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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)**

### **DISCLOSEABLE TRANSACTION**

Reference is made to the Hanny Offer Document dated 13 November 2006 and issued by the Offeror to, among others, the Hanny Shareholders setting out the terms and other particulars of, among others, the Share Offer.

Pursuant to the Hanny Offer Document and in compliance with the Takeovers Code, Kingston Securities has made the Share Offer on behalf of the Offeror on the basis of HK\$3.80 for each Hanny Share.

Immediately prior to the Acceptance, the Group was interested in 5,000,000 Hanny Shares. On 28 November 2006, Lucky Genius accepted the Share Offer in respect of all the 5,000,000 Hanny Shares beneficially owned by it. Immediately following the Acceptance, the Group ceased to be interested in any of the Hanny Shares.

According to the terms of the Share Offer, the Group will receive, before expenses, a sum of HK\$19,000,000 for the Acceptance. The estimated net proceeds receivable by the Group for the Acceptance will amount to approximately HK\$18,800,000. The Directors intend to utilise the net proceeds receivable by the Group for the Acceptance of approximately HK\$18,800,000 as general working capital of the Group.

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Acceptance exceed 5% but are below 25%, the Acceptance constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules.

A circular containing further details of the Acceptance and other information of the Group will be despatched to the shareholders of the Company within 21 days from the publication of this announcement.

### **BACKGROUND**

Reference is made to the Hanny Offer Document dated 13 November 2006 and issued by the Offeror to, among others, the Hanny Shareholders setting out the terms and other particulars of, among others, the Share Offer.

Pursuant to the Hanny Offer Document and in compliance with the Takeovers Code, Kingston Securities has made the Share Offer on behalf of the Offeror on the basis of HK\$3.80 for each Hanny Share.

Immediately prior to the Acceptance, the Group was interested in 5,000,000 Hanny Shares. On 28 November 2006, Lucky Genius accepted the Share Offer in respect of all the 5,000,000 Hanny Shares beneficially owned by it. Immediately following the Acceptance, the Group ceased to be interested in any of the Hanny Shares.

## **THE SHARE OFFER AND THE ACCEPTANCE**

### **The Offeror of the Share Offer**

The Offeror, Famex Investments Limited, an investment holding company incorporated in Hong Kong and an indirect wholly owned subsidiary of ITC Corporation Limited, a company incorporated in Bermuda whose issued shares are listed on the main board of the Stock Exchange.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Offeror and ITC Corporation Limited is a third party independent of and not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

### **Terms of the Share Offer**

Pursuant to the Hanny Offer Document, in compliance with the Takeovers Code, Kingston Securities has made the Share Offer on behalf of the Offeror on the basis of HK\$3.80 for each Hanny Share.

### **Conditions of the Share Offer**

The Share Offer is conditional upon the Offeror having received valid acceptance of the Share Offer which, together with the Hanny Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the period of the Share Offer, will result in the Offeror and parties acting in concert with it holding Hanny Shares representing more than 50% of the voting rights of Hanny.

As stated in the Hanny Offer Document, the Offeror has reserved its right to extend the period of the Share Offer if the above conditions are not fulfilled by the first closing date of the Share Offer on 11 December 2006.

### **Acceptance of the Share Offer**

Immediately prior to the Acceptance, the Group was interested in 5,000,000 Hanny Shares, representing approximately 1.98% of the issued share capital of Hanny.

On 28 November 2006, Lucky Genius accepted the Share Offer in respect of all the 5,000,000 Hanny Shares beneficially owned by it. The 5,000,000 Hanny Shares were acquired by the Group in the open market on the Stock Exchange. Immediately following the Acceptance, the Group ceased to be interested in any of the Hanny Shares.

By accepting the Share Offer, the Group will sell to the Offeror the 5,000,000 Hanny Shares beneficially owned by it free from all liens, charges, encumbrances, equities and third party rights and together with all rights attached thereto.

According to the terms of the Share Offer, the Group will receive a sum of HK\$19,000,000 for the Acceptance.

### **Consideration**

According to the terms of the Share Offer, the Group will receive, before expenses, a sum of HK\$19,000,000 for the Acceptance.

Stamp duty arising in connection with the acceptance of the Share Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the amount payable in respect of the relevant acceptance by the holders of the Hanny Shares, or the market value of the Hanny Shares, whichever is greater, will be deducted from the amount payable to the holders of Hanny Shares who accept the Share Offer.

The estimated net proceeds receivable by the Group for the Acceptance will amount to approximately HK\$18,800,000. The Directors intend to utilise the net proceeds receivable by the Group for the Acceptance of approximately HK\$18,800,000 as general working capital of the Group.

The consideration of HK\$3.80 for each Hanny Share under the Share Offer represents:

- (a) a premium of approximately 1.33% over the closing price of HK\$3.75 per Hanny Share on the Stock Exchange on 28 November 2006, being the date of the Acceptance;
- (b) a premium of approximately 1.44% over the average of the closing prices of approximately HK\$3.746 per Hanny Share on the Stock Exchange for the last five trading days up to and including 28 November 2006, being the date of the Acceptance; and
- (c) a premium of approximately 1.69% over the average of the closing prices of approximately HK\$3.737 per Hanny Share on the Stock Exchange for the last ten trading days up to and including 28 November 2006, being the date of the Acceptance.

### **INFORMATION ON HANNY**

The Hanny Group is principally engaged in the trading of securities, property investments and trading, holding of vessels for sand mining and other strategic investments including investments in associated companies which are listed on the Stock Exchange and the Singapore Exchange Limited and long-term convertible notes issued by companies whose issued shares are listed on the Stock Exchange. Hanny itself is also an investment holding company.

According to the audited consolidated financial statements of the Hanny Group for each of the years ended 31 March 2006 and 31 March 2005 as extracted from the annual report of Hanny for the year ended 31 March 2006, (i) for the year ended 31 March 2006, Hanny Group had a turnover of approximately HK\$316,638,000, the loss before and after income tax and extraordinary items of Hanny Group was approximately HK\$144,092,000 and HK\$96,004,000 respectively, and (ii) for the year ended 31 March 2005, Hanny Group had a turnover of approximately HK\$257,656,000, the loss before and after income

tax and extraordinary items of Hanny Group was approximately HK\$248,508,000 and HK\$100,238,000 respectively.

As at 31 March 2006, the audited total assets of Hanny Group were approximately HK\$4,193,180,000 and the audited total liabilities of the Hanny Group were approximately HK\$1,973,857,000. The audited net assets of the Hanny Group amounted to approximately HK\$2,219,323,000 as at 31 March 2006.

## **REASONS FOR THE ACCEPTANCE**

The principal activities of the Group are the provision of network solutions, project services, and the acquisitions, financing, production and worldwide licensing of theatrical film in a variety of genres.

The 5,000,000 Hanny Shares beneficially owned by the Group represented approximately 1.98% of the issued share capital of Hanny as at the date of this announcement and with such a relatively small percentage holding, such 5,000,000 Hanny Shares were only accounted for as available-for-sale financial assets in the Group's financial statements. In arriving at its decision for the Acceptance, the Directors have considered, among other factors: (i) the less prominent strategic value of the Hanny Shares to the Group as outlined above; (ii) the recent trading prices of the Hanny Shares as set out in the section headed "Consideration" above in this announcement, which is below the offer price under the Share Offer; and (iii) the ability of the Group to dispose of all the 5,000,000 Hanny Shares in the open market at a consideration higher than the offer price under the Share Offer without depressing the share price, as the daily trading volume of the Hanny Shares as quoted on the Stock Exchange for the last three months preceding this announcement is on average less than 1,000,000 Hanny Shares. In this regard, the Directors have also taken into account of the trading volume of the Hanny Shares.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that the Share Offer represents a good opportunity for the Group to realise its investments in Hanny and the Acceptance is in the interests of the Company and its shareholders as a whole and is fair and reasonable as far as the Company and its shareholders are concerned.

## **FINANCIAL EFFECT OF THE ACCEPTANCE**

By the Acceptance, the Group will record an unaudited gain on disposal of approximately HK\$5,500,000, which will be reflected in the consolidated income statement of the Group for the year ending 31 March 2007. The unaudited gain on disposal to be recorded by the Group is calculated by deducting the purchase cost of the 5,000,000 Hanny Shares of approximately HK\$13,500,000 from the consideration receivable by the Group for the Acceptance of HK\$19,000,000.

## **GEM LISTING RULES IMPLICATION**

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Acceptance exceed 5% but are below 25%, the Acceptance constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules.

## **GENERAL**

A circular containing, among other matters, further details of the Acceptance and other information of the Group will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acceptance”	the acceptance of the Share Offer by the Group in respect of all the 5,000,000 Hanny Shares beneficially owned by the Group pursuant to the terms of the Share Offer
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hanny”	Hanny Holdings Limited, a company incorporated in Bermuda and the issued shares of which are listed on the main board of the Stock Exchange
“Hanny Group”	Hanny and its subsidiaries
“Hanny Offer Document”	the offer document dated 13 November 2006 and issued by the Offeror to, among others, the holders of the Hanny Shares setting out the terms and other particulars of, among others, the Share Offer
“Hanny Shareholders”	holders of Hanny Shares
“Hanny Shares”	ordinary shares of HK\$0.01 each in the issued share capital of Hanny
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingston Securities”	Kingston Securities Limited, a licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Lucky Genius”	Lucky Genius Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Offeror”	Famex Investments Limited, an investment holding company incorporated in Hong Kong and an indirect wholly owned subsidiary of ITC Corporation Limited, a company incorporated in Bermuda whose issued shares are listed on the main board of the Stock Exchange
“parties acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“PRC”	the People’s Republic of China
“Share Offer”	the mandatory conditional cash offer made by Kingston Securities for and on behalf of the Offeror for all, among others, the Hanny Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it (other than Cobbleford Limited))
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the board of directors of  
**International Entertainment Corporation**  
**Kwok Chi Kin**  
*Company Secretary*

Hong Kong, 5 December 2006

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

*Executive Directors:*  
Cheng Kar Shun (*Chairman*)  
Lo Lin Shing, Simon  
To Hin Tsun, Gerald  
Choi Wing Kin  
So Kam Wing

*Non-executive Director:*

Wu Wing Kin

*Independent non-executive Directors:*

Cheung Hon Kit

Kwee Chong Kok, Michael

Wong Chi Keung

*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 on the GEM website on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at [www.cyberonair.com](http://www.cyberonair.com).*