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**IMAGI INTERNATIONAL HOLDINGS LIMITED**

意馬國際控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00585)**

**IDEA TALENT LIMITED**

*(incorporated in the British Virgin Islands*

*with limited liability)*

**ANNOUNCEMENT OF IMAGI INTERNATIONAL HOLDINGS LIMITED  
PROPOSALS IN RELATION TO:**

- (1) CAPITAL REORGANISATION INVOLVING  
SHARE CONSOLIDATION AND CAPITAL REDUCTION;**
  - (2) BRIDGING LOAN PROVIDED BY IDEA TALENT LIMITED;**
  - (3) DEBT RESTRUCTURING WITH CORE CREDITORS;**
  - (4) RIGHTS ISSUE IN THE PROPORTION OF FOUR RIGHTS SHARES FOR  
EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE AT HK\$0.07  
PER RIGHTS SHARE;**
  - (5) SUBSCRIPTION OF NEW ADJUSTED SHARES BY IDEA TALENT LIMITED;**
  - (6) GRANT OF OPTIONS TO IDEA TALENT LIMITED AND CORE CREDITORS;**
  - (7) WHITEWASH WAIVER;**
  - (8) SPECIAL DEALS;**
  - (9) CONNECTED TRANSACTIONS IN RESPECT OF THE TRANSACTIONS  
CONTEMPLATED UNDER (3) AND (6) ABOVE,**
  - (10) CHANGE IN BOARD LOT SIZE,**
- AND**
- RESUMPTION OF TRADING IN THE SHARES**

**FINANCIAL ADVISER TO  
IMAGI INTERNATIONAL HOLDINGS LIMITED**



**UNDERWRITER OF THE RIGHTS ISSUE**



\* For identification purposes only

The Board is pleased to announce that after trading hours on 10 February 2010, the Company has entered into the Transaction Documents with, amongst others, the Investor, the Underwriter and the Core Creditors. If successfully implemented, the transactions contemplated under the Transaction Documents would have the following effects:

- (i) provision of a bridging loan of HK\$20,000,000 by the Investor to meet the Company's short-term working capital requirements;
- (ii) reorganisation of the Company's share capital;
- (iii) restructuring and settlement of the Company's indebtedness to the Core Creditors of approximately HK\$241,108,160;
- (iv) an underwritten Rights Issue to raise gross proceeds of not less than HK\$100,800,000;
- (v) subscription of new shares in the Company by the Investor for not less than HK\$131,600,000;
- (vi) grant of Options to the Core Creditors and the Investor to subscribe for new Adjusted Shares in the Company;
- (vii) consent by the Executive on the whitewash waiver application by the Investor and special deal under the Takeovers Code; and
- (viii) introduction of the Investor as controlling shareholder of the Company.

**The implementation of the above-mentioned transactions is subject to the fulfilment of a number of conditions precedent. There is no certainty that the Transactions, either in whole or in part, can be executed and that the funding can be obtained. Shareholders are therefore urged to exercise extreme caution in dealing in the Shares.**

### **Capital Reorganisation**

The Board would like to announce a proposal for the Capital Reorganisation which shall entail the proposed Share Consolidation, whereby every ten issued and unissued Shares of par value of HK\$0.10 each will be consolidated into one Consolidated Share of HK\$1.00. Pursuant to the Capital Reduction, the par value of each Consolidated Share will then be reduced from HK\$1.0 to HK\$0.001 by the cancellation of HK\$0.999 of the par value on each Consolidated Share resulting in the new par value of HK\$0.001 for each Adjusted Share.

### **Bridge Loan Agreement**

The Company has obtained the Investor Loan to assist the Company in funding its short-term working capital requirements.

## **Intercreditors' Agreement**

The Board would like to announce that after trading hours on 10 February 2010, the Company, the Investor and the Core Creditors entered into the Intercreditors' Agreement pursuant to which the Core Creditors have agreed (i) not to exercise or enforce any of its rights or remedies or take any legal proceedings or accelerate or demand repayment of any principal or interest owing to each of them under their respective Relevant Debt; (ii) that their Relevant Debt shall be subordinated to and junior in right of payment to the Investor Loan and Trophy Advance; and (iii) subject to, amongst others, the completion of the Rights Issue and the Share Subscription Agreement, to accept by way of full settlement of their respective Relevant Debt, an aggregate amount of approximately US\$9,000,000 in cash, the allotment of the Conversion Shares and the grant of Options to subscribe for 400,000,000 Adjusted Shares pursuant to the Option Agreements (as further described below).

## **Rights Issue**

The Company proposes to raise gross proceeds of not less than HK\$100,800,000, by way of a rights issue of not less than 1,440,607,352 Rights Shares at the subscription price of HK\$0.07 per Rights Share, on the basis of four Rights Shares for every one Adjusted Share in issue on the Record Date. The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the options granted under the Share Option Scheme on or before the Record Date. The Rights Issue will only be available to the Qualifying Shareholders. Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted four Rights Shares in nil-paid form for every one Adjusted Share held on the Record Date.

The estimated gross proceeds of the Rights Issue will be not less than HK\$100,800,000. The Company intends to use the proceeds principally to strengthen its financial position, as well as finance the repayment of the then outstanding amount of the Investor Loan, the Trophy Advance, the payment of approximately US\$9,000,000 to the Core Creditors pursuant to the Intercreditors' Agreement, the Company's liabilities and working capital.

The Rights Issue is subject to the satisfaction of certain conditions precedent stated under the paragraph headed "Conditions of the Rights Issue", and is fully underwritten by the Underwriter. Pursuant to the Sub-underwriting Letter, the Investor has undertaken to subscribe for up to the entire amount of the Underwritten Rights Shares, if called upon by the Underwriter on the terms and subject to conditions of the Sub-underwriting Letter.

## **Share Subscription Agreement**

The Board would like to announce that after trading hours on 10 February 2010, the Company and the Investor entered into the Share Subscription Agreement pursuant to which the Company agreed to issue, and the Investor agreed to subscribe for a total of 1,880,000,000 Adjusted Shares at the subscription price of HK\$0.07 per Adjusted Share for an aggregate consideration of HK\$131,600,000. Furthermore, the Investor may at its option subscribe for Top-up Shares such that the Investor shall beneficially own 52.5% of the then issued share capital of the Company as enlarged by the Rights Issue, the Share Subscription, the Top-up Subscription and the Core Creditors' Share Conversion.

## **Option Agreements**

The Board would like to announce that after trading hours on 10 February 2010, the Company, the Investor and the Core Creditors entered into the Option Agreements whereby the Company has agreed to grant Options to allow the Investor and the Core Creditors to subscribe for an aggregate of 1,900,000,000 Option Shares (at the subscription price of HK\$0.08 per Option Share), at any time during the period of 12 months commencing from the date of completion of the Share Subscription Agreement.

## **Application for Whitewash Waiver**

As at the date of this announcement, the Investor and parties acting in concert with it do not hold any Shares or other securities in the Company nor have they acquired or dealt in any relevant securities in the six months prior to the date of this announcement. Assuming that the Rights Issue and the Share Subscription are successfully completed, the Investor shall become a controlling shareholder of the Company holding more than 30% of the then enlarged issued share capital of the Company. In the circumstances, an obligation on the part of the Investor to make a general offer for all the Adjusted Shares not already owned or agreed to be acquired by the Investor may arise as a result of the successful completion of, amongst others, the Rights Issue, the Share Subscription and the Option Agreements.

An application will be made by the Company and the Investor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM. It is one of the conditions of the Rights Issue that prior to the completion of the Underwriting Agreement there shall be no early termination of the Share Subscription Agreement, which in turn contains a condition that a Whitewash Waiver be granted by the Executive (unless waived by the Investor) and approved by the Independent Shareholders by way of poll at the SGM. Thus, if the Whitewash Waiver is not granted by the Executive (unless waived by the Investor) or not approved by the Independent Shareholders, the Rights Issue and the transactions contemplated under the Share Subscription Agreement, the Option Agreements, and the Core Creditors' debt settlement arrangements (including the Share Conversion) under the Intercreditors' Agreement may not proceed.

The Investor has not made any decision as to whether or not to waive any of the conditions precedent to the Subscription Agreement, including the condition with respect to the granting of the Whitewash Waiver. In the event the Investor agrees to waive the conditions relating to the Whitewash Waiver, the Investor will comply with all relevant requirements under the Takeovers Code, including but not limited to the making of a general offer and further announcements.

## **Special Deals**

Each of (i) the issue of the Adjusted Shares to Trophy Fund and Trophy LV Master Fund pursuant to the Intercreditors' Agreement; (ii) the grant of the Options pursuant to the Intercreditors' Agreement to each of Trophy LV Master Fund and Trophy Fund; and (iii) the use of the proceeds from the Rights Issue to repay the Trophy Advance constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires the consent of the Executive. An application for obtaining such consent will be submitted to the Executive. Such consent, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

### **Connected Transactions**

The issue of the Adjusted Shares to Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited as well as the grant of the Options to Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited pursuant to the Intercreditors' Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the SGM by way of poll.

### **Change in Board Lot Size**

The Shares are currently traded in board lots of 2,000 Shares each on the Stock Exchange. Upon the Capital Reorganisation becoming effective, the Adjusted Shares will be traded in board lots of 8,000 Adjusted Shares each.

### **Suspension and Resumption of Trading**

Trading in the Shares was suspended from 9:30 a.m. on 11 February 2010. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 18 February 2010.

## **1. INTRODUCTION**

Further to the announcement by the Company dated 2 February 2010 in relation to the Exclusivity Agreement, the Board is pleased to announce that after trading hours on 10 February 2010, the Company, the Core Creditors and the Investor (amongst others) have entered into a number of agreements (as summarised below) which, if all are successfully implemented, will allow the Company to stabilise its financial position and introduce the Investor as the controlling shareholder of the Company. The relevant agreements are as follows:

- Bridge Loan Agreement to provide up to HK\$20,000,000 for the short-term working capital needs of the Company;
- Intercreditors' Agreement to restructure and compromise certain existing debts;
- Underwriting Agreement in respect of a rights issue to raise gross proceeds of not less than HK\$100,800,000;
- Share Subscription Agreement to raise not less than HK\$131,600,000; and
- Option Agreements to grant the Investor and the Core Creditors options to subscribe for new Adjusted Shares.

Further details of each of these agreements are set out below in this announcement.

**The implementation of the Transactions is subject to the fulfilment of a number of conditions precedent (as described below). There is no certainty that the Transactions, either in whole or in part, can be executed and that the funding can be obtained. Shareholders are therefore urged to exercise extreme caution in dealing in the Shares.**

## 2. CAPITAL REORGANISATION

### **Consolidation of Shares and reduction in par value**

The Company proposes to carry out a capital reorganisation of the Company's share capital in order to facilitate the implementation of the Company's debt restructuring and recapitalisation plan. This involves:

- a consolidation of the Shares in the ratio of 10 Shares into 1 share with the par value of HK\$1.00 (the "Consolidated Share"); and
- the issued share capital of the Company be reduced by cancelling paid-up capital to the extent of HK\$0.999 on each Consolidated Share in issue on the date the Capital Reduction comes into effect (the "Capital Reduction") so that each issued share in the capital of the Company shall be treated as one fully-paid up share with the par value of HK\$0.001 in the capital of the Company (the "Adjusted Share") and any liability of the holders of the Adjusted Shares to make any further contribution to the capital of the Company on each such Adjusted Share shall be treated as satisfied;
- subject to and forthwith upon the Capital Reduction taking effect, all of the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) be cancelled (the "Diminution") and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK\$1,000,000,000 by the creation of such number of additional Adjusted Shares as shall be sufficient to increase the authorised share capital to HK\$1,000,000,000 in the Company; and
- the credit standing at the share premium account of the Company be cancelled and, together with the credit arising from the Capital Reduction, be transferred to the contributed surplus account of the Company which may be applied to offset accumulated losses of the Company in so far as permitted by the Companies Act 1981 of Bermuda and the bye-laws of the Company.

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 comprising 10,000,000,000 Shares of par value of HK\$0.10 each. Immediately following completion of the Capital Reorganisation, the authorised share capital of the Company will become HK\$1,000,000,000 comprising 1,000,000,000,000 Adjusted Shares of par value of HK\$0.001 each.

The Capital Reorganisation is subject to:

- (i) the approval of Shareholders at the SGM to be convened by the Company;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Adjusted Shares in issue arising from the Capital Reorganisation; and

- (iii) compliance with Section 46(2) of the Companies Act to effect the Capital Reduction, which includes the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act.

No members of the Company are required to abstain from voting on the relevant resolution to approve the Capital Reorganisation at the said SGM. The Undertaking Group, holders of in aggregate 752,703,900 Shares representing approximately 20.9% of the issued share capital of the Company, have given an undertaking to vote in favour of the resolution in respect of the Capital Reorganisation.

### **3. BRIDGE LOAN AGREEMENT**

On 10 February 2010, the Company entered into the Bridge Loan Agreement with the Investor whereunder the Investor has conditionally agreed to provide the Company with the Investor Loan of up to HK\$20,000,000 with the initial HK\$3,500,000 of the facility utilised to fully repay the earnest money owed to the Investor under the Exclusivity Agreement, and with the remaining HK\$16,500,000 facility to be used to assist the Company in funding its working capital requirements.

All amounts owing shall be repayable upon demand by the Investor and also on the occurrence of certain events of default (including but not limited to any material adverse change in the Company's liability position after initial draw-down) or, if no demand has been made, on the date falling 120 days from the date of the Bridge Loan Agreement. Any undrawn facility may be cancelled by the Investor upon the occurrence of certain of these events of default.

Interest on the principal at the rate of 20% per annum shall be payable on the date falling 120 days from the date of the Bridge Loan Agreement.

### **4. INTERCREDITORS' AGREEMENT**

On 10 February 2010, the Company, the Investor and the Core Creditors entered into the Intercreditors' Agreement under which the Core Creditors have agreed, among other things (a) except with the prior written consent of the Investor and/or Trophy Fund, not to exercise or enforce any of its rights or remedies or take or commence any legal proceedings or accelerate or demand repayment of any principal or interest owing to each of them under their respective Relevant Debt, or exercise any right of set-off or otherwise reduce the amount of outstanding Relevant Debt before the earlier of (i) the expiry of six months from the date of the Intercreditors' Agreement; (ii) the date the debt owed to the Investor and Trophy Fund under the Bridge Loan Agreement and Trophy Advance respectively has been fully repaid by the Company; (iii) the date a winding up order is made on the Company; or (iv) the date the Company repudiates any Relevant Debt; and (b) that the Relevant Debt shall be subordinated to and junior in right of payment to and will at all times remain subordinate and subject in right of prior payment to the debt owed to the Investor and Trophy Fund under the Bridge Loan Agreement and Trophy Advance, respectively, such that the Investor Loan shall be repaid first, and thereafter the Trophy Advance, followed by the Relevant Debt.

The Core Creditors have further agreed, subject to the completion of the Rights Issue and the Share Subscription Agreement, to accept in full settlement of their respective Relevant Debt (i) an aggregate amount of approximately US\$9,000,000; (ii) the allotment of the 790,000,000 Conversion Shares at the issue price of HK\$0.07 per Conversion Share (the “Core Creditors’ Share Conversion”) and (iii) the grant of Options to subscribe for 400,000,000 Option Shares at the option price of HK\$0.08 per Option Share pursuant to the Option Agreements, as further described in this announcement.

The basis for the apportionment of the Conversion Shares, Option Shares and cash receivable by the Core Creditors was determined by arm’s length negotiations between the Company, the Investor and the Core Creditors. The following table summarises the amount of cash, Conversion Shares and Option Shares that are receivable by the Core Creditors:

Name of Core Creditor	Relevant Debt* (as at 10 February 2010)	Number of Conversion Shares	Number of Option Shares	Cash Settlement Amount
Goodyear Group Limited	HK\$94,000,000	277,477,800	145,300,000	HK\$24,498,832
Trophy LV Master Fund	HK\$38,000,000	112,171,900	61,200,000	HK\$9,903,783
Trophy Fund	HK\$19,983,160	71,491,100	63,900,000	HK\$6,312,033
Fortunate City Investment Limited	HK\$89,125,000	328,859,200	129,600,000	HK\$29,035,351
<b>TOTAL</b>	<b>HK\$241,108,160</b>	<b>790,000,000</b>	<b>400,000,000</b>	<b>HK\$69,749,999</b>

\* US dollar amounts have been translated into Hong Kong dollar amounts at the rate of US\$1.00 to HK\$7.75

At the request of the Investor, Trophy Fund and Trophy LV Master Fund have undertaken to the Company and to the Investor that they shall not exercise, dispose or subscribe for any of the nil-paid rights to be provisionally allotted to them under the Rights Issue in respect of a total of 654,953,900 Shares held by them, representing 18.2% of the existing issued share capital of the Company. These nil-paid Rights Shares shall be made available for excess application by the Qualifying Shareholders.

## 5. RIGHTS ISSUE

On 10 February 2010, the Company entered into the Underwriting Agreement with the Underwriter whereunder the Underwriter has agreed, amongst other things, to underwrite the Rights Issue to raise gross proceeds of not less than HK\$100,800,000. The following summarises the principal terms of the Rights Issue and the Underwriting Agreement:

### Issue statistics

Basis of the Rights Issue: Four Rights Shares for every one Adjusted Share held on the Record Date

Subscription Price: HK\$0.07 per Rights Share



Number of Shares in issue as at the date of this announcement:	3,601,518,384 Shares
Number of Adjusted Shares in issue (after Capital Reorganisation):	360,151,838 Adjusted Shares assuming no Shares are issued pursuant to the exercise of options granted under the Share Option Scheme on or before the Record Date
Minimum number of Rights Shares:	1,440,607,352 Rights Shares
Gross proceeds of the Rights Issue:	Approximately HK\$100,800,000

As at the date of this announcement, save and except for the Winnington Convertible Note and the outstanding share options issued under the Share Option Scheme, the Company has no outstanding convertible securities or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

The Company's obligation under the Winnington Convertible Note will be fully released and discharged as a result of the completion of the Intercreditors' Agreement under which the Core Creditors will receive an aggregate of approximately US\$9,000,000 in cash, 790,000,000 Adjusted Shares and the Options to subscribe for 400,000,000 Option Shares. In addition, the Winnington Convertible Note will not be exercisable or convertible into Shares or eligible for participation in the Rights Issue pursuant to the terms of the Intercreditors' Agreement.

Under the Rights Issue, based on the existing share capital of the Company (as adjusted by the Share Consolidation) and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, the nil-paid Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue represent 400% of the Company's issued share capital after the Capital Reorganisation but prior to completion of the Rights Issue and the Transactions or approximately 80% of the enlarged issued share capital of the Company immediately after the Capital Reorganisation and the completion of the Rights Issue but before any subscription of Adjusted Shares under the Share Subscription Agreement or Option Agreements.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of subscription rights under options granted under the Share Option Scheme on or before the Record Date. As at the date of this announcement, there are 277,376,956 outstanding share options granted of which 79,577,111 outstanding share options have vested pursuant to the Share Option Scheme. If all the subscription rights attaching to the vested share options are duly exercised and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of Adjusted Shares which is subject of the Rights Issue could increase to 368,109,549. The number of Rights Shares that may be issued pursuant to the Rights Issue and the enlarged share capital of the Company immediately after the Capital Reorganisation upon completion

of the Rights Issue but before any subscription of Adjusted Shares under the Share Subscription Agreement or Option Agreements could correspondingly increase to 1,472,438,196 and 1,840,547,745 respectively.

### **Subscription price**

The subscription price of HK\$0.07 per Rights Share represents:

- a discount of approximately 93.1% to the adjusted closing price (as adjusted by the Share Consolidation) of HK\$1.01 per Adjusted Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 93.8% to the adjusted average closing price (as adjusted by the Share Consolidation) of HK\$1.122 per Adjusted Share for the five consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 94.0% to the adjusted average closing price (as adjusted by the Share Consolidation) of HK\$1.166 per Adjusted Share for the ten consecutive trading days up to and including the Last Trading Day; and
- a discount of approximately 72.9% to the theoretical ex-rights price (as adjusted by the Share Consolidation) of HK\$0.258 per Adjusted Share based on the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day.

### **Basis of provisional allotments**

Four Rights Shares (in nil-paid form) for every one Adjusted Share held as at the close of business on the Record Date.

### **Undertaking by Trophy Fund and Trophy LV Master Fund**

Pursuant to the terms of the Intercreditors' Agreement and at the request of the Investor, Trophy Fund and Trophy LV Master Fund have undertaken to the Company and to the Investor that they shall not exercise, dispose or subscribe for any of the nil-paid rights to be provisionally allotted to them under the Rights Issue in respect of a total of 654,953,900 Shares held by them. These nil-paid Rights Shares shall be made available for excess application by the Qualifying Shareholders.

### **Status of the Rights Shares**

When allotted, issued and fully-paid, the Rights Shares will rank *pari passu* with the then existing Adjusted Shares in issue in all respects. Holders of such Rights Shares will receive all dividends and distributions, which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

## **Fractional entitlements to the Rights Shares**

Fractional entitlements to Rights Shares will not be provisionally allotted. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted to a nominee appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold in the market. The net proceeds of such sale will be retained by the Company for its own benefit. Any unsold Rights Shares will be made available for excess application by the Qualifying Shareholders.

## **Non-Qualifying Shareholders**

The Prospectus will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. If there are any Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong as at the Record Date, the Company will exclude such Overseas Shareholders from the Rights Issue if based on advice provided by appropriate legal advisers, the Directors consider that such exclusion is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or requirements of the relevant regulatory body or stock exchange in that place pursuant to Rule 13.36(2) of the Listing Rules. As the Rights Shares will not be offered to such Non-Qualifying Shareholders, the Company will send the Prospectus only (without any Provisional Allotment Letter and EAFs) to the Non-Qualifying Shareholders for their information.

The Company will make arrangements for Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences and before dealing in nil-paid Rights Shares ends, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible, provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any unsold entitlements of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

## **Closure of register of members**

The register of members of the Company will be closed from 31 March 2010 to 7 April 2010 (both dates inclusive). No transfers of Shares will be registered during this period. The Company will publish an announcement in respect of the timetable regarding the Rights Issue as and when appropriate.

## **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of Non-Qualifying Shareholders, any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, and any unsold Rights Shares created by aggregating fractions of the Rights Shares.

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (a) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and
- (b) subject to availability of excess Rights Shares after allocation under principle (a) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess Rights Shares in proportion to the Shares held by them at the Record Date, and with board lot allocations to be made on a best efforts basis.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications on their own names as against through nominees who also hold Shares for other Shareholders/investors. The investors whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the investors whose Shares are registered in the name of the nominee companies should note that the aforesaid arrangement in relation to be allocation of excess Rights Shares will not be extended to beneficial owners individually. Shareholders and investors should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names and apply for the excess Rights Shares themselves.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for completion of the relevant registration at a time and on the date to be announced by the Company in due course.

### **Share Option Scheme**

As at the date of this announcement, there are 277,376,956 outstanding share options granted pursuant to the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, adjustments to the outstanding share options may be made upon the Rights Issue becoming unconditional. Further details on such adjustment, if any, will be made as and when necessary.

### **Application for listing**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing or permission to deal in the same is being or is proposed to be sought, on any other stock exchange.

As set out in paragraph headed “Change of Board Lot Size” of this announcement, nil-paid Rights Shares are expected to be traded in board lots of 8,000 (the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Conditions of the Rights Issue**

The obligations of the Underwriter under the Underwriting Agreement are conditional on:

- (i) the passing by the Shareholders (or Independent Shareholders, if required under the Listing Rules and/or Takeovers Code) at the SGM of resolution(s) to approve the Transaction Documents and the Transactions contemplated thereunder the sub-underwriting arrangements between the Investor and the Underwriter (to the extent required under the Listing Rules and Takeover Code or the terms thereof), including the Rights Issue, Capital Reorganisation, the issue of the Subscription Shares, the Top-up Shares, the Option Shares and the Conversion Shares;
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Adjusted Shares, Rights Shares (in their nil-paid and fully-paid forms prior to commencement of dealings of the Rights Shares in nil-paid form and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date), Subscription Shares, Top-up Shares, Option Shares and the Conversion Shares;
- (iii) the consent of the Executive under Rule 25 of the Takeovers Code for the repayment of the amount due to the Core Creditors and issue of Conversion Shares to the Core Creditors’ Share Conversion under the Intercreditors’ Agreement, the issue of the Option Shares to the Core Creditors under the Option Agreements;
- (iv) the granting of a waiver by the Executive from the obligations to make a general offer by the Investor as a result of the transactions referred to in the Transaction Documents (including the subscription of the Subscription Shares, Top-up Shares, Option Shares, the Rights Shares under the Rights Issue by way of acting as sub-underwriter) pursuant to Note 1 of the dispensations from Rule 26 of the Takeovers Code;
- (v) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong on or prior to the Posting Date and registration by the Registrar of Companies in Bermuda prior to or as soon as practicable after the Posting Date of Rights Issue Documents and all other documents required by law to be filed or delivered for registration;

- (vi) the posting on the Posting Date of copies of the Rights Issue Documents to the Qualifying Shareholders;
- (vii) compliance by the Company with certain obligations under the Underwriting Agreement;
- (viii) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days (other than any suspension of not more than seven consecutive Business Days for clearance of this announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (ix) none of the Underwriting Agreement and other Transaction Documents (including the Subscription Agreement) having been early terminated in accordance with the terms thereof; and
- (x) the Capital Reorganisation becoming effective.

In the event that the conditions (other than the conditions in (i) to (iii), (v) and (vi) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date or in the event that the conditions in (ii) and (ix) have not been satisfied on or before 4.00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties thereto shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Rights Shares by the Underwriter (excluding the underwriting commission, sub-underwriting fees and related expenses) shall, to the extent agreed by the Company, be borne by the Company.

The Investor has not made any decision as to whether or not to waive any of the conditions precedent to the Subscription Agreement, including the condition with respect to the granting of the Whitewash Waiver. In the event the Investor agrees to waive the conditions relating to the Whitewash Waiver, the Investor will comply with all relevant requirements under the Takeovers Code, including but not limited to the making of a general offer and further announcements.

## **Underwriting Arrangements**

### *Principal terms of the Underwriting Agreement*

Date: 10 February 2010

Underwriter: Get Nice Securities Limited

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Underwriter, its associates and its ultimate beneficial owners are Independent Third Parties

Minimum number of Underwritten Rights Shares: 1,440,607,352 Rights Shares (being the minimum number of Rights Shares)

Commission payable to the Underwriter: 1.0% of the total subscription price of the Rights Shares

### *Sub-underwriting Letter*

The Investor has advised the Company that under arrangements between it and the Underwriter, the Investor has undertaken to subscribe for all the Underwritten Rights Shares, if called upon by the Underwriter on the terms and subject to conditions of the Sub-underwriting Letter.

### *Termination of the Underwriting Agreement*

The Underwriting Agreement also contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may, in its reasonable discretion, terminate the Underwriting Agreement at any time prior to 4:00 p.m. on the Settlement Date if there shall develop, occur, exist or come into effect:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (iv) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under this Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (v) the Underwriter shall receive notification pursuant to the terms of the Underwriting Agreement in relation to (a) any matter or event coming to the Company's attention prior to the despatch of the Prospectus or prior to the Acceptance Date which shows any representation or warranty to be or to have at any relevant time been untrue or inaccurate in any material respect or which, had the representations and warranties contained in the Underwriting Agreement been repeated on each day prior to the Acceptance Date, would have shown any representation or warranty to be or to have at any relevant time been untrue or inaccurate in any material respect; and (b) prior to the Posting Date or on or prior to 4:00 p.m. on the Acceptance Date, any matter or event comes to the attention of any of the parties as a result of which any representation or warranty, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any material respect or which would or might render untrue or inaccurate in any material respect or misleading any statement, whether of fact or opinion, contained in the Prospectus if the same were issued immediately after such occurrence, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (vi) the Company shall, after any matter or event referred to in the above has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.**



## **6. SHARE SUBSCRIPTION AGREEMENT**

Under the terms of the Share Subscription Agreement entered into between the Company and the Investor on 10 February 2010, the Investor has agreed, subject to, inter alia, the completion of the Rights Issue and the Intercreditors' Agreement, to subscribe for 1,880,000,000 Adjusted Shares at the subscription price of HK\$0.07 per Adjusted Share for a total amount of HK\$131,600,000.

In addition to the aforementioned subscription and depending on the amount of Adjusted Shares that the Investor may acquire by virtue of its participation in the Rights Issue under the Sub-underwriting Letter, pursuant to the Share Subscription Agreement, the Investor may at its option further subscribe for up to a maximum of 988,000,000 Top-up Shares within a period of 45 days from completion of the Share Subscription Agreement at the subscription price of HK\$0.07 per Adjusted Share pursuant to the Top-up Subscription such that immediately after issuance thereof, the Investor shall beneficially own 52.5% of the then issued share capital of the Company.

## **7. OPTION AGREEMENTS**

Under the terms of the Option Agreements entered into between the Company, the Investor and the Core Creditors on 10 February 2010 and subject to the fulfilment of conditions including the completion of the Rights Issue and the Share Subscription Agreement, the Company has agreed to grant the Investor and the Core Creditors Options to subscribe for additional 1,500,000,000 new Adjusted Shares and 400,000,000 new Adjusted Shares, respectively, both at the subscription price of HK\$0.08 per Adjusted Share, at any time during the period of 12 months commencing from the date of completion of the Share Subscription Agreement. The terms under the Option Agreements were determined principally after arm's length negotiation among the Core Creditors, the Investor and the Company. Details of the number of the Option Shares to be issued to each of the Core Creditors are set out in paragraph of this announcement headed "Intercreditors' Agreement".

## **8. CONDITIONS PRECEDENT**

Completion of the Share Subscription Agreement, the Option Agreements, and the Intercreditors' Agreement are subject to the fulfillment of a certain number of the following conditions:

- (i) completion of the Capital Reorganisation and the Rights Issue;
- (ii) the passing by the Shareholders (or the Independent Shareholders, if required under the Listing Rules or the Takeovers Code) at the SGM of resolution(s) to approve the Transaction Documents and the transactions contemplated thereunder (including the sub-underwriting arrangements between the Investor and the Underwriter) (to the extent required under the Listing Rules and Takeovers Code or the terms thereof) including the Capital Reorganisation, the Rights Issue, the issue of the Subscription Shares, the Top-up Shares, the Option Shares and the Conversion Shares;

- (iii) all other consents or approvals from any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the Transaction Documents having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Transaction Documents having been made;
- (iv) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Adjusted Shares, Rights Shares (in nil paid and fully paid forms), Subscription Shares, Top-up Shares, Option Shares and Conversion Shares;
- (v) there having been no default or breach by the Company of any of the Transaction Documents or early termination thereof or any default or breach by the Undertaking Group of the Undertaking Letter;
- (vi) the consent of the Executive under Rule 25 of the Takeovers Code for the repayment of the amount due to the Core Creditors and issue of the Conversion Shares to the Core Creditors under the Intercreditors' Agreement, the issue of the Option Shares to the Core Creditors under the Option Agreements; and
- (vii) the granting of a waiver by the Executive from the obligations to make a general offer by the Investor as a result of the Transactions referred to in the Transaction Documents (including the subscription of the Subscription Shares, Top-up Shares, Option Shares, the Rights Shares under the Rights Issue by way of acting as sub-underwriter) pursuant to Note 1 of the dispensations from Rule 26 of the Takeovers Code.

Under the Undertaking Letter entered into on 10 February 2010, by the Undertaking Group in favour of the Investor, the Undertaking Group shall, or shall procure that members of the Undertaking Group who are Shareholders shall (to the extent not required by the Listing Rules or the Takeovers Code to abstain from voting) vote in favour of any resolutions proposed by the Company to approve the Transactions (or such of them requiring shareholders' approval of the Company) at the SGM.

## **9. INFORMATION ON CORE CREDITORS AND WINNINGTON CAPITAL**

There are a total of four Core Creditors, namely, Trophy Fund, Trophy LV Master Fund, Goodyear Group Limited and Fortunate City Investment Limited. Winnington Capital is beneficially owned by Trophy Fund and Trophy LV Master Fund. Both Trophy Fund and Trophy LV Master Fund are managed by Trophy Asset Management Limited, which in turn is wholly owned by Mr. Hung. Trophy Fund and Trophy LV Master Fund are also advised by Winnington Capital. Goodyear Group Limited is a wholly owned subsidiary of Trophy Fund. Fortunate City Investment Limited was previously wholly owned by Mr. Hung but has become an independent third party not connected with any members of the Winnington Concert Party Group subsequent to the disposal of the shareholding interest in Fortunate City Investment Limited by Mr. Hung in November 2009.

In view of the aforesaid relationship among certain of the Core Creditors and Winnington Capital and for the purpose of the Takeovers Code, Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited are deemed to be parties acting in concert.

## **10. REGULATORY IMPLICATIONS**

### **Application for whitewash waiver**

As at the date of the Share Subscription Agreement, the Investor did not hold any Shares or other securities of the Company, nor has it (and/or parties acting in concert with it) acquired any voting rights or dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to the announcement of the Company dated 2 February 2010 (save for entering into the Transaction Documents).

Under the Transactions, the Investor may potentially own up to a maximum of 4,820,607,352 Adjusted Shares, representing approximately 75.7% of the share capital of the Company as enlarged by the Adjusted Shares to be issued under the Rights Issue (assuming that no Shareholders take up their entitlement under the Rights Issue and taking into account the sub-underwriting arrangements between the Investor and the Underwriter), the Share Subscription Agreement (excluding the Top-up Subscription), the Option Agreements and the Intercreditors' Agreement.

In the circumstances, an obligation on the part of the Investor to make a general offer for all the Shares not already owned or agreed to be acquired by the Investor would arise. An application will be made by the Investor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

It is one of the conditions of the Rights Issue that prior to the completion of the Underwriting Agreement there shall be no early termination of the Share Subscription Agreement, which in turn contains a condition that the Whitewash Waiver be granted by the Executive (unless waived by the Investor) and approved by the Independent Shareholders by way of poll at the SGM. Thus, if the Whitewash Waiver is not granted by the Executive (unless waived by the Investor) or not approved by the Independent Shareholders, the Rights Issue and the transactions contemplated under the Share Subscription Agreement, Option Agreements and the Intercreditors' Agreement may not proceed.

### **Special Deals consent**

As at 10 February 2010, being the date of the Intercreditors' Agreement, the Option Agreements and the Share Subscription Agreement, Trophy Fund, Trophy LV Master Fund, Winnington Capital, Mr. Hung and Ms. Chu Jocelyn (being the wife of Mr. Hung) held 597,219,634 Shares, 57,734,266 Shares, 250,000 Shares, 97,500,000 Shares and 2,500,000 Shares, respectively. Under the Takeovers Code, each of (i) the issue of the Adjusted Shares pursuant to the Intercreditors' Agreement; (ii) the grant of the Options pursuant to the Intercreditors' Agreement to each of Trophy LV Master Fund and Trophy Fund; and (iii) the use of the proceeds from the Rights Issue to repay in cash the full

amount under the Trophy Advance would constitute a favourable condition not extended to all Shareholders and therefore a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application for obtaining such consent will be submitted to the Executive. Such consent, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

### **Listing Rules**

Under the Listing Rules, Trophy Fund, being a substantial Shareholder of the Company, is considered to be a connected person of the Company. Since each of Trophy LV Master Fund, Winnington Capital, Goodyear Group Limited, Mr. Hung and Ms. Chu, Jocelyn is an associate of Trophy Fund, all of them are also considered to be connected persons of the Company. Accordingly, the issue of the Adjusted Shares to Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited as well as the grant of the Options to Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited pursuant to the Intercreditors' Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the SGM by way of poll.

### **Public Float**

It is expected that immediately following the completion of the Rights Issue and the Share Subscription Agreement, there will be more than 25% of the issued Adjusted Shares held in public hands. However, Shareholders should note that if, on the date of completion of the Rights Issue and the Share Subscription Agreement (or at any time when less than 25% of the Adjusted Shares are held by the public) the Stock Exchange believes that: (i) a false market exists or may exist in the trading in the Shares; or (ii) there are too few Adjusted Shares in public hands to maintain an orderly market, the Stock Exchange may exercise its discretion to suspend trading in the Adjusted Shares until a sufficient public float is attained.

Assuming that none of the Qualifying Shareholders subscribe for the provisional allotment of the Rights Shares or apply for excess Rights Shares, it is expected that immediately following the completion of (i) the Share Subscription Agreement (without the Top-up Subscription); (ii) the Rights Issue; and (iii) the issue of the Conversion Shares and the Option Shares, the public float of the Adjusted Shares may drop to approximately 11.6%, which is below the minimum 25% requirement under Rule 8.08 of the Listing Rules. The Company undertakes to the Stock Exchange that it will use its reasonable endeavours to make prior arrangements (including but not limited to the placing of Adjusted Shares to independent third parties) to ensure that the minimum public float is maintained upon completion of the Transactions.

## **11. CHANGE OF BOARD LOT SIZE**

Currently, the Shares are traded on the Stock Exchange in board lot size of 2,000 Shares. The Board proposes that subject to and upon the Capital Reorganisation becoming effective, the board lot size be changed from 2,000 Shares to 8,000 Adjusted Shares. Based on the closing price of the Shares of HK\$0.101 as at the Last Trading Day, the theoretical ex-right price would be HK\$0.258 and the value of the board lot size of 8,000 Adjusted Shares would be HK\$2,064.0. The Board considers that the change in the board lot would result in the Adjusted Shares being traded in a more reasonable board lot size and value and is in the interests of the Company and its Shareholders as a whole. The Company will publish an announcement in respect of the arrangements and timetable regarding the change of board lot size as and when appropriate.

## **12. BACKGROUND OF AND INTENTION OF THE INVESTOR**

The Investor, Idea Talent Limited, is a company incorporated in the British Virgin Islands with limited liability. Grandwin Enterprises Limited (a company wholly and beneficially owned by Mr. Leung Pak To, Francis (“Mr. Leung”)) owns 60% of the total issued share capital of the Investor, and Better Lead Limited (a company wholly and beneficially owned by Mr. Chung Cho Yee, Mico (“Mr. Chung”)) owns the remaining 40%.

Mr. Leung has over 30 years of experience in investment banking, in particular, the field of corporate finance involving capital raising, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general finance advisory activities in Hong Kong and the PRC. He is currently the Chairman and Chief Executive Officer of Luminary Capital Limited, an investment and financial advisory company owned by him. He is also the Chairman (Greater China) of CVC Asia Pacific. Mr. Leung holds an MBA and an undergraduate degree from the University of Toronto in Canada.

Mr. Chung is the chairman and non-executive director of CSI Properties Limited, which is listed on the Hong Kong Stock Exchange (stock code: 497) and is also a director of PCCW Limited (stock code: 8) and an independent non-executive director of Hong Kong Construction (Holdings) Limited (stock code: 190). Mr. Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983 and qualified as a solicitor in Hong Kong in 1986.

The Investor intends to maintain the listing of the Adjusted Shares on the Stock Exchange after completion of the Transactions. It is the intention of the Investor to rationalise the business operation of the Group and to build on its established reputation and expertise in the animated film business for potential business opportunities in local, mainland China and overseas markets. The Investor has not yet decided on any nomination to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly.

### 13. REASONS FOR THE TRANSACTIONS AND USE OF PROCEEDS

As mentioned in the Company's 2008/09 Interim Report and the Recent Announcements, the Company's financial and liquidity position has been adversely impacted by the disappointing performance of its latest feature film, *Astro Boy*, launched in October 2009.

Since then, the Board has been actively implementing cost cutting and business rationalisation measures to preserve cash and Shareholder value in the Company. These measures, as described in the Recent Announcements, include (i) the withdrawal of financial support of the Group's United States subsidiaries and Imagi Production Limited (the Group's in-house arm engaged in the digital production of animated films); (ii) the focusing of the Company's resources to strengthen the Group's various higher value activities including animation movie contents and character creation, marketing and commercial exploitation of the Group's completed film projects; and (iii) the continued development of the Group's two animation film projects which are in progress. These measures should result in a more cost effective and streamlined business structure that is better suited to the Group's business direction going forward. The successful implementation of the Transactions would allow the Group to restructure its balance sheet and recapitalize the Group, and is an essential part of the Company's strategy to restore the long-term viability of the Group, failing which and in the absence of any other viable financing alternative, the Company may be unable to meet its financial obligations and its ability to operate as a going concern in such circumstances would be in doubt.

It is intended that the estimated net cash proceeds from the Rights Issue and the minimal amount raised by the Share Subscription of approximately HK\$226,499,000 will be used to finance (a) the full repayment of the then outstanding amount of the Investor Loan including interest, if any, (up to the maximum amount of HK\$20,000,000 under the facility); (b) the full repayment of the principal of HK\$3,500,000 under the Trophy Advance including interest, if any; (c) the payment of approximately HK\$70,000,000 (equivalent of approximately US\$9,000,000) to the Core Creditors pursuant to the Intercreditors' Agreement; (d) the balance which is estimated to be approximately HK\$132,000,000 shall be applied as working capital of the Company.

### 14. PREVIOUS FUND RAISING EXERCISES IN THE PRIOR 12 MONTHS PERIOD

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds and actual use of proceeds</b>
27 May 2009	Rights issue	HK\$100.4 million	Production and marketing of the <i>Astro Boy</i> feature film
18 June 2009	Placing of new Shares	HK\$97.9 million	General working capital and to fund film projects

## 15. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table summarises the shareholding positions of the Company as at the date of this announcement assuming the implementation of the Capital Reorganisation, the Rights Issue, and the Share Subscription Agreement, the Intercreditors' Agreement and the Option Agreements:

### (A) After the Share Consolidation and completion of the Rights Issue but before the implementation of the Subscription Agreement, the Intercreditors' Agreement and the Option Agreements

	Current		After Share Consolidation		1. Completion of 4 for 1 Rights Issue		1. Completion of 4 for 1 Rights Issue	
					2. No take up of Rights Shares by Shareholders		2. Full take up of Rights Shares by Shareholders	
					3. BEFORE completion of Share Subscription Agreement/Core Creditors' Share Conversion/ issue of Top-up Shares & exercise of Option Shares		3. BEFORE completion of Share Subscription Agreement/Core Creditors' Share Conversion/ issue of Top-up Shares & exercise of Option Shares	
Investor	-	-	-	-	1,440,607,352	80.0%	-	-
<b>Winnington Concert Party Group</b>								
Trophy Fund	597,219,634	16.6%	59,721,963	16.6%	59,721,963	3.3%	59,721,963	3.3%
Trophy LV Master Fund	57,734,266	1.6%	5,773,426	1.6%	5,773,426	0.3%	5,773,426	0.3%
Goodyear	-	-	-	-	-	-	-	-
Winnington Capital	250,000	0.0%	25,000	0.0%	25,000	0.0%	125,000	0.0%
Mr. Hung	97,500,000	2.7%	9,750,000	2.7%	9,750,000	0.5%	48,750,000	2.7%
Ms. Jocelyn Chu	2,500,000	0.1%	250,000	0.1%	250,000	0.0%	1,250,000	0.1%
	755,203,900	21.0%	75,520,389	21.0%	75,520,389	4.2%	115,620,389	6.4%
<b>Directors</b>	13,170,085	0.4%	1,317,008	0.4%	1,317,008	0.1%	6,585,040	0.4%
<b>Other Core Creditor - Fortunate City Investment Limited</b>								
Sunni Concert Group (Note 1)	619,496,275	17.2%	61,949,627	17.2%	61,949,627	3.4%	309,748,135	17.2%
Existing Public Shareholders	2,213,648,124	61.4%	221,364,814	61.4%	221,364,814	12.3%	1,368,805,626	76.0%
<b>Total</b>	<b>3,601,518,384</b>	<b>100.0%</b>	<b>360,151,838</b>	<b>100.0%</b>	<b>1,800,759,190</b>	<b>100.0%</b>	<b>1,800,759,190</b>	<b>100.0%</b>

#### Notes:

1. Sunni Concert Group is comprised of Sunni International Limited and parties acting in concert with it, namely Happy Nation Limited and Mr. Kao Cheung Chong, Michael.
2. All shareholding numbers were calculated on the assumption that no outstanding Share Options under the Share Option Scheme which have been granted by the Company have been exercised.

**(B) After the Share Consolidation and the completion of (i) the Rights Issue; (ii) the Subscription Agreement; (iii) the Intercreditors' Agreement; and (iv) the effects of the Top-up Shares and the Option Shares**

			1. Completion of 4 for 1 Rights Issue		1. Completion of 4 for 1 Rights Issue		1. Completion of 4 for 1 Rights Issue	
			2. Full take up of Rights Shares by Shareholders		2. Full take up of Rights Shares by Shareholders		2. Full take up of Rights Shares by Shareholders	
			3. Completion of Share Subscription Agreement		3. Completion of Share Subscription Agreement		3. Completion of Share Subscription Agreement	
			4. Completion of Core Creditors' Share Conversion		4. Completion of Core Creditors' Share Conversion		4. Completion of Core Creditors' Share Conversion	
			5. Before issue of Top-up Shares		5. After issue of Top-up Shares		5. After issue of Top-up Shares	
	After Share Consolidation		6. Before exercise of Option Shares		6. Before exercise of Option Shares		6. After exercise of Option Shares	
<b>Investor</b>								
<i>Underwritten Rights Shares</i>	-	-	-	-	-	-	-	-
<i>Share Subscription</i>	-	-	1,880,000,000	42.1%	1,880,000,000	34.4%	1,880,000,000	25.6%
<i>Top-up Subscription</i>	-	-	-	-	988,000,000	18.1%	988,000,000	13.4%
<i>Option Shares</i>	-	-	-	-	-	-	1,500,000,000	20.4%
			1,880,000,000	42.1%	2,868,000,000	52.5%	4,368,000,000	59.4%
<b>Winnington Concert Party Group</b>								
<i>Trophy Fund</i>								
<i>Existing Shares</i>	59,721,963	16.6%	59,721,963	1.3%	59,721,963	1.1%	59,721,963	0.8%
<i>Conversion Shares</i>	-	-	71,491,100	1.6%	71,491,100	1.3%	71,491,100	1.0%
<i>Option Shares</i>	-	-	-	-	-	-	63,900,000	0.9%
<i>Trophy LV Master Fund</i>								
<i>Existing Shares</i>	5,773,426	1.6%	5,773,426	0.1%	5,773,426	0.1%	5,773,426	0.1%
<i>Conversion Shares</i>	-	-	112,171,900	2.5%	112,171,900	2.1%	112,171,900	1.5%
<i>Option Shares</i>	-	-	-	-	-	-	61,200,000	0.8%
<i>Goodyear Group Limited</i>								
<i>Conversion Shares</i>	-	-	277,477,800	6.2%	277,477,800	5.1%	277,477,800	3.8%
<i>Option Shares</i>	-	-	-	-	-	-	145,300,000	2.0%
Winnington Capital	25,000	0.0%	125,000	0.0%	125,000	0.0%	125,000	0.0%
Mr. Hung	9,750,000	2.7%	48,750,000	1.1%	48,750,000	0.9%	48,750,000	0.7%
Ms. Jocelyn Chu	250,000	0.1%	1,250,000	0.0%	1,250,000	0.0%	1,250,000	0.0%
	75,520,389	21.0%	576,761,189	12.9%	576,761,189	10.6%	847,161,189	11.5%
<b>Directors</b>	1,317,008	0.4%	6,585,040	0.1%	6,585,040	0.1%	6,585,040	0.1%
<b>Sunni Concert Group (Note 1)</b>	61,949,627	17.2%						
<b>Public Shareholding</b>								
Existing Public Shareholders	221,364,814	61.4%	1,368,805,626	30.6%	1,368,805,626	25.1%	1,368,805,626	18.6%
Sunni Concert Group (Note 2)	-	-	309,748,135	6.9%	309,748,135	5.7%	309,748,135	4.2%
Fortunate City Investment Limited	-	-	-	-	-	-	-	-
<i>Conversion Shares</i>	-	-	328,859,200	7.4%	328,859,200	6.0%	328,859,200	4.4%
<i>Option Shares</i>	-	-	-	-	-	-	129,600,000	1.8%
	221,364,814	61.4%	2,007,412,961	44.9%	2,007,412,961	36.8%	2,137,012,961	29.0%
<b>Total</b>	<b>360,151,838</b>	<b>100.0%</b>	<b>4,470,759,190</b>	<b>100.0%</b>	<b>5,458,759,190</b>	<b>100.0%</b>	<b>7,358,759,190</b>	<b>100.0%</b>



*Notes:*

1. Sunni Concert Group is comprised of Sunni International Limited and parties acting in concert with it namely, Happy Nation Limited and Mr. Kao Cheung Chong, Michael.
2. Following the Rights Issue, Share Subscription and Share Conversion the Sunni Concert Group ceases to be a substantial shareholder and therefore becomes a public shareholder.
3. All shareholding numbers were calculated on the assumption that no outstanding Share Options under the Share Option Scheme which have been granted by the Company have been exercised.

**(C) After the Investor taking up all the Rights Shares under the Rights Issue and completion of (i) the Subscription Agreement (without any Top-up Shares); (ii) issue of the Conversion Shares; and (iii) Option Shares**

			<b>1. Completion of 4 for 1 Rights Issue</b>	
			<b>2. No take up of Rights Shares by Shareholders</b>	
			<b>3. Completion of Share Subscription Agreement</b>	
			<b>4. Completion of Core Creditors' Share Conversion</b>	
			<b>5. No issue of Top-up Shares</b>	
	<b>After Share Consolidation</b>		<b>6. After exercise of Option Shares</b>	
<b>Investor</b>				
<i>Underwritten Rights Shares</i>	–	–	1,440,607,352	22.6%
<i>Share Subscription</i>	–	–	1,880,000,000	29.5%
<i>Top-up Subscription</i>	–	–	<i>(Note 3)</i>	–
<i>Option Shares</i>	–	–	1,500,000,000	23.5%
			<hr/>	<hr/>
			4,820,607,352	75.7%
<b>Winnington Concert Party Group</b>				
Trophy Fund				
<i>Existing Shares</i>	59,721,963	16.6%	59,721,963	0.9%
<i>Conversion Shares</i>	–	–	71,491,100	1.1%
<i>Option Shares</i>	–	–	63,900,000	1.0%
Trophy LV Master Fund				
<i>Existing Shares</i>	5,773,426	1.6%	5,773,426	0.1%
<i>Conversion Shares</i>	–	–	112,171,900	1.8%
<i>Option Shares</i>	–	–	61,200,000	1.0%
Goodyear Group Limited				
<i>Conversion Shares</i>			277,477,800	4.4%
<i>Option Shares</i>	–	–	145,300,000	2.3%
Winnington Capital	25,000	0.0%	25,000	0.0%
Mr. Hung	9,750,000	2.7%	9,750,000	0.1%
Ms. Jocelyn Chu	250,000	0.1%	250,000	0.0%
			<hr/>	<hr/>
	75,520,389	21.0%	807,061,189	12.7%

			1. Completion of 4 for 1 Rights Issue	
			2. No take up of Rights Shares by Shareholders	
			3. Completion of Share Subscription Agreement	
			4. Completion of Core Creditors' Share Conversion	
			5. No issue of Top-up Shares	
	After Share Consolidation		6. After exercise of Option Shares	
<b>Directors</b>	1,317,008	0.4%	1,317,008	0.0%
<b>Sunni Concert Group (Note 1)</b>	61,949,627	17.2%		
<b>Public Shareholding</b>				
Existing Public Shareholders	222,681,822	61.5%	222,681,822	3.4%
Sunni Concert Group (Note 2)	–	–	61,949,627	1.0%
Fortunate City Investment Limited	–	–		
<i>Conversion Shares</i>	–	–	328,859,200	5.2%
<i>Option Shares</i>	–	–	129,600,000	2.0%
	<u>222,681,822</u>	<u>61.5%</u>	<u>741,773,641</u>	<u>11.6%</u>
<b>Total</b>	<u>360,151,838</u>	<u>100.0%</u>	<u>6,370,759,190</u>	<u>100.0%</u>

*Notes:*

1. Sunni Concert Group is comprised of Sunni International Limited and parties acting in concert with it namely, Happy Nation Limited and Mr. Kao Cheung Chong, Michael.
2. Following the Rights Issue, Share Subscription and Share Conversion the Sunni Concert Group ceases to be a substantial shareholder and therefore becomes a public shareholder.
3. In the event that no Shareholders take up their Rights Shares, the Investor shall as sub-underwriter take up all the Underwritten Rights Shares, in which case the Investor shall not subscribe for Top-up Shares.
4. All shareholding numbers were calculated on the assumption that no outstanding Share Options under the Share Option Scheme which have been granted by the Company have been exercised.

As at the date of this announcement, (i) other than the 3,601,518,384 Shares in issue and the 277,376,956 outstanding share options under the Share Option Scheme which are exercisable into 277,376,956 Shares and the Winnington Convertible Note, the Company does not have any Shares or other classes of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares, and (ii) the Investor and parties acting in concert with it do not own any securities in the Company other than those disclosed above.

## **16. GENERAL**

### **Appointment of Access Capital**

The Board has retained Access Capital as financial adviser to the Company in relation to the Transactions.

### **Independent board committee and independent financial adviser**

An independent board committee will be formed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve the relevant resolutions under the Transactions, the Whitewash Waiver and the Special Deals by way of poll at SGM.

An independent financial adviser will be appointed to advise (i) the independent board committee and the Independent Shareholders as to whether the terms and conditions of the Transactions, the Whitewash Waiver and the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the above. An independent financial adviser to advise the independent board committee and the Independent Shareholders in respect of the Transactions, the Whitewash Waiver and the Special Deals will be appointed as soon as practicable and the Company will make further announcement regarding such appointment accordingly.

### **Circular and SGM**

The Company will despatch as soon as practicable to Shareholders a circular containing, amongst other things, further details of (i) the Capital Reorganisation; (ii) the proposed Rights Issue; (iii) the Whitewash Waiver; (iv) the Intercreditors' Agreement; (v) the Special Deal; (vi) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (viii) the notice of the SGM setting out the relevant resolutions in respect of the Transactions. No Shareholder will be required to abstain from voting at the resolution in respect of the Capital Reorganisation. The Winnington Concert Party Group and the Directors will abstain from voting on the relevant resolution(s) in respect of (ii) to (v) above.

### **Prospectus**

Subject to the Whitewash Waiver being granted and, among others, being approved at the SGM, the Prospectus and where appropriate, the Provisional Allotment Letters and EAFs, containing further information on the Rights Issue will be despatched to the Qualifying Shareholders as soon as possible. The Prospectus only will be despatched to Non-Qualifying Shareholders for their information only.

## 17. DEALING DISCLOSURE

Associates of the Company and the Investor are reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code reproduced below:

*“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## 18. SUSPENSION AND RESUMPTION OF TRADING OF SHARES

Trading in the shares of the Company was suspended on 11 February 2010 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 18 February 2010.

## 19. DEFINITIONS

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

“Acceptance Date”	the latest date for acceptance of, and payment for, the Rights Shares;
“Access Capital”	Access Capital Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO;
“Adjusted Shares”	shares of HK\$0.001 each in the capital of the Company upon the Capital Reorganisation becoming effective;
“associates”	the meaning ascribed thereto in the Listing Rules;
“Astro Boy”	the media franchise originated by Osamu Tezuka relating to the title character of the same name;

“Board”	the board of Directors;
“Bridge Loan Agreement”	the loan agreement dated 10 February 2010 in relation to the Investor Loan;
“Business Day”	a day, (other than a Saturday or Sunday or public holiday) on which licensed banks are open for general banking business in Hong Kong;
“Capital Reduction”	the cancellation of HK\$0.999 of the par value of each Consolidated Share;
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction and Diminution as referred to in this announcement;
“Companies Act”	the Companies Act 1981 of Bermuda as may from time to time be amended;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Company”	Imagi International Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
“connected person(s)”	the meaning ascribed thereto in the Listing Rules;
“Consolidated Share”	shares of HK\$1.00 each in the capital of the Company upon completion of the Share Consolidation and prior to the Capital Reduction;
“controlling shareholder”	the meaning ascribed thereto in the Listing Rules;
“Conversion Shares”	the 790,000,000 Adjusted Shares issued, allotted and apportioned to the Core Creditors in accordance with the terms of the Intercreditors’ Agreement;
“Core Creditors”	<ul style="list-style-type: none"> <li>(i) Goodyear Group Limited of 2/F, Abbott Building, Road Town, Tortola, British Virgin Islands,</li> <li>(ii) Trophy LV Master Fund of P.O. Box 2003 GT, Grand Pavilion Commercial Centre, 802 West Bay Road, Grand Cayman, Cayman Islands,</li> <li>(iii) Trophy Fund of P.O. Box 2003 GT, Grand Pavilion Commercial Centre, 802 West Bay Road, Grand Cayman, Cayman Islands, and</li> <li>(iv) Fortunate City Investment Limited of Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands;</li> </ul>

“Core Creditors’ Share Conversion”	the issue by the Company of the Conversion Shares in to the Core Creditors under the Intercreditors’ Agreement described in this announcement;
“Director(s)”	director(s) of the Company;
“EAF(s)”	application form(s) for excess Rights Shares;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, or any delegate of the Executive Director;
“Exclusivity Agreement”	the exclusivity agreement dated 2 February 2010 entered into between the Company and the Investor, details of which were set out in the Company’s announcement of the same date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Independent Shareholder(s)”	in relation to the Rights Issue; the Whitewash Waiver; the Intercreditors’ Agreement; and the Special Deal, the Shareholders other than the Winnington Concert Party Group and its associates;
“Independent Third Party(ies)”	parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company;
“Intercreditors’ Agreement”	the intercreditors’ agreement dated 10 February 2010 entered into between the Company, the Core Creditors and the Investor in relation to the standstill and compromise of the Relevant Debt and their settlement;
“Investor”	Idea Talent Limited, a limited liability company incorporated in the British Virgin Islands;
“Investor Loan”	the bridge loan facility of up to HK\$20,000,000 provided to the Company by the Investor;
“Last Trading Day”	10 February 2010, being the last full trading day immediately before the suspension of trading in the Shares pending the release of this announcement;

“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Hung”	Mr. Hung Kam Biu, Kenneth, a substantial shareholder of the Company under the Listing Rules;
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register (is) are outside Hong Kong where the Directors, based on advice provided by legal advisers, consider it necessary or expedient to exclude any such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Option(s)”	the option to subscribe for Option Shares granted under the Option Agreements;
“Option Agreement(s)”	the various option agreements entered into on 10 February 2010 each between the Company and one of the Core Creditors and the Investor pursuant to which the Company granted to each of them separately an option to require the Company to issue further new Adjusted Shares in the Company to each of them;
“Option Shares”	the 1,500,000,000 Adjusted Shares granted to the Investor and the 400,000,000 Adjusted Shares granted to the Core Creditors in accordance with the terms of the Option Agreements;
“Overseas Shareholder(s)”	Shareholder(s) with registered addresses (as shown in the register of members of the Company at the close of business on the Record Date on the Record Date) outside Hong Kong;
“Posting Date”	the date of despatch of the Rights Issue Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be);
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue;
“Provisional Allotment Letters”	the provisional allotment letter(s) for the Rights Issue;

“Qualifying Shareholder(s)”	Shareholders other than Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date;
“Recent Announcements”	the announcements dated 30 December 2009, 20 January 2010, 26 January 2010 and 2 February 2010 issued by the Board with regards to, among other things, the Company’s discussions with various potential investors in relation to a possible investment in the Company;
“Record Date”	the date for determining the entitlement of the Qualifying Shareholders to the Rights Issue;
“Relevant Debt”	in relation to each Core Creditor, the indebtedness owed or otherwise payable by the Company and/or its subsidiaries to such Core Creditor whether or not due for payment but not including the Trophy Advance;
“Rights Issue”	the issue of the Rights Shares by the Company on the basis of four Rights Share for every one Adjusted Share held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the Rights Issue Documents;
“Rights Issue Documents”	the Prospectus, the Provisional Allotment Letters and the EAF(s);
“Rights Share(s)”	not less than 1,440,607,352 Adjusted Shares proposed to be provisionally allotted and issued to the Qualifying Shareholders for subscription pursuant to the Rights Issue;
“Settlement Date”	the second Business Day following the Acceptance Date (or such date as the Underwriting and the Company may agree in writing);
“SFO”	the Securities and Futures Ordinance, Cap.571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“SGM”	special general meeting of the Company to be convened and held for Shareholders to consider, and if thought fit, to approve, among other matters, the Transactions including the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of a nominal value of HK\$0.10 each in the share capital of the Company;



“Share Consolidation”	the consolidation of every ten issued and unissued Shares into one Consolidated Share;
“Share Subscription”	the subscription of shares by the Investor under the Share Subscription Agreement;
“Share Subscription Agreement”	the conditional subscription agreement dated 10 February 2010 entered into between the Company and the Investor in respect of the issue of the Subscription Shares;
“Share Option Scheme”	the share option scheme adopted by the Company on 16 August 2002;
“Shareholder(s)”	holder(s) of Shares;
“Special Deals”	(i) the issue of the Adjusted Shares pursuant to the Intercreditors’ Agreement; (ii) the grant of the Options pursuant to the Intercreditors’ Agreement to each of Trophy LV Master Fund and Trophy Fund; and (iii) the use of the proceeds from the Rights Issue to repay the Trophy Advance, which constitute special deals under Rule 25 of the Takeovers Code;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Shares”	1,880,000,000 Adjusted Shares of HK\$0.001 each in the Company;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Top-up Shares”	a maximum of 988,000,000 Adjusted Shares that may be issued to the Investor on the exercise of a right granted to the Investor by the Company such that immediately after the issuance of the top-up shares, the Investor shall beneficially own approximately 52.5% of the then enlarged issued share capital of the Company;
“Top-up Subscription”	the subscription of Top-up Shares;
“Transactions”	the transactions contemplated under the Transactions Documents;
“Transactions Documents”	the Share Subscription Agreement, the Option Agreements, the Bridge Loan Agreement, the Intercreditors’ Agreement, the Underwriting Agreement and the Undertaking Letter(s);

“Trophy Advance”	the unsecured loan of HK\$3,500,000 bearing an interest rate of 20% per annum and which shall be repaid in full upon demand provided to the Company by Trophy Fund pursuant to a letter agreement dated 2 February 2010 between the Company and Trophy Fund;
“Undertaking Group”	Mr. Hung; Trophy Fund; Trophy Master LV Fund; and Winnington Capital;
“Undertaking Letter”	the letter dated 10 February 2010 from the Undertaking Group in favour of the Investor in relation to, amongst other things, voting in favour of the resolution(s) to approve the matters contemplated under the Transaction Documents;
“Underwriter”	Get Nice Securities Limited, a corporation licensed to conduct Type 1 regulated activity (dealing in securities) and Type 4 regulated activity (advising on securities) as defined in the SFO;
“Underwriting Agreement”	the underwriting agreement dated 10 February 2010 entered into between the Company and the Underwriter in relation to the Rights Issue;
“Underwritten Rights Shares”	all of the Rights Shares under the Rights Issue being not more than 1,472,438,196 Rights Shares;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Investor to make a mandatory general offer for all the issued Shares in the capital of the Company not already owned and/or agreed to be acquired on the date of application for the waiver by the Investor which would otherwise arise as a result of the completion of any or all of the Rights Issue, the Share Subscription Agreement and the Option Agreements;
“Winnington Capital”	Winnington Capital Limited, a corporation licensed to conduct Type 4 regulated activity (advising on securities), Type 5 regulated activity (advising on future contracts) and Type 9 regulated activity (asset management) as defined under the SFO;
“Winnington Concert Party Group”	Mr. Hung, Ms. Chu Jocelyn, Trophy Fund, Trophy LV Master Fund, Goodyear Group Limited, Winnington Capital and the parties acting in concert with each of them (as defined in the Takeovers Code);

“Winnington Convertible Note” the convertible notes for an aggregate of HK\$132 million dated 19 August 2009 issued by the Company to Goodyear Group Limited and Trophy LV Master Fund;

“%” per cent.

By order of the Board  
**Imagi International Holdings Limited**  
**Mr. Phoon Chiong Kit**  
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 17 February 2010

*As at the date of this announcement, the executive director of the Company is Mr. Phoon Chiong Kit. The non-executive director of the Company is Mr. William Montgomerie Courtauld. The independent non-executive director of the Company is Mr. Ng See Yuen.*

*As at the date of this announcement, the corporate directors of Idea Talent Limited are Grandwin Enterprises Limited (a company wholly and beneficially owned by Mr. Leung) and Better Lead Limited (a company wholly and beneficially owned by Mr. Chung).*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*The directors of Idea Talent Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group and Winnington Concert Party Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than information relating to the Group and Winnington Concert Party Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*