



BOTO INTERNATIONAL HOLDINGS LIMITED

寶途集團國際有限公司

(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

It has recently come to the attention of the Directors that Imagi Animation, an indirect wholly-owned subsidiary of the Company, had entered into two categories of transactions that would constitute connected transactions of the Company under Chapter 14 of the Listing Rules. These transactions involved Imagi Production, a company owned as to 82.5% by Imagi Animation and as to 17.5% by Mr. Tang.

The first transaction involved the acquisition of a 17.5% shareholding interest in Imagi Production by Imagi Animation from Mr. Kwok in May 2001. The second transaction involved the granting of shareholder's loans by Imagi Animation to Imagi Production from time to time since October 2000. Such transactions constituted connected transactions of the Company but qualified for the de minimis exemption under Rule 14.25(1) of the Listing Rules and are required to be disclosed by way of a press announcement and in the Company's annual report under the Listing Rules.

In the course of preparation of the Company's annual accounts for the year ended 31 March 2002, it was brought to the attention of the Directors that Imagi Animation had entered into two categories of transactions that would constitute connected transactions of the Company under Chapter 14 of the Listing Rules. Details of such transactions are set out below.

THE ACQUISITION

By way of background, under a subscription agreement entered into amongst Imagi Animation, Mr. Kwok, Mr. Tang and Imagi Production dated 5 October 2000, Imagi Animation subscribed for 65% of the shareholding interest in Imagi Production at a subscription price of HK\$6,500,000. Upon completion of the subscription in October 2000, Imagi Production was owned as to 65% by Imagi Animation, 17.5% by Mr. Tang and 17.5% by Mr. Kwok. Mr. Tang and Mr. Kwok were not connected persons of the Company before such subscription. However, they became connected persons of the Company after the subscription by virtue of their substantial shareholding and directorship in Imagi Production.

Pursuant to the Agreement entered into between the same parties on 23 May 2001, Imagi Animation acquired 17.5% of the shareholding interest in Imagi Production from Mr. Kwok at a consideration of HK\$1,750,000. The consideration was satisfied as to HK\$1,318,000 by way of a set-off of such amount owing from Mr. Kwok to Imagi Animation, being an amount payable by Mr. Kwok to Imagi Animation in settlement of any claims that may arise out of a breach of personal guarantee given by Mr. Kwok in favour of Imagi Animation in relation to a transaction not involving Imagi Production (and which was given by Mr. Kwok as an independent third party before the date of the abovementioned subscription agreement), and as to HK\$432,000 by way of cash, which was paid in 6 equal monthly instalments. The last payment was made in November 2001.

Imagi Production is a production house committed to producing high quality 3D computer graphics animations. From a 20,000 square-foot studio located in Hong Kong, state-of-the-art equipment are used by over 100 artists, animators and technicians to create the TV series "Zentrix™".

Since Mr. Kwok was a substantial shareholder and director of Imagi Production at the time of the Acquisition, the Acquisition constituted a connected transaction of the Company under the Listing Rules.

The Directors are of the view that the Acquisition was a transaction on normal commercial terms because the basis for determination of the consideration of HK\$1,750,000 was the same as the basis for determination of the subscription price payable by Imagi Animation under the abovementioned subscription agreement, which was arrived at after arm's length negotiation amongst the parties. The Directors also note that total amount payable under the Agreement and the total value of the assets acquired were less than 3% of the book value of the net tangible assets of the Company of HK\$666,308,000 as at 31 March 2000. Accordingly, the Directors are of the view that the Acquisition constituted a connected transaction of the Company but qualified for the de minimis exemption under Rule 14.25(1) of the Listing Rules, and should have been disclosed by way of a press announcement after the date of the Agreement. The failure to make such disclosure constitutes a breach of the Listing Rules. The Stock Exchange has indicated that it reserves the right to take disciplinary action against the Company and its Directors in respect of the breach. The Acquisition will be disclosed in the Company's annual report proposed to be despatched on or about 24 July 2002.

THE SHAREHOLDER'S LOAN

Under the Shareholders' Agreement entered into between Imagi Animation, Mr. Kwok, Mr. Tang and Imagi Production dated 5 October 2000, Imagi Animation agreed, at its sole discretion, to advance shareholder's loans to Imagi Production at an interest rate of 2% over the best lending rate of the required currency from time to time quoted by The Hongkong and Shanghai Banking Corporation in Hong Kong. Pursuant to the terms of the Shareholders' Agreement, Imagi Animation has been making advances to Imagi Production from time to time since October 2000. Imagi Production has also been making repayments of the Shareholder's Loans to Imagi Animation from time to time. The amounts of advances and repayments varied each time in accordance with the financial position of Imagi Production. As at 31 March 2001, 30 September 2001, 31 March 2002 and 30 June 2002, the amounts of Shareholder's Loans owing from Imagi Production to Imagi Animation were approximately HK\$6,699,566, HK\$Nil, HK\$7,376,888 and HK\$13,609,288, respectively. The Shareholder's Loans are unsecured.

Since Imagi Production is a non wholly-owned subsidiary, and hence a connected person, of the Company under the Listing Rules, the Shareholder's Loans constituted connected transactions of the Company under the Listing Rules. Mr. Tang is a connected person of the Company by virtue of his substantial shareholding in Imagi Production and his directorship in Imagi Production (from which he resigned with effect from 1 August 2001). Mr. Kwok was also a connected person of the Company during the period from October 2000 to May 2001. It is noted that neither Mr. Tang nor Mr. Kwok has made any advances to Imagi Production over the same period.

Given that the Shareholder's Loans have borne interest of 2% over the best lending rate of the required currency from time to time quoted by The Hongkong and Shanghai Banking Corporation in Hong Kong, which was determined after arm's length negotiation amongst the parties, the Directors are of the view that the Shareholder's Loans were advanced to Imagi Production on normal commercial terms. The Directors also note that the total amount of the Shareholder's Loans owing from Imagi Production to Imagi Animation at any time has never exceeded 3% of the book value of the net tangible assets of the Company of HK\$666,308,000 as at 31 March 2000 or HK\$749,442,000 as at 31 March 2001. Accordingly, the Directors are of the view that the Shareholder's Loans constituted connected transactions of the Company but qualified for the de minimis exemption under Rule 14.25(1) of the Listing Rules, and should have been disclosed by way of a press announcement once the outstanding amount of Shareholder's Loans exceeded the de minimis threshold set out in Rule 14.24(5) of the Listing Rules. The failure to make such disclosure constitutes a breach of the Listing Rules. The Stock Exchange has indicated that it reserves the right to take disciplinary action against the Company and its Director in respect of the breach. The Shareholder's Loans will be disclosed in the Company's annual report proposed to be despatched on or about 24 July 2002.

The Company will ensure that it will comply with the requirements of the Listing Rules in the event that Imagi Animation makes any further advances of Shareholder's Loans to Imagi Production in future.

DEFINITIONS

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

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| "Acquisition" | the acquisition of 17.5% shareholding interest in Imagi Production by Imagi Animation from Mr. Kwok pursuant to the Agreement |
| "Agreement" | the agreement dated 23 May 2001 amongst Imagi Animation, Mr. Kwok, Mr. Tang and Imagi Production in relation to, inter alia, the Acquisition |
| "Company" | Boto International Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange |
| "Directors" | the directors (including independent non-executive directors) of the Company |
| "HK\$" | Hong Kong dollars |
| "Imagi Animation" | Imagi Animation Studios Limited (previously known as Boto.Net Solutions Limited), an indirect wholly-owned subsidiary of the Company. |
| "Imagi Production" | Imagi Production Limited, a company owned as to 82.5% by Imagi Animation and as to 17.5% by Mr. Tang |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Mr. Kwok" | Mr. Kwok Shu Fan, a person who was a substantial shareholder and director of Imagi Production at the time of the Acquisition |
| "Mr. Tang" | Mr. Tang Tung Ming, a substantial shareholder of Imagi Production and a director of Imagi Production up to 31 July 2001. |
| "Shareholders' Agreement" | the shareholders' agreement dated 5 October 2000 amongst Imagi Animation, Mr. Kwok, Mr. Tang and Imagi Production |
| "Shareholder's Loans" | the shareholder's loans advanced by Imagi Animation to Imagi Production from time to time pursuant to the Shareholders' Agreement |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

By order of the board of Directors
Philip Lam
 Deputy Managing Director