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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: 585)**

**DISCLOSEABLE TRANSACTION**  
**IN RELATION TO AN ACQUISITION OF 51% EQUITY INTEREST IN**  
**SUPREME CHINA SECURITIES LIMITED**  
**AND**  
**BUSINESS STRATEGY OF THE GROUP**

**THE AGREEMENT**

After the trading hours of the Stock Exchange on 28 October 2021, the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares for an aggregate consideration of HK\$27,000,000 (subject to adjustments). The Consideration shall be satisfied in cash on Completion. The Vendor warrants that the net asset value of the Target Company as at the date of Completion shall be no less than approximately HK\$52.8 million.

The Sale Shares represent 51% of the issued share capital of the Target Company. The Target Company is principally engaged in securities brokerage, provision of margin financing, and provision of underwriting and placing services in Hong Kong and is a licensed corporation under the SFO to carry out Type 1 (dealing in securities) regulated activity. It is also a participant of the Stock Exchange.

**LISTING RULES IMPLICATIONS**

As one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

\* *For identification only*

After the trading hours of the Stock Exchange on 28 October 2021, the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares for an aggregate consideration of HK\$27,000,000. The Consideration shall be satisfied in cash on Completion. Principal terms of the Agreement are set out as follows.

## **THE AGREEMENT**

### **Date:**

28 October 2021

### **Parties:**

- (i) Purchaser: Main Events Inc., a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company; and
- (ii) Vendor: Supreme China Group Limited, a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (as defined under the Listing Rules).

### **Assets to be acquired:**

The assets to be acquired are the Sale Shares, which represent 51% of the issued share capital of the Target Company.

### **Consideration:**

The Consideration of HK\$27,000,000 shall be satisfied in cash on Completion (subject to adjustments detailed below).

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor based on the unaudited net asset value of the Target Company of approximately HK\$52.8 million (the "**Warranted NAV**") as at 30 September 2021.

### **Adjustment to the Consideration:**

The Consideration shall be adjusted downward on a dollar-to-dollar basis if the actual NAV of the Target Company as at the date of the Completion (the "**Actual NAV**") is less than the Warranted NAV. The adjusted Consideration shall be determined in the following manner:

$$\text{Adjusted Consideration} = \text{Consideration} - (\text{Warranted NAV} - \text{Actual NAV}) \times 51\%$$

## **Conditions precedent:**

Completion is conditional upon satisfaction of the following conditions:

- (i) the results of legal and financial due diligence conducted by the Purchaser over Target Company, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure of the Target Company, being completed to the reasonable satisfaction of the Purchaser at its sole discretion;
- (ii) the approval by the SFC for the Purchaser (or its nominee(s)) becoming the substantial shareholder(s) (as defined under the SFO) of the Target Company having been obtained;
- (iii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transaction contemplated hereunder; and
- (iv) the Vendor's warranties under the Agreement shall remain to be true and correct in all material respects and there has not been any material breach of the Vendor's warranties.

All conditions (except condition (ii)) are capable of being waived by the Purchaser.

If any of the conditions is not satisfied or waived (as the case may be) on or before the Long Stop Date, the Agreement shall lapse and be of no further effect, and neither the Purchaser nor the Vendor shall have any liability and obligation to each other save for any antecedent breaches.

## **Completion:**

Completion is to take place on the third Business Day upon satisfaction or waiver (as the case may be) of the conditions under the Agreement.

Upon Completion, the Target Company will become an indirect 51% non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements. The Vendor will hold the remaining 49% shareholding of the Target Company.

## **INFORMATION ON THE VENDOR**

The Vendor is a company incorporated in the British Virgin Islands with limited liability and an investment holding company. The Vendor is ultimately owned as to 50% by Mr. Hui Wai Yung Terence ("**Mr. Hui**"), 33% by Hang Tai Yue Group Holdings Limited ("**Hang Tai Yue**" a company listed on the GEM of the Stock Exchange with stock code: 8081) and the remaining 17% by Ms. Chan Chiu Mui ("**Ms. Chan**"). The Vendor, Hang Tai Yue, Mr. Hui and Ms. Chan all are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in securities brokerage, provision of margin financing and provision of underwriting and placing services in Hong Kong and is a licensed corporation under the SFO to carry out Type 1 (dealing in securities) regulated activity. It is also a participant of the Stock Exchange. The Target Company is in operation for more than 8 years and has established a solid client base of over 200 active accounts. The clientele of the Target Company are mainly individual investors with different risk appetites.

Set out below is the audited financial information of the Target Company for the financial years ended 31 March 2019 (“FY2019”), 31 March 2020 (“FY2020”) and 31 March 2021 (“FY2021”):

	<b>FY2021</b> <i>HK\$'000</i>	<b>FY2020</b> <i>HK\$'000</i>	<b>FY2019</b> <i>HK\$'000</i>
Revenue	5,514	18,325	28,535
Profit/(loss) before taxation	(2,640)	1,156	18,928
Profit/(loss) after taxation	(2,804)	72	15,908

**As at 31 March 2021**  
**(audited)**  
*HK\$'000*

Net asset value			56,094
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The Target Company’s revenue mainly comprised (i) commission and brokerage income; (ii) commission income on underwriting and placing (the “**Underwriting and Placing Income**”); and (iii) interest income from loans and other receivables.

Set out below is the analysis of the revenue extracted from the audited financial statements of the Target Company for FY2019, FY2020 and FY2021:

	<b>FY2021</b> <i>HK\$'000</i>	<b>FY2020</b> <i>HK\$'000</i>	<b>FY2019</b> <i>HK\$'000</i>
Commission and brokerage income	1,715	2,222	2,856
Commission income on underwriting and placing	391	11,091	21,029
Interest income from loans and other receivables	3,408	5,012	4,650
	<u>5,514</u>	<u>18,325</u>	<u>28,535</u>

The Target Company has been strong at placing and underwriting business given its strong retail client base established throughout the years. In FY2019, the Underwriting and Placing Income of the Target Company amounted to approximately HK\$21.0 million, representing the largest revenue stream of the Target Company. The total revenue of the Target Company for FY2019 amounted to approximately HK\$28.5 million, resulting in a net profit of approximately HK\$16.0 million.

In FY2020, the Underwriting and Placing Income of the Target Company dropped to HK\$11.1 million as the market sentiments were affected by the civil unrest during the year of 2019 leading to the decreased in number of placing and other fund raising exercises implemented by the listed companies on the Stock Exchange. To reduce risk exposure, the Target Company also took a more prudent approach in operating the underwriting and placing business and became more selective in choosing appropriate business opportunities in this segment. Worse still, the Underwriting and Placing Income of the Target Company was further dampened by the stagnant market sentiments during the outbreak of COVID-19. The interest income from margin financing business, on the other hand, has been more resilient during the market downturn, again demonstrating the Target Company's intact relationship with its clients who are active in investment in the securities market. The cost structure of the Target Company is simple, comprising mainly staff cost, depreciation of right-of-use assets and some other operating expenses.

Despite the slowdown of the business during the market downturn, the number of customers of the Target Company continued to grow from 537 in FY2019 to 587 in FY2021, demonstrating the capability of the Target Company to maintain a solid retail client base among the stagnant market sentiments and its strength in placing and underwriting potentials based thereon. The Directors are confident that the Target Company's performance would be improved when the market recovers, taking particular account of its strong retail client base and sufficient financial resources. As at 31 March 2021, the Target Company had cash and bank balances of HK\$44.2 million which are readily available for business opportunities.

## **BUSINESS STRATEGY OF THE GROUP**

The Group is principally engaged in integrated financial services, investment holdings, computer graphic imaging business and entertainment business. The integrated financial services mainly comprise (i) securities brokerage and related services; (ii) margin financing; (iii) asset management; (iv) money lending; and (v) securities investments and proprietary trading (collectively, the “**Integrated Financial Services**”).

In the first half of 2021, the Group has embarked on a marketing campaign with a view to promoting the brand image of the Group and expanding its reach into the mass market of securities brokerage and asset management segment. Its online trading platform has also been introduced to facilitate client's securities trading. For the six months ended 30 June 2021, the revenue generated from the securities brokerage and asset management segment under Integrated Financial Services amounted to approximately HK\$50.64 million, representing an increase of approximately 217% as compared to approximately HK\$15.97 million of the corresponding period in 2020. The significant increase proved that the Board's strategy to focus on the development and expansion of the Integrated Financial Services is a right move and the Group shall continue to explore other opportunities to enhance the varieties and quality of the Integrated Financial Services so as to enhance its competitiveness.

To further expand the customer base and attract customers with different risk appetites, the Group's strategy is to expand its online trading and investment platform by establishing a mobile application (apps). The mobile application will allow investors to trade, to keep pace with market updates and analyses, to share information and communicate with each other, and to keep track of its portfolio with different analytical tools provided. The Group has been exploring opportunities to acquire, or form strategic alliance with, other local brokerage firms, with a view to enhancing the traffic, content and cloud areas of the mobile trading apps to be created by the Group, and the Acquisition would be in milestone of the Group's business strategy. The Group believes that the Acquisition and strategic alliance with other local brokerage firms would consolidate the existing clientele, technological infrastructure, and type of services of the allied brokerage firms and attract more customers for different financial services.

Towards this end, the Group has agreed in principle to enter into a joint venture agreement with Pocket Trader Limited ("PT") to collaborate on the further development and refinement of a unique social mobile trading application (the "**Trading App**"). The Trading App, among other functions, enables investors to (a) trade; (b) stay atop of market updates and commentaries; (c) delve into share information to enhance analyses of trading ideas; and (d) communicate insights with other peer investors also using the Trading App, all within a comprehensive ecosystem. The Group, through its extensive industry experience, will provide financial expertise and operational knowhow of Hong Kong securities trading to assist PT in further developing and refining this state-of-the-art, next generation social mobile trading application tailored for the growing segment of affluent investors in the Hong Kong equities market. Furthermore, through the Trading App, the Group seeks to form an extensive network through alliances with other local brokerages to onboard an enlarged customer base using the universal PT mobile trading platform, enabling wider social network effects with the substantial aggregated user base. Ultimately, this will make PT's platform the premier trading solution for Hong Kong investors.

PT provides innovative enabling technology solutions for regulated financial service providers globally. PT's highly experienced team of software engineers have long been developing proprietary platforms with extensive social media and communication capabilities focused on the new generation of emerging investors by providing a seamless bridge between market information to trading idea generation.

In recent years, the PRC has been actively reforming and widening the opening-up of its capital market, as a gradual move towards internationalisation. This year, the PRC has been gradually lifting the restrictions on foreign ownership of mainland-based financial institutions, such as securities firms and mutual funds. It means that securities firms in Hong Kong can also hold majority stake in the equity interest of mainland-based securities firms, providing a unique opportunity for well established securities firms with financial recourses, like the Group, to tap into the securities market in the PRC. Coupled with business strategy as mentioned above, the Directors consider the favorable policy trend is beneficial to the Integrated Financial Services of the Group and are optimistic about its prospects in longer term.

## **REASONS FOR THE ACQUISITION**

In view of the business strategy of the Group, the Board considers that the Acquisition provides a good opportunity for the Group to expand its reach to different clientele given that the Target Company has established for more than 8 years and has maintained a clientele of over 200 active trading accounts with different risk appetite. It is also expected that with the existing online trading platform, personnel and office spaces of the Group, the Target Company could trim the operating expenses, manifesting the synergy effects in terms of clientele and trading infrastructure with an aim to increasing efficiencies after the merger of the Group with the Target Company. Leveraging on the Group's financial resources and expertise in the financial services industry, the Directors expect that a turnaround of the Target Company's results will be forthcoming in light of the gradually improving market conditions and sentiment.

According to the market statistics released by the Stock Exchange, as at 30 September 2021, the market capitalisation of the securities market on the Stock Exchange was HK\$44.2 trillion, representing an increase of 6% from HK\$41.6 trillion for the same period last year. The average daily turnover for the first nine months of 2021 (the "9M2021") was HK\$180.3 billion, representing an increase of 43% when compared with HK\$125.7 billion for the same period last year. The average daily turnover of derivative warrants, of ETFs and of debt securities for 9M2021 also increased by 27%, 31% and 60%, respectively, when compared to same period last year. Fund raised through IPOS for 9M2021 also surged 32% to HK\$285.5 billion and the total funds raised on the securities market for 9M2021 reached HK\$603.9 million, representing an increase of 26% when compared with HK\$479.2 billion for the same period last year. The above statistics show a sign of market rebound that would benefit both the business of the Target Company and the Group.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the sale and purchase agreement entered into between the Purchaser and the Vendor on 28 October 2021 in respect of the Acquisition
“Board”	the board of the Directors
“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks generally are open in Hong Kong for the transaction of normal banking business
“Company”	Imagi International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 585)
“Completion”	completion of the Acquisition under the Agreement
“Consideration”	the consideration payable for the Acquisition
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the last day of six calendar months from the date of the Agreement or such other later date as shall be agreed by the parties
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Purchaser”	Main Events Inc., being an indirect wholly-owned subsidiary of the Company
“Sale Shares”	29,070,000 ordinary shares of the Target Company, representing 51% of the entire issued share thereof
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Supreme China Securities Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Supreme China Group Limited, a company incorporated in the British Virgin Islands with limited liability

By order of the Board  
**Imagi International Holdings Limited**  
**Kitchell Osman Bin**  
*Chairman*

Hong Kong, 28 October 2021

*At the date of this announcement, the Directors are:*

*Executive Directors:*

Mr. Kitchell Osman Bin (*Chairman*)  
Mr. Shimazaki Koji  
Ms. Choi Ka Wing

*Independent non-executive Directors:*

Dr. Santos Antonio Maria  
Mr. Miu Frank H.  
Ms. Liu Jianyi  
Mr. Chan Hak Kan