (January 2016) (“**Casino Manual**”)*
 - The Casino Manual comprises detailed regulations and standards which are formulated and enforced by PAGCOR to maintain an orderly and predictable regulatory environment, enforce license terms and conditions, promote fairness and integrity in the conduct of games, and provide an underlying platform for responsible gambling, among others. Under the Casino Manual, a casino licensee, and effectively its operator, operating the Gambling Activities, should observe the regulations in the Casino Manual.

- Casino licensee is required to formulate, in consultation with PAGCOR, operational rules and guidelines governing the day-to-day casino operations of the licensee prior to the commencement of the casino operation. Once confirmed by PAGCOR, the operational rules and guidelines will form an integral part of the license.
- Compliance with PAGCOR's rules and regulations is monitored by the PAGCOR monitoring team assigned to different licensed casinos.

3. *Gaming Employment License Manual and Handbook for Applicants and Employees (April 2016) ("GEL")*

- GEL is an authorisation issued by PAGCOR granting a person the privilege to be employed as a gaming employee within the Philippines jurisdiction.
- It is a pre-employment and continuing requirement for employment in any gaming establishment in the Philippines and should form part of the employee's handbook.
- No employer operating a gaming facility shall hire and keep an individual without a valid GEL.
- PAGCOR will conduct periodic GEL compliance verification on all licensees.

4. *Code of Practice on Responsible Gaming (March 2017)*

- It is a code of practice which sets out the rules and guidelines on responsible gaming required to be adopted by all PAGCOR-licensed entities in authorised gaming establishments, in order to minimize potential harm to the individual players and the community, to prevent gambling addiction and to prohibit underage gambling.
- PAGCOR's regulatory function is undertaken primarily by the Gaming Licensing and Development Department (GLDD). GLDD sets regulations and guidelines for gaming operations and performs related tasks such as the Code of Practice Responsible Gaming. It is the responsibility of PAGCOR's Compliance and Monitoring Department (CMED) to enforce the rules.

5. *Anti-Money Laundering Act of the Philippines (R.A. No.9170)*

- AMLA and its implementing rules and regulations designated casinos as covered persons and purport to govern casino cash transactions relating to gaming operations.
- The AMLC, PAGCOR, and other concerned government agencies of the Philippines jointly adopted and promulgated the Casino Implementing Rules and Regulations ("**CIRR**"), under which casinos in the Philippines shall comply with the required customer due diligence, record keeping and reporting of transactions determined to be both a suspicious transactions and covered transitions (i.e. single casino cash transaction involves an amount in excess of PHP5.00 million or its equivalent in any other currency) to the AMLC.

- The AMLC is responsible for investigating suspicious transactions and covered transactions deemed suspicious, money laundering and terrorist financing activities and other violations of the AMLA, its implementing rules and regulations, the CIRR and other AMLC issuances, examining particular bank accounts that are deemed related to a predicate offense or money laundering offense or financing of terrorism as defined under the laws of the Philippines, and conduct on-site compliance checking to validate the compliance of covered persons on the requirements of the AMLA and the CIRR.

Implementation and interpretation of the foregoing laws and regulations are subject to the determination of PAGCOR and other administrative agencies, taking into account jurisprudence and previous resolutions. However, jurisprudence or decisions involving casinos and gambling activities are limited and future administrations may revise or modify these resolutions and interpretation.

Compliance Department

In order to ensure MSPI's compliance with the relevant laws in the Philippines in relation to the operation of the Gambling Activities, a compliance department will be established by MSPI, which will be responsible for monitoring and ensuring conformity of the requirements of PAGCOR and other agencies (if any).

Due to the sensitivity and confidentiality of most of the compliance matter, the compliance department shall be covered by the legal department, with the compliance officer directly under the supervision of the head of the legal department.

The compliance officer shall work closely with the department concerned on the implementation of the policy and procedures, and of the compliance manuals/guidelines provided by PAGCOR.

For any reporting requirement, the compliance officer shall coordinate and secure information from the department concerned. The report shall be approved by the respective head of department and by the head of the legal department.

The compliance officer shall also review and monitor the implementation of the policy and procedures. Similarly, the compliance officer shall amend the policy and procedures for revisions and updates issued by PAGCOR regularly.

Every gambling casino in the Philippines has to be licensed by PAGCOR and obtain a valid licence from PAGCOR for the operation of the gambling activities. PAGCOR, as the operator of the Casino, does not need a license for itself to operate the Casino as PAGCOR Charter grants PAGCOR the right, privilege and authority to operate gambling casinos, gaming clubs and other similar recreation or amusement places within the territorial jurisdiction of the Republic of the Philippines. Thus, the operation of the Casino by PAGCOR is in compliance with Philippine law. PAGCOR has the requisite power to enter into the Cooperation Agreement with MSPI pursuant to the PAGCOR Charter.

MSPI has the corporate power and authority to enter into the Cooperation Agreement with PAGCOR and to jointly establish with PAGCOR a Management Committee in connection with the Casino Operations.

Based on the provisions of the Cooperation Agreement, PAGCOR shall continue to operate the Casino from the expiration of the original term of the 2003 Lease Agreement on 31 March, 2016 until the expiry of the new term under the Cooperation Agreement. The Philippines Legal Advisor believes that with the establishment of the Management Committee, (i) MSPI will have the authority to participate in the management of the Casino through the Management Committee; (ii) no license is required for MSPI's participation in the management of the Casino through the Management Committee; and (iii) such participation in the Management Committee by MSPI does not violate any Philippine law.

The Gambling Ordinance (Cap. 148 of The Laws of Hong Kong)

The Company has been advised by its Hong Kong legal advisor that, on the basis that the Gambling Activities are to be undertaken or otherwise conducted abroad outside Hong Kong, the Gambling Activities shall not be governed by and will not be in contravention of the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

The Philippines Legal Advisor confirms that the Group's Casino Operations are in compliance with all Applicable Laws in the Philippines and the legal advisor of the Company as to Hong Kong laws confirms that the Group's Casino Operations are in compliance with all Applicable Laws in Hong Kong.

Having reviewed and considered the legal opinion obtained from the Philippines Legal Advisor, the Board confirms that the Group's Casino Operations in the Casino will be considered lawful and in compliance with the Applicable Laws.

Internal Controls on Anti-Money Laundering

In relation to the Casino Operations, MSPI has established internal control procedures and measures on prevention of money laundering and terrorist financing activity on the premises of the Group where the Gambling Activities are conducted.

In particular, MSPI has developed and intends to put in place a money laundering and terrorist financing preventive program (“**MLP Program**” or “**MLPP**”) which covers various measures and policies designed to detect and prevent money laundering activities immediately prior to the commencement of the Casino Operations in compliance with all applicable laws and regulations. The MLP Program is implemented under the following principles:

- (i) Conform with high ethical standards and observe good corporate governance consistent with the guidelines issued by the PAGCOR in order to protect the integrity of their operations and that of the gaming industry;
- (ii) Know sufficiently of the customer to prevent suspicious individuals or entities from transacting with, or establishing or maintaining relationship with casinos;
- (iii) Adopt and effectively implement an appropriate anti-money laundering (AML) and countering the financing of terrorism (CFT) risk management system that identifies, assesses, monitors, and controls risks associated with money laundering and terrorist financing;

- (iv) Ensure that officers and employees are aware of their respective responsibilities under this policy and carry them out in accordance with the MLP Program; and
- (v) Cooperate with the AMLC and PAGCOR for the effective implementation of the AMLA and this CIRR, and other applicable issuances.

In addition, an anti-money laundering committee (“**AML Committee**”), comprising of at least three (3) members, will be constituted immediately prior to the commencement of the Casino Operations for the following purposes:

- (i) To design and formulate a comprehensive and risk-based Money Laundering and Terrorist Financing Preventive Program (MLPP) that conforms to the law and regulation on anti-money laundering and counter terrorist financing of AMLC and PAGCOR;
- (ii) To oversee the implementation of the Money Laundering and Terrorist Financing Prevention Program (MLPP) and ensure that the casino and its employees shall not be used as a vehicle to legitimize, intentionally or unintentionally, proceeds of money laundering (ML) or terrorist financing (TF);
- (iii) To report to the Board of Directors regarding the casino’s compliance status; and
- (iv) To assess and approve non-standard and suspicious transactions presented by the operations group, audit group or other review groups or any other ML/TF related matters that require Board approval, prior acceptance and processing.

As at the date of this announcement, the Company has engaged an independent internal control consultant (“**IC Consultant**”) to review and advise on the internal control procedures for the management and operation of the Gambling Activities, and in particular, on areas of anti-money laundering and counter terrorist financing processes over the Casino’s future operation. Having reviewed and considered the internal control review conducted by the IC Consultant, the Board confirms that MSPI has established a set of adequate and effective policy and procedures for implementation of its internal control measures with respect to the operation of Gambling Activities upon commencement of the Casino’s operations.

To comply with the Applicable Laws, the Company will implement, including but not limited to, the following internal control measures in respect of anti-money laundering, before the entry of the Cooperation Agreement:

- (a) Know-Your-Customer Procedure — the Group shall collect know-your-customer information and perform customer due diligence and keep proper records on the true identity of customers and junket operators who deal with MSPI and also maintain a system to verify the true identity of the customers based on reliable government-issued identification documents;
- (b) Transaction Monitoring Procedure — the Group shall develop an automated transaction monitoring system and manual transaction monitoring system to identify patron transactions that fit scenarios associated with known money laundering or terrorist financing typologies, which can record and report on each transaction with the parties involving in such transaction; and

- (c) Suspicious Transaction Reporting Procedure — all MSPI employees shall be responsible for detecting suspicious transactions. MSPI shall establish policy and procedures to detect potentially suspicious transactions, and determine and file a suspicious transaction report to relevant authorities.

The AML Committee will execute the MLPP immediately prior to the commencement of the Casino's operations and make sure the MLPP is updated and congruent with the Anti-Money Laundering Act. The AML Committee will conduct checking on the policies and procedures related to money laundering and terrorist financing on a periodic basis.

As the operations of the casino has not commenced, the review by the IC Consultant focused on the policy and procedures developed and to be implemented by MSPI in relation to the future operations. After completing the internal control follow up review, all significant deficiencies were found to be improved, except for the final approval of all the draft policy and procedures upon commencement of the future casino operation and it is concluded that the internal control policy and procedures with respect to the operations of gambling activities and anti-money laundering currently possessed by MSPI are adequate and effective, if properly implemented upon commencement of the future casino operation.

RISKS ON THE OPERATION OF THE GAMBLING ACTIVITIES IN THE PHILIPPINES

Set out below are certain specific risks in relation to the operation of the Gambling Activities. Additional risks and uncertainties are not presently known to the Board, or not expressed or implied below, or that the Board currently deem immaterial, may also adversely affect the operation of the Gambling Activities in a material aspect.

The listing of the Company on the Main Board of the Stock Exchange is at risk of being suspended or cancelled

The Group is required to comply with the Applicable Laws so long as it operates or invests directly or indirectly in gambling activities, and the Shares are listed on the Main Board of the Stock Exchange. The Company is at risk of having its Shares listed on the Main Board of the Stock Exchange be suspended and cancelled in the event of non-compliance with the Applicable Laws.

The Gambling Activities are based primarily on gaming, which inherently involves elements of chance that are beyond the control of MSPI

The gaming industry is characterised by the elements of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skills and experience, the financial resources of players, the volume of bets placed by the players of the Group's casino and the amount of time the players spent on gaming. These factors, alone or in combination, have the potential to negatively impact win rates. As a result, actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause the results of operations of the Gambling Activities to be volatile.

There could still be incident of money laundering notwithstanding compliance with the Applicable Laws

The gaming industry is prone to potential money laundering and other illegal activities. The Group may not be able to negate incident of money laundering and other illegal activities altogether notwithstanding compliance with the Applicable Laws.

Risk of fraud or cheating by players

Players of the Gambling Activities may commit fraud or attempt to cheat in order to increase winnings by using counterfeit currency, chips or other tactics. Failure to discover such acts in a timely manner could result in losses in the operation of the Gambling Activities. In addition, negative publicity arising from such acts could have a material and adverse impact on the Group's reputation, thereby adversely affecting the Group's casino's business, cash flow, financial condition, results of operations and prospects.

The Casino may face intense competition in the Philippines and elsewhere in Asia

The Group expects competition in the Philippines to be intense as multiple integrated casino-resort projects in the Philippines have been approved. Further hotel, casino and entertainment complex projects may also be approved by the Philippines authority and elsewhere in Asia. Competitive pressures in the Philippines' gaming industry could have a material and adverse effect on the Group's casino's business, financial condition and results of operations.

Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending

Demand for luxury services, gaming-related services and leisure activities are sensitive to global economic downturn. Changes in discretionary consumer spending or consumer preferences could be driven by economic conditions. Any reduction in consumer demand for the gaming-related services could adversely affect the Group's casino's business.

Conducting business in the Philippines involves certain economic and political risks

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

The ability to attract and retain a sufficient number of qualified employees to run the operation

The Group's casino will depend on its ability to attract and retain a sufficient number of qualified employees to run the operations of the Gambling Activities and the facilities in the Group's casino. The ability to maintain its competitiveness is, to a large extent, dependent on the efforts, skills and continued service of key management and operating personnel. The loss of key management and operating personnel may have an adverse impact on the Group's casino's business.

Epidemics and other communicable diseases may affect the Group's casino business operation

Outbreak of epidemics and other communicable diseases, such as swine flu, avian flu, SARS and COVID-19 are beyond the Group's control. With the increasing number of confirmed COVID-19 cases in the Philippines, PAGCOR has ordered a suspension of all gaming operations since mid-March 2020 and will last for the duration of the National Capital Region community quarantine imposed by the Philippines government. These events may adversely affect the planning phase of the Project, as well as the business operating environment in the Philippines' economy.

IMPLICATIONS UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios will be more than 25% but less than 100%, the transactions contemplated under the Cooperation Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Cooperation Agreement. As such, no Shareholder would be required to abstain from voting at the EGM on the resolution to approve the same.

Shareholders should be aware that under the Guidance Letter, which states that should the listed issuer directly or indirectly be engaged in gambling activities and the operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance (Cap. 148 of The Laws of Hong Kong), the listed issuer or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, the Stock Exchange may direct the listed issuer to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the shares of the listed issuer.

Upon the entering of the Cooperation Agreement, the Group can participate in the Casino Operations. In this connection, MSPI has engaged independent professional parties to ensure that MSPI has complied with all the Applicable Laws and the Listing Rules (where applicable), including the requirements under the Guidance Letter prior to the entering into of the Cooperation Agreement and reviewed the adequacy and effectiveness of its internal control measures with respect to the operations of Gambling Activities and anti-money laundering requirements.

As at the date of this announcement, the Company has received (i) the Philippines legal opinion to confirm that the Casino Operations by MSPI through the Management Committee has complied with all Applicable Laws in the Philippines; (ii) the Hong Kong legal opinion to confirm that the Casino Operations by MSPI through the Management Committee has complied with all Applicable Laws in Hong Kong; and (iii) the internal control review conducted by the IC Consultant on the internal control procedures with respect to the operations and anti-money laundering process over the Casino's future operation. Based on the result of the internal control review, the management of the Company concluded that it has established a set of adequate and effective policies and procedures for implementation of its internal control measures with respect to the operation of gambling activities and anti-money laundering procedures upon commencement of the target casino's operations.

Any material development of, including but not limited to, the Cooperation Agreement, the Provisional License Agreement, the Integrated Resort, the Hotel Premises and the respective transactions contemplated thereunder, will be disclosed by the Company by way of announcement(s) as and when appropriate, and the Company will ensure that the material development(s) will comply with the requirements under the Guidance Letter and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3 August 2021 to Friday, 6 August 2021 (both dates inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 2 August 2021 for registration.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Cooperation Agreement and the transactions contemplated thereunder.

The Company proposed that the Cooperation Agreement be entered into after Shareholders' approval. A circular containing, among other information, (i) further details of the Cooperation Agreement; (ii) financial information of the Group; (iii) a notice convening the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched on or before 21 July 2021.

As the entering into of the Cooperation Agreement will be subject to Shareholders' approval, the Cooperation Agreement may or may not be entered into. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2003 Lease Agreement”	collectively, the agreement dated 14 March 2003 as amended by Addendum No. 1 dated 1 August 2003, Addendum No. 2 dated 6 June 2008 and Addendum No. 3 dated 22 June 2010 entered into between PAGCOR and MSPI in relation to the Existing Lease Arrangement
“2015 Lease Agreement”	the agreement entered into between PAGCOR and MSPI in December 2015 to renew the 2003 Lease Agreement
“AMLA”	Anti-Money Laundering Act of the Philippines
“AMLC”	the Anti-Money Laundering Council of the Philippines’ Financial Intelligence Unit
“Applicable Laws”	the applicable licensing requirements, anti-money laundering laws, other laws, rules and regulations regulating the operation of the Gambling Activities in the Philippines and/or in Hong Kong
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“Board”	the board of Directors
“Casino”	a casino located in the Hotel Premises and operated by PAGCOR as at the date of this announcement
“Casino Manual”	Casino Regulatory Manual for Entertainment City Licenses (January 2016) issued by PAGCOR
“Casino Operations”	collectively, (i) acting as steering committee for the management and operation of the Casino; (ii) business planning for the operation and development of the Casino; (iii) budget approval and forecasting; (iv) conduct of regular monthly meetings; (v) review of operational performance; (vi) review and approval of operational expenses; and (vii) other similar functions
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Commencement Date”	1 April 2016
“Company”	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01009)

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the use of the Gaming Premises and Office Premises under the Cooperation Agreement
“Cooperation Agreement”	an agreement to be entered into between MSPI and PAGCOR for the purpose of, including but not limited to, the provision of the Hotel Premises to PAGCOR for operation of Gambling Activities and as PAGCOR’s headquarters and general head offices, and the establishment of the Management Committee
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held on Friday, 6 August 2021 at 11:30 a.m. for the purpose of considering, and if thought fit, approve the entering into of the Cooperation Agreement and the transactions contemplated thereunder
“Existing Lease Arrangement”	the existing lease arrangement between MSPI (as lessor) and PAGCOR (as lessee) pursuant to the 2015 Lease Agreement in relation to the lease of the Hotel Premises for the operation of the Casino and as PAGCOR’s headquarters and general head offices
“Gambling Activities”	all games of chance commonly played in casinos and any variations thereof including but not limited to blackjack, roulette, baccarat, craps, keno, two-up, mini dice, money wheel, big and small (tai-sai), fan tan, pai-gow, French boule, super pan 9, super 6, pontoon, sic bo, 3-card poker, progressive stud poker, Texas Hold’em poker and slot and video or electronic machine games of chance
“Gaming Premises”	the part within Hotel Premises which MSPI and PAGCOR designate and/or re-designate from time to time for use by PAGCOR for Gambling Activities
“GEL”	the Gaming Employment License, an authorization issued by PAGCOR granting a person the privilege to be employed as a gaming employee within the Philippines jurisdiction
“Group”	the Company and its subsidiaries
“Guidance Letter”	the guidance letter HKEx-GL71-14 (January 2014) (updated in March 2019) issued by the Stock Exchange in relation to “Gambling Activities of New Applicants and/or Listed Issuers”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Premises”	including the Gaming Premises and Office Premises, within the Manila Hotel
“Independent Third Party”	a third party who is independent of and not connected with the Company or its connected persons
“Integrated Resort”	the expansion and upgrade of the current hotel complex, facilities and services of the Group, namely New Coast Hotel Manila, located in Metro Manila in the Philippines, by the establishment and operation of a casino and the development of an integrated resort in the City of Manila, Philippines
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Committee”	the committee to be jointly established by the representatives of MSPI and PAGCOR pursuant to the Cooperation Agreement for the purpose of, including but not limited to, the Casino Operations
“Manila Hotel”	the hotel located at 1588 M.H. Del Pilar cor. Pedro Gil Street, Malate, Manila, Philippines and operated under the name of New Coast Hotel Manila
“Metro Manila”	all that area commonly included in references to metropolitan Manila, Philippines, including but not limited to, the cities of Makati, Mandaluyong, San Juan, Las Pinas, Malabon, Navotas, Pasig, Paranaque, Marikina, Muntinlupa, Caloocan, Taguig, and Valenzuela and the municipality of Pateros
“MSPI”	Marina Square Properties, Inc., an indirect wholly-owned subsidiary of the Company in the Philippines
“Notice of Commencement”	the written notice to be issued by PAGCOR to MSPI to commence the casino operations after PAGCOR is satisfied that the casino in the Integrated Resort is fully compliant with the approved plans and the preconditions provided by PAGCOR
“Office Premises”	the part within Hotel Premises which MSPI and PAGCOR designate from time to time for use by PAGCOR as premises for the location of its headquarters and general head offices

“PAGCOR”	the Philippine Amusement and Gaming Corporation, the regulatory and licensing authority for gaming and gambling in the Philippines
“PAGCOR Charter”	Presidential Decree (P.D.) No. 1869, as amended by Republic Act No. 9487
“Philippines”	the Republic of the Philippines
“Philippines Legal Advisor”	Salvador Llanillo & Bernardo, the Philippines qualified lawyer, being the Group’s legal advisor on the Philippine laws
“PHP”	the Philippine Peso, the lawful currency of the Republic of the Philippines
“Properties Leasing”	leasing of properties equipped with entertainment equipment at the Manila Hotel
“Provisional License”	a provisional license for engaging in Gambling Activities in the Philippines granted by PAGCOR
“Provisional License Agreement”	the draft provisional license agreement provided by PAGCOR to MSPI on 4 November 2020 for engaging in Gambling Activities in the Philippines
“Provisional License Announcements”	collectively, the announcements of the Company dated 10 June 2020, 18 June 2020, 22 June 2020, 18 September 2020, 5 November 2020 and 26 February 2021 in relation to, among other things, the application of the Provisional License by MSPI
“Regular Casino Gaming License”	a regular casino gaming license to be granted by PAGCOR upon completion of the development of the Integrated Resort and upon approval by PAGCOR of the report in relation to the total project cost
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Term” the period of fifteen (15) years commencing from the Commencement Date until 31 March 2031 (both dates inclusive)

“%” per cent.

For the purposes of illustration only, amounts denominated in “PHP” in this announcement were translated into HK\$ at the rate of PHP1.00 = HK\$0.154. 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.

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

Hong Kong, 16 July 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Choi Chiu Fai Stanley and Mr. Ho Wong Meng, and three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene, Mr. Lau Ka Ho and Mr. Cheng Hong Wai.