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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)

EXERCISE OF THE PURCHASE OPTION TO ACQUIRE 40% INTEREST IN A PROPERTY, HOTEL AND ENTERTAINMENT OPERATION IN MACAU (A CONNECTED TRANSACTION AND A VERY SUBSTANTIAL ACQUISITION CONSIDERED AS AN APPLICATION FOR NEW LISTING)

Financial Adviser



The Board is pleased to announce that on 17 March 2005, the Company exercised the Purchase Option pursuant to which the Company will acquire the entire Macau Interest in accordance with the terms of the Acquisition Agreement.

The consideration attributable to the exercise of the Purchase Option of HK\$363.2 million (subject to adjustments) will be paid in cash. The initial consideration was arrived at after arm's length negotiations among the parties with reference to the investment cost of the Macau Vendor. The indicative valuation of the Macau Property as at 28 February 2005 made by Sallmanns (Far East) Limited, an independent valuer, was about HK\$910 million, which was about HK\$842.9 million above the unaudited book value of the Macau Property (adjusted by the land premium to be paid) as recorded in the unaudited management accounts of the Macau Company as at 30 September 2004.

Under the GEM Listing Rules, the Acquisition (including the exercise of the Purchase Option) will constitute a connected transaction and a very substantial acquisition of the Company and the Stock Exchange has indicated to the Company that it will treat the Company as a new listing applicant if the Acquisition proceeds. In this regard, a new listing application will be submitted to the Stock Exchange by the Company in due course.

As Completion is subject to the fulfilment of the Conditions Precedent including the approval by the Listing Committee of the new listing application to be made by the Company as a result of the Acquisition, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares.

We refer to the Announcement in relation to the possible acquisitions of hotel and entertainment operations in the Philippines and Macau by the Company. Since the Purchase Option has been exercised, the Reorganisation will include the transfer of the Macau Interest to the Acquired Company or its subsidiaries. Therefore, on Completion, by acquiring the Sale Shares, the Company will have acquired the 51% attributable interest in the Hotel Group and the Macau Interest.

Exercise of the Purchase Option

CTF, through its wholly-owned subsidiary, holds approximately 50.9% equity interest of the Company as at the date of this announcement. Pursuant to the Acquisition Agreement entered into among Cross-Growth, the Company and CTF in relation to the Acquisition on 23 November 2004, Cross-Growth and CTF have given the Company the right to purchase (through the Acquired Company) 40% of the equity interest in the Macau Company and 40% of the related shareholders' loan (which balance was approximately MOP 25.7 million (approximately HK\$24.7 million) as at 30 September 2004) from the Macau Vendor at the price of HK\$363.2 million (subject to adjustments), which represents the investment cost of the Macau Vendor in the Macau Interest. As disclosed in the Announcement, the consideration will be adjusted upwards on a dollar for dollar basis by additional investment (in terms of equity or advances) made by the Macau Vendor attributable to the 40% interest in the Macau Company before Completion to fund working capital of the Macau Company and land premium which may be payable for any government approved increase in gross floor area for the Macau Property in excess of the area under the current plan, with the consent of the Company.

The Company is an investment holding company. Through its subsidiaries, its principal activities comprise the provision of project services, network solutions, application solutions, technology project and multimedia services, and the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres. The Directors consider that the exercise of the Purchase Option is in the interests of the Company and the Shareholders as a whole because the business conducted by the Macau Company is in line with the overall investment strategy of the Company. Therefore, on 17 March 2005, the Company exercised the Purchase Option pursuant to which the Company will acquire the entire Macau Interest in accordance with the terms of the Acquisition Agreement by serving a notice of exercise of the Purchase Option on Cross-Growth. The consideration attributable to the exercise of the Purchase Option of HK\$363.2 million (subject to adjustments as described above) will be paid in cash raised from the Rights Issue upon Completion. The initial consideration for the Macau Interest of HK\$363.2 million was arrived at after arm's length negotiations among the parties with reference to the investment cost of the Macau Vendor. The indicative valuation of the Macau Property as at 28 February 2005 made by Sallmanns (Far East) Limited, an independent valuer, was about HK\$910 million, which was about HK\$842.9 million above the unaudited book value of the Macau Property (adjusted by the land premium to be paid) as recorded in the unaudited management accounts of the Macau Company as at 30 September 2004.

Information on the Macau Company

As disclosed in the Announcement, upon Completion, the Acquired Company will become a wholly-owned subsidiary of the Company holding 51% of the Hotel Group and 40% of the Macau Company. Accordingly, upon Completion, the financial results of the Macau Company will be equity accounted for in the consolidated financial statements of the Company. The Macau Company's principal asset is the Macau Property. The Macau Property, comprising a land with an area of approximately 7,128 square metres located at Novos Aterros do Porto Exterior (新口岸外港填海區), Macau, is currently vacant. According to the current development plan, the Macau Property will be developed into a super deluxe residential, hotel and entertainment complex, comprising about 230 apartments, 400 hotel rooms, a casino and shopping area.

Based on its unaudited management accounts prepared under accounting principles generally accepted in Macau, the Macau Company had unaudited total assets and net assets value of approximately MOP 25.9 million (approximately HK\$24.9 million) and approximately MOP 177,000 (approximately HK\$170,000) respectively, as at 30 September 2004. The Macau Company did not record any unaudited profit and loss for the year ended 31 December 2003 and the nine months ended 30 September 2004.

General

Under the GEM Listing Rules, the Acquisition (including the exercise of the Purchase Option) will constitute a connected transaction and a very substantial acquisition of the Company and the Stock Exchange has indicated to the Company that it will treat the Company as a new listing applicant if the Acquisition proceeds. In this regard, a new listing application will be submitted to the Stock Exchange in due course.

The Circular containing further particulars of the Acquisition, the Acquired Group, the Macau Company and the Rights Issue as required by the GEM Listing Rules, the recommendations of the independent board committee of the Company in respect of the Acquisition and the Rights Issue, a letter of advice from an independent financial adviser to be appointed by the Company to advise its independent board committee and the Independent Shareholders in respect of the Acquisition and the Rights Issue, an accountants' report on the Acquired Group, a property valuation report relating to the property interests of the Acquired Group, the Company and its subsidiaries and a notice convening the EGM will be sent to the Shareholders within 7 days of the date on which the Listing Committee approves the Company's new listing application but not later than 30 September 2005. CTF and its associates will abstain from voting on the proposed resolution approving the Acquisition, the Rights Issue and the issue of Convertible Note. The Circular will be despatched at the same time as or before the Company gives notice of the EGM to the Shareholders.

As Completion is subject to the fulfilment of the Conditions Precedent including the approval by the Listing Committee of the new listing application to be made by the Company as a result of the Acquisition, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares.

Definitions

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

“Acquired Company”	Fortune Gate Overseas Limited, a company incorporated in the British Virgin Islands on 8 November 2004 and legally and beneficially owned by the CTF Group;
“Acquired Group”	the Acquired Company and its subsidiaries as at Completion;
“Acquisition”	the proposed acquisition of the Sale Shares and Sale Loans by the Company pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the acquisition agreement dated 23 November 2004 entered into among Cross-Growth, the Company and CTF in relation to, among other things, the Acquisition;

“Announcement”	the announcement of the Company dated 23 November 2004 in relation to the Acquisition;
“associate”	has the meaning ascribed to it in the GEM Listing Rules;
“Board”	the board of Directors from time to time;
“Cheng Family”	Dr. Cheng Kar Shun and members of his family including his parents, spouse and children, parents of his spouse, the spouses of his children, his siblings and their respective spouses and children;
“Circular”	the circular to the Shareholders to be issued by the Company in connection with the Acquisition as required under the GEM Listing Rules;
“Company”	International Entertainment Corporation (formerly known as Cyber On-Air Group Company Limited), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares and Sale Loans in accordance with the provisions of the Acquisition Agreement;
“Conditions Precedent”	the conditions precedent of the Acquisition Agreement;
“Conversion Price”	initially HK\$2 per Conversion Share (subject to adjustments);
“Conversion Shares”	the Shares which fall to be issued upon the exercise of conversion rights attached to the Convertible Note;
“Convertible Note”	a HK\$400,000,000 convertible note to be issued by the Company pursuant to the Acquisition Agreement, which is convertible into Conversion Shares at the Conversion Price;
“Cross-Growth”	Cross-Growth Co., Ltd., a company incorporated in the British Virgin Islands and wholly-owned by CTF;
“CTF”	Chow Tai Fook Enterprises Limited, the indirect controlling shareholder of the Company, a company incorporated in Hong Kong with limited liability and controlled by the Cheng Family;
“CTF Group”	CTF and its subsidiaries (excluding the Group and the Acquired Group);
“Directors”	directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, among other matters, the Acquisition, the Rights Issue and other transactions contemplated under the Acquisition Agreement which will be announced later if necessary;

“Excluded Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) is/are in a place(s) outside Hong Kong where, the directors of the Company, based on legal opinions provided by legal advisers, consider it necessary or expedient to exclude any such Shareholder on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place;
“Flexi-Deliver”	Flexi-Deliver Holding Ltd., an intermediate holding company through which the CTF Group holds its interest in the Hotel Group. It is beneficially owned by the CTF Group, Mr. Ho Hin Tsun Gerald, Mr. William Doo Wai Hoi, an Independent Third Party and Mr. Chan Kam Ling as to 73%, 11%, 8%, 5% and 3% respectively;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hotel Group”	Flexi-Deliver and its subsidiaries, and Pride Ever;
“Hotel Interest”	the 51% attributable interest in the Hotel Group to be held by the Acquired Company;
“Independent Shareholders”	Shareholders other than Mediastar, CTF and their respective associates;
“Independent Third Party”	a party who, to the best of the Board’s knowledge, information and belief having made all reasonable enquiry, is independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company;
“Listing Committee”	the listing committee of the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the People’s Republic of China;
“Macau Company”	Arc of Triumph Development Company Limited, a company incorporated in Macau and owned as to 40% by the Macau Vendor;
“Macau Interest”	40% equity interest in the Macau Company and related shareholders loans;

“Macau Property”	a parcel of land with an area of about 7,128 square metres located at Novos Aterros do Porto Exterior (新口岸外港填海區), Macau;
“Macau Vendor”	Cheung Hung Development (Holdings) Limited, a company incorporated in Hong Kong and owned as to 48.75% by the CTF Group, 48.75% by members of the Cheng Family and 2.5% by an Independent Third Party;
“Mediastar”	Mediastar International Limited, the controlling shareholder of the Company, which is wholly-owned by CTF;
“MOP”	Macau pataca, the lawful currency of Macau;
“Pride Ever”	Pride Ever Resources Ltd., a company through which funding has been provided to the Hotel Group. It is beneficially owned by the CTF Group, Mr. To Hin Tsun Gerald, Mr. William Doo Wai Hoi, an Independent Third Party and Mr. Chan Kam Ling as to 73%, 11%, 8%, 5% and 3% respectively;
“Purchase Option”	the option in favour of the Company to purchase the Macau Interest;
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses, as shown on the register of members of the Company, are in Hong Kong;
“Record Date”	a date to be determined by the Board by reference to which entitlements to the Rights Issue are to be determined;
“Reorganisation”	the corporate reorganisation to facilitate completion of the acquisition of the Acquired Group by the Company pursuant to the Acquisition Agreement;
“Rights Issue”	the issue by way of rights to the Qualifying Shareholders on a basis to be determined by the Board to raise about HK\$1,229 million at a subscription price of HK\$1.5 per Rights Share;
“Rights Share(s)”	new Share(s) to be issued and allotted under the Rights Issue;
“Sales Loans”	all amounts due as at the date of Completion from members of the Acquired Group to the CTF Group, which amount will not be less than HK\$578.8 million if the Purchase Option is not exercised and not less than HK\$942 million if the Purchase Option is exercised;
“Sale Shares”	the entire issued share capital of the Acquired Company legally and beneficially owned by the CTF Group as at the date of the Acquisition Agreement and at Completion;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company;

“Shareholder(s)” holder(s) of the Shares; and

“Stock Exchange” The Stock Exchange of Hong Kong Limited.

By order of the board of
International Entertainment Corporation
Cheng Kar Shun
Chairman

Hong Kong, 17 March 2005

For the purpose of this announcement, the exchange rate of MOP1.04 = HK\$1 has been used.

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

Executive Directors:

Cheng Kar Shun (*Chairman*)

Lo Lin Shing, Simon

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.cyberonair.com.