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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)

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL AGREEMENTS TO THE HOTEL MANAGEMENT AGREEMENT AND THE SALES AND MARKETING AGREEMENT

Financial Adviser to the Company

VEDA | CAPITAL
智 略 資 本

Reference is made to the announcement of the Company dated 24 June 2014 in relation to the continuing connected transactions regarding the Hotel Management Agreement and the Sales and Marketing Agreement.

On 29 June 2017 (after trading hours), NCHI, an indirect wholly-owned subsidiary of the Company, entered into (i) the Hotel Management Supplemental Agreement with NWHM (Philippines) pursuant to which NCHI and NWHM (Philippines) agreed to, among other things, extend the operating term under the Hotel Management Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive); and (ii) the Sales and Marketing Supplemental Agreement with NWMHL pursuant to which NCHI and NWMHL agreed to, among other things, extend the operating term under the Sales and Marketing Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive) and amend the sales and marketing service (base) fee.

As at the date of this announcement, Mediastar International Limited is the substantial Shareholder holding approximately 10.01% of the entire issued share capital of the Company. Mediastar International Limited is indirectly wholly-owned by CTFHL.

Both NWHM (Philippines) and NWHML are the indirect wholly-owned subsidiaries of CTFE and CTFE is wholly-owned by CTFHL. Therefore, both NWHM (Philippines) and NWHML are the associates of CTFHL and the connected persons of the Company under the Listing Rules and the entering into of the Supplemental Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Supplemental Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 24 June 2014 in relation to the continuing connected transactions regarding the Hotel Management Agreement and the Sales and Marketing Agreement.

THE SUPPLEMENTAL AGREEMENTS

On 29 June 2017 (after trading hours), NCHI, an indirect wholly-owned subsidiary of the Company, entered into (i) the Hotel Management Supplemental Agreement with NWHM (Philippines) pursuant to which NCHI and NWHM (Philippines) agreed to, among other things, extend the operating term under the Hotel Management Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive); and (ii) the Sales and Marketing Supplemental Agreement with NWHML pursuant to which NCHI and NWHML agreed to, among other things, extend the operating term under the Sales and Marketing Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive) and amend the sales and marketing service (base) fee.

Pursuant to the Sales and Marketing Supplemental Agreement, with effect from 1 January 2018, NCHI shall pay NWHML the sales and marketing service (base) fee on a monthly basis, of an amount equal to either (a) or (b) below:

- (a) 2% of the monthly Total Revenue of the Hotel, if the monthly occupancy percentage (the "**Occupancy %**") of the Hotel for the corresponding month is equal to or less than 60%; or
- (b) 1.5% of the monthly Total Revenue of the Hotel, if the monthly Occupancy % of the Hotel for the corresponding month is above 60%.

The monthly Occupancy % of the Hotel shall be calculated in accordance with the formula for Occupancy % and, if applicable, the relevant rules, notes, guidelines, etc., all set out in the latest edition of the Uniform System. Unless any provision set out in the Uniform System now provides, or may from time to time hereafter provide, otherwise, the monthly Occupancy % of the Hotel shall be calculated and determined in the following manner, namely, by dividing (a) the aggregate of all rooms sold (such term as defined in the Uniform System) for all days of the relevant month, by (b) the aggregate of all rooms available (such

term as defined in the Uniform System) for all days of the relevant month, and then multiplying by 100%. For the avoidance of doubt, in the event of any conflict or inconsistency between any provision of the Uniform System and any provision of the Sales and Marketing Supplemental Agreement, the relevant provision of the Uniform System shall always prevail and take precedence.

Save for the above, all other major terms and conditions under the Hotel Management Agreement and the Sales and Marketing Agreement shall remain in full force and effect. For the purpose of completeness, the principal terms of the Hotel Management Agreement and the Sales and Marketing Agreement (as respectively amended by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement) are set forth as follows:

The Hotel Management Agreement (as supplemented by the Hotel Management Supplemental Agreement)

- Parties : (a) NCHI
(b) NWHM (Philippines)
- Scope of services rendered : Provision of management services by NWHM (Philippines) to NCHI in respect of the Hotel, including (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the Hotel; (b) provision of assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipment, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) coordinating with NWHML with regard to the advertising, marketing and promotional activities of the Hotel
- Operating term : An initial operating term of three years commencing from 1 January 2015 and expiring on 31 December 2017 (both dates inclusive), and extended for three years commencing from 1 January 2018 and expiring on 31 December 2020 (both dates inclusive) under the Hotel Management Supplemental Agreement, which may be renewed for successive periods of three years each subject to the applicable laws or regulations in the Philippines, compliance with the requirements under the Listing Rules at the relevant time by the Company and the mutual agreement of both NCHI and NWHM (Philippines)

- Monthly management (incentive) fee : 6% of the monthly Gross Operating Profit of the Hotel. The fee shall be paid on or before the last day of the month, following the end of each month in respect of which the fee is payable
- Reimbursable expenses : Other fees and expenditures incurred from the provision of services by NWHM (Philippines) and/or its affiliates for the Hotel will be reimbursed on actual basis and paid within 30 days upon receipt of the relevant invoices from NWHM (Philippines)

The Sales and Marketing Agreement (as supplemented by the Sales and Marketing Supplemental Agreement)

- Parties : (a) NCHI
(b) NWHML
- Scope of services rendered : Provision of worldwide sales and marketing services by NWHML to NCHI in respect of the Hotel, in each case outside the Philippines, such as formulation of strategies on sales and marketing, brand development, preparation of advertising materials, provision of centralized reservation system and coordination of frequent customers rewarding scheme, marketing and promotional programs
- Operating term : An initial operating term of three years commencing from 1 January 2015 and expiring on 31 December 2017 (both dates inclusive), and extended for three years commencing from 1 January 2018 and expiring on 31 December 2020 (both dates inclusive) under the Sales and Marketing Supplemental Agreement, which may be renewed for successive periods of three years each subject to compliance with the requirements under the Listing Rules at the relevant time by the Company and the mutual agreement of both NCHI and NWHML
- Monthly sales and marketing service (base) fee : 2% of the monthly Total Revenue of the Hotel from 1 January 2015 to 31 December 2017. With effect from 1 January 2018,
(a) 2% of the monthly Total Revenue of the Hotel, if the monthly Occupancy % of the Hotel for the corresponding month is equal to or less than 60%; or

- (b) 1.5% of the monthly Total Revenue of the Hotel, if the monthly Occupancy % of the Hotel for the corresponding month is above 60%.

The fee is payable within 30 days after the end of each month

Group marketing fee : 1.5% of the Total Revenue of the Hotel to cover all costs incurred by NWHML and/or its affiliates for the group marketing services. The fee is payable within 30 days after the end of each month

Other charges : All costs relating to the provision of centralized reservation system will be charged by NWHML based on the number of reservations made and those relating to the frequent customers rewarding scheme will be charged upon a percentage of the total eligible revenue of the guest spending at the Hotel. The charges are payable within 30 days after the end of each month

THE PROPOSED ANNUAL CAPS

The existing annual caps for the continuing connected transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement for the period from 1 January 2015 to 31 March 2015, the financial years ended 31 March 2016 and 2017, and for the period from 1 April 2017 to 31 December 2017 are HK\$2,700,000, HK\$10,600,000, HK\$11,800,000 and HK\$9,400,000 respectively.

The Proposed Annual Caps for the transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement) for the period from 1 January 2018 to 31 March 2018, the financial years ending 31 March 2019 and 2020, and for the period from 1 April 2020 to 31 December 2020 are HK\$2,000,000, HK\$7,500,000, HK\$8,000,000 and HK\$6,500,000 respectively.

The Proposed Annual Caps are determined based on, among other things, the estimation of the Total Revenue, the Gross Operating Profit and the reimbursable expenses with reference to the historical financial performance of the Hotel, the current exchange rate of Peso against HK\$, and an estimated growth rate in the Total Revenue and the Gross Operating Profit in subsequent financial years.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations. The Group considers that NWHM (Philippines) and NWHML have the relevant knowledge, experience and skills in provision of hotel management services and hotel marketing services.

According to the Hotel Management Agreement and the Sales and Marketing Agreement, the initial operating term will expire on 31 December 2017. In this regard, NCHI entered into the Supplemental Agreements with NWHM (Philippines) and NWHML for the extension of the operating term for a period of three years commencing from 1 January 2018 and expiring on 31 December 2020 (both dates inclusive).

The Directors expect that the entering into of the Supplemental Agreements will allow the Group to keep benefiting from the knowledge, experience and skills of both NWHM (Philippines) and NWHML in the industry for its hotel operations.

The terms of the Supplemental Agreements have been determined after arm's length negotiation between the parties with reference to the prevailing marketing conditions and are on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the Supplemental Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group and on the terms that are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

None of the Directors has a material interest in the Hotel Management Agreement, the Sales and Marketing Agreement and the Supplemental Agreements.

INFORMATION ON NCHI, NWHM (PHILIPPINES) AND NWHML

NCHI, an indirect wholly-owned subsidiary of the Company and the owner of the Hotel, is a company incorporated in the Philippines and is principally engaged in the hotel operations.

NWHM (Philippines) is established under the laws of the Philippines and is principally engaged in the provision of hotel management services in the Philippines.

NWHML is a company incorporated under the laws of Hong Kong and is principally engaged in the provision of hotel management (including marketing) services worldwide.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Mediastar International Limited is the substantial Shareholder holding approximately 10.01% of the entire issued share capital of the Company. Mediastar International Limited is indirectly wholly-owned by CTFHL.

Both NWHM (Philippines) and NWHML are the indirect wholly-owned subsidiaries of CTFE and CTFE is wholly-owned by CTFHL. Therefore, both NWHM (Philippines) and NWHML are the associates of CTFHL and the connected persons of the Company under the Listing Rules and the entering into of the Supplemental Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability
“CTFHL”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability
“Director(s)”	director(s) of the Company
“Gross Operating Profit”	Total Revenue less costs and expenditure necessary for the operation of the Hotel, including but not limited to cost relating to food and beverages, hotel supplies, utilities, salaries, reserves for capital items, sales and marketing service (base) fee and group marketing fee but without deduction of management (incentive) fee, audit, legal and other professional or special fees relating to the ownership of the Hotel, any rental payment for any rented venue, depreciation, amortisation, property tax and adjudication fees, insurance (except for employer’s liability insurance or worker’s compensation insurance or local insurances of similar effect), interest expenses and other expenses not recognised as costs of operation in accordance with the Uniform System
“Group”	the Company and its subsidiaries
“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”	a hotel situated in Metro Manila, the Philippines

“Hotel Management Agreement”	the hotel management agreement dated 24 June 2014 entered into between NCHI and NWHM (Philippines) for the provision of management and other related services by NWHM (Philippines) in respect of the Hotel
“Hotel Management Supplemental Agreement”	the supplemental agreement to the Hotel Management Agreement dated 29 June 2017 entered into between NCHI and NWHM (Philippines)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NCHI”	New Coast Hotel, Inc., an indirect wholly-owned subsidiary of the Company, a company incorporated in the Philippines and the owner of the property for the operation of the Hotel
“NWHM (Philippines)”	NWH Management Philippines, Incorporated, an indirect wholly-owned subsidiary of CTFE, a company established under the laws of the Philippines
“NWHML”	New World Hotel Management Limited, an indirect wholly-owned subsidiary of CTFE, a company incorporated in Hong Kong with limited liability
“Peso”	Philippine Peso, the lawful currency of the Philippines
“Philippines”	the Republic of the Philippines
“Proposed Annual Caps”	the maximum aggregate estimated annual values payable by the Group
“Sales and Marketing Agreement”	the sales and marketing agreement dated 24 June 2014 entered into between NCHI and NWHML for the provision of sales and marketing services by NWHML in respect of the Hotel
“Sales and Marketing Supplemental Agreement”	the supplemental agreement to the Sales and Marketing Agreement dated 29 June 2017 entered into between NCHI and NWHML
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement

“Total Revenue”	the direct and indirect revenue derived from the operation of the Hotel, including but not limited to rooms revenue, revenue from food and beverages, income received from leases of shops area, commission or addition payments earned by the Hotel from other parties who provide ancillary services or goods in the Hotel and other income considered as taxable income by the local tax authority
“Uniform System”	the Uniform System of Accounts for the Lodging Industry, as is now, or may from time to time hereafter be, published by the Hotel Association of New York City, Inc. and adopted by the American Hotel & Lodging Association (currently, the Eleventh Revised Edition, 2014)
“%”	per cent

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

Hong Kong, 29 June 2017

As at the date of this announcement, the executive Directors are Dr. Choi Chiu Fai Stanley, Mr. Lam Yat Ming and Mr. Zhang Yan Min; and the independent non-executive Directors are Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.