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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: 8118)

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

THE AGREEMENT

On 7 May 2010 after trading hours, the Company as vendor and the Purchaser as purchaser entered into the Agreement whereby the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration of HK\$1,830 million, subject to adjustments as provided in the Agreement. Immediately after Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company.

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal will constitute a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Disposal is subject to the requirements of reporting, announcement and approval of the Shareholders.

A circular containing, among other things, details of the Disposal and a notice of the EGM will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the GEM was suspended with effect from 9:30 a.m. on 10 May 2010 at the request of the Company pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the GEM with effect from 9:30 a.m. on 12 May 2010.

THE AGREEMENT

Date

7 May 2010, after trading hours

Parties

Vendor : The Company

Purchaser : Power Link Fortune Limited

The registered and beneficial owners of the Purchaser are the majority shareholders of City Honour, which is the registered and beneficial owner of 50% equity interest in Macau Co. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the terms and conditions of the Agreement, the Company has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of Fortune Gate and the Sale Loan represents the entire amount of shareholder's loan owing from Fortune Gate to the Company as at Completion. As at the date of the Agreement (but before the Reorganisation), Fortune Gate was indebted to the Company for approximately HK\$257 million.

As at the date of the Agreement, Fortune Gate is the registered and beneficial owner of 40% equity interest in Macau Co which in turn is the registered and beneficial owner of the Property which comprises the Development. Macau Co is the Group's associated company.

Transaction Consideration

Pursuant to the Agreement, the Transaction Consideration of HK\$1,830 million (subject to adjustments as provided in the Agreement) shall be paid by the Purchaser to the Company by way of cash in the following manner:–

- (a) a sum of HK\$366 million (the “**Deposit**”), being 20% of the Transaction Consideration, has been paid upon the signing of the Agreement; and
- (b) the balance of the Transaction Consideration (subject to adjustments as provided in the Agreement) shall be paid upon Completion.

If the Net Amount of Macau Co Group as at Completion shall not be zero, the Transaction Consideration will be adjusted upwards or downwards by 40% of the difference.

The Transaction Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and after taking into account (i) the remaining term of the existing casino service agreement of approximately 10 years; (ii) the existing equity interest of Macau Co held by the Company is only 40%; (iii) the restriction on the transfer of equity interest in Macau Co to third party unless with the prior consent of the shareholders of Macau Co; and (iv) the Transaction Consideration represents approximately 4.06 times of the original investment cost in Macau Co of approximately HK\$451 million and the Group may record a potential gain on the Disposal.

Conditions precedent

Completion is subject to the following conditions:

- (a) the compliance by the Company of all relevant provisions of the GEM Listing Rules and all requirements of the Stock Exchange, including but not limited to the passing of the necessary resolution by the Shareholders (other than those who are required to abstain from voting under the GEM Listing Rules) approving the entering into of the Agreement and the performance of the transactions contemplated thereunder by the Company;
- (b) completion of the Reorganisation;
- (c) all necessary governmental and regulatory (including the Stock Exchange) approvals or consents (or waivers) required by the parties to the Agreement or any of them for the consummation of the transactions contemplated therein having been obtained; and
- (d) all necessary third party approvals or consents (or waivers) required by the parties to the Agreement or any of them for the consummation of the transactions contemplated therein having been obtained.

All the conditions above are not waivable. If all the conditions above have not been fulfilled by the Long Stop Date, either party to the Agreement shall be entitled to rescind the Agreement by giving written notice to the other and the Company shall refund the Deposit without interest to the Purchaser whereupon the provisions of the Agreement shall from such date have no further force and effect and the parties thereto shall have no liability thereunder (without prejudice to the rights of the parties in respect of any antecedent breaches).

Completion

Subject to the fulfillment of all the conditions above, Completion will take place on the Completion Date.

Immediately after Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The registered and beneficial owners of the Purchaser are the majority shareholders of City Honour, which is the registered and beneficial owner of 50% equity interest in Macau Co.

INFORMATION ON FORTUNE GATE AND MACAU CO GROUP

Fortune Gate is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. Fortune Gate is an investment holding company and the registered and beneficial owner of 40% equity interest in Macau Co.

Macau Co is a company incorporated in Macau with limited liability and is owned as to 50% by City Honour, 40% by Fortune Gate and 10% by an Independent Third Party. As at the date of the Agreement, the principal assets of the Macau Co consist the Development. Macau Co Group is principally engaged in property development and investment, hotel and entertainment operations in Macau.

Set out below is the unaudited financial information of Fortune Gate for each of the two years ended 31 March 2010 prepared in accordance with the HKFRS:

	Year ended 31 March 2010 (Unaudited) HK\$'000	Year ended 31 March 2009 (Unaudited) HK\$'000
Turnover	–	–
Profit before taxation	29,158	14,920
Profit after taxation	29,158	14,920
	As at 31 March 2010 (Unaudited) HK\$'000	As at 31 March 2009 (Unaudited) HK\$'000
Net assets value	47,266	18,108

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

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

Fortune Gate, the registered and beneficial owner of 40% equity interest in Macau Co, is a minority shareholder. The Transaction Consideration represents approximately 4.06 times of the original investment cost in Macau Co of approximately HK\$451 million comprising 40% equity interest in Macau Co of approximately HK\$363 million and shareholder's loan of approximately HK\$88 million. The Company considers that the Transaction Consideration is attractive and the terms of the Agreement are fair and reasonable. Although the Company originally intended to hold the investment in Macau Co, through its interest in Fortune Gate, as a long term investment, the Company accepted the good offer and entered into the Agreement with the Purchaser.

The Company intends to apply the net proceeds from the Disposal as general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

A potential gain of approximately HK\$787 million, subject to the confirmation by the auditor of the Company, is expected to be recognised by the Group for the year ending 31 March 2011. The potential gain is calculated based on the difference between the Transaction Consideration and 40% of the unaudited net assets value of the Macau Co Group as at 31 December 2009, less the unaudited amount due from an associate as at 31 December 2009 as disclosed under the section headed "Financial Assistance to an Associated Company" in the unaudited third quarterly report of the Group for the nine months ended 31 December 2009, assuming there will be no adjustment to the Transaction Consideration.

The unaudited net assets of Macau Co Group as at 31 December 2009 was approximately HK\$1,745 million and the unaudited amount due from Macau Co to Fortune Gate as at 31 December 2009 was approximately HK\$345 million.

Immediately after Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company. The accounts of Fortune Gate will no longer be consolidated to the consolidated financial statements of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and the conditions of the Agreement including the Transaction Consideration are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

GENERAL

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal will constitute a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Disposal is subject to the requirements of reporting, announcement and approval of the Shareholders.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder is required to abstain from voting in respect of the proposed resolution approving the Disposal at the EGM. A circular containing, among other things, details of the Disposal and a notice of the EGM will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

RESUMPTION OF TRADING IN SHARES

Trading in the Shares on the GEM was suspended with effect from 9:30 a.m. on 10 May 2010 at the request of the Company pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the GEM with effect from 9:30 a.m. on 12 May 2010.

DEFINITIONS

“Agreement”	the conditional sale and purchase agreement dated 7 May 2010 entered into between the Company as vendor and the Purchaser as purchaser in relation to the sale and purchase of the Sale Share and the Sale Loan
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted and in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“City Honour”	City Honour Development Limited, a company incorporated under the laws of the British Virgin Islands and the registered and beneficial owner of 50% equity interest in Macau Co
“Company”	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8118)
“Completion”	completion of the Disposal
“Completion Date”	subject to fulfilment of all the conditions precedent set out in the Agreement, the day falling six (6) months after the date of the Agreement, or such other date as the Company and the Purchaser may agree in writing on which Completion shall take place

“Development”	the development situated at the Property as at the date of the Agreement, comprising (i) residential units; (ii) commercial units; (iii) hotel with casino facilities; and (iv) parking facilities
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Loan by the Company to the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of approving, among other matters, the Disposal
“Fortune Gate”	Fortune Gate Overseas Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who, to the best of the Directors’ knowledge and information and having made all reasonable enquiries, is(are) not connected person(s) (as defined in the GEM Listing Rules) of the Company and is(are) independent of and not connected with the Company and its connected persons
“Long Stop Date”	seven (7) Business Days prior to the Completion Date or such later date as the Company and the Purchaser may agree in writing

“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Co”	Arc of Triumph Development Company Limited, a company incorporated under the laws of Macau with limited liability and owned as to 50% by City Honour, 40% by Fortune Gate and 10% by an Independent Third Party
“Macau Co Group”	Macau Co and its subsidiaries
“Net Amount”	the net amounts (as defined in the Agreement) being the net amounts as shown in the Audited Completion Accounts (as defined in the Agreement) as at Completion, details of which are set out in the Agreement
“percentage ratios”	has the meaning as defined in Rule 19.07 of the GEM Listing Rules
“Property”	the land parcel of approximately 7,128 square meters located at Avenida Sir Anders Ljungstedt (倫斯泰特大馬路) in Macau
“Purchaser”	Power Link Fortune Limited, a company incorporated in the British Virgin Islands with limited liability and the beneficial owners of which are the majority shareholders of City Honour
“Reorganisation”	the reorganisation of Fortune Gate such that immediately prior to Completion the sole asset of Fortune Gate is its investment in Macau Co and Fortune Gate has no other liability except the Sale Loan
“Sale Loan”	the entire amount of the interest free shareholder’s loan owing from Fortune Gate to the Company as at Completion
“Sale Share”	1 ordinary share of US\$1.00 in the issued share capital of Fortune Gate, representing the entire issued share capital of Fortune Gate
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction Consideration”	HK\$1,830 million (subject to adjustments as provided in the Agreement), being the aggregate purchase price for the Sale Share and the Sale Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 11 May 2010

As at the date of this announcement, the Board comprises the following members:–

Executive Directors:

Cheng Kar Shun (*Chairman*)
Lo Lin Shing, Simon (*Deputy Chairman*)
To Hin Tsun, Gerald
Cheng Kam Chiu, Stewart
Cheng Kam Biu, Wilson
Cheng Chi Kong
Cheng Chi Him

Independent non-executive Directors:

Cheung Hon Kit
Kwee Chong Kok, Michael
Lau Wai Piu
Tsui Hing Chuen, William *JP*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the website of the Company at www.ientcorp.com.