

IMAGI

IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 585)

ANNOUNCEMENT

PLACING OF EXISTING SHARES

AND

SUBSCRIPTION FOR NEW SHARES

AND

RESUMPTION OF TRADING

PLACING AGENTS



FIRST SHANGHAI SECURITIES LIMITED



CITIC Capital Markets Limited

The Company announces that on 19 July 2004, the Vendor has entered into the Placing Agreements with the Placing Agents, First Shanghai and CITIC Capital to place an aggregate of 26,000,000 Placing Shares through the Placing Agents at the Placing Price of HK\$1.58 per Placing Share, on a fully underwritten basis.

The Vendor has also entered into the Subscription Agreement with the Company on 19 July 2004. Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for 26,000,000 Subscription Shares at a price per Subscription Share equal to the Placing Price.

The 26,000,000 Placing Shares represent approximately 12.57% of the Company's existing issued share capital and approximately 11.17% of its issued share capital as enlarged by the Subscription Shares.

After completion of the Placing pursuant to the Placing Agreements, the shareholding held by the Vendor will be reduced from approximately 56.11% to approximately 43.55% of the Company's existing issued share capital. Upon completion of the Subscription, the shareholding held by the Vendor will then increase to approximately 49.85% of the Company's enlarged issued share capital.

The Company considers that the Placing and the Subscription will enlarge the shareholder base and the capital base of the Company and will strengthen the financial position of the Group. The total net proceeds of the Subscription of approximately HK\$39.7 million is intended to be used as follows:

1.

as to approximately HK\$24 million for funding the pre-production and the obtaining of intellectual property licensing rights for the production of a feature length computer graphics ("CG") animation film based on the theme and story line of a well-known and popular Hollywood title; and
2.

as to the remainder of approximately HK\$15.7 million for funding the pre-production of five direct-to-video CG animation feature film projects, which will be conducted in collaboration with Kabushiki Kaisha Mad House, one of the leading animation studios in Japan.

At the request of the Company, trading of the Shares have been suspended on the Stock Exchange from 9:30 a.m. on 16 July 2004 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 20 July 2004.

PLACING AGREEMENTS

Date:

19 July 2004

Vendor:

Sunni International Limited, the controlling shareholder of the Company, which is interested in 116,081,701 Shares, representing approximately 56.11% of the existing issued share capital of the Company. As at the date of this announcement, 54.67% of the issued share capital of Sunni International Limited is beneficially owned by Happy Nation Limited, whose entire issued share capital is beneficially owned by China Link Holding Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited (acting as trustee for The Cheerco Trust, of which Mr. Kao Cheung Chong, Michael, Chairman and executive Director, and his family members (including, Mr. Kao Wai Ho, Francis, Deputy Chairman and executive Director) are discretionary objects).

Placing Agents:

The Placing Agents and their respective beneficial owners are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

Placing Shares:

26,000,000 existing Shares (to be placed as to 13,400,000 Placing Shares by First Shanghai and 12,600,000 Placing Shares by CITIC Capital, on a fully underwritten basis) beneficially owned by the Vendor.

The 26,000,000 Placing Shares represent approximately 12.57% of the Company's existing issued share capital and approximately 11.17% of its issued share capital as enlarged by the Subscription Shares.

The Placing Shares rank pari passu with all other existing issued Shares in all respects and will be sold free from any claims, charges, liens, encumbrances or any other third party rights.

Placees:

The Placing Shares will be placed to not less than six Placees, who are independent individual, professional, corporate and/or institutional or other investors procured or to be procured by the Placing Agents under the Placing. The Placees, together with their ultimate beneficial owners, will be independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

Placing Price:

HK\$1.58 per Placing Share.

This was arrived at after arm's length negotiations between the Vendor and the Placing Agents and represents a discount of approximately 4.82% to the closing price of HK\$1.66 per Share quoted on the Stock Exchange on 15 July 2004, being the last trading day on which Shares were traded prior to the entering into of the Placing Agreements and the Subscription Agreement, and a discount of approximately 0.63% to the average closing price of HK\$1.59 per Share quoted on the Stock Exchange over the last 10 trading days up to and including 15 July 2004.

Placing commission:

Subject to completion of the Placing, a commission of 3% of the total aggregate consideration for the Placing Shares (ie. approximately HK\$1.2 million) will be payable to the Placing Agents. This was arrived at after arm's length negotiations between the Vendor and the Placing Agents.

Conditions of the Placing:

The Placing is unconditional. Each of the Placing Agents has undertaken, on a fully underwritten basis, to procure Placees to subscribe for the relevant portion of the Placing Shares subject to the rights of each of the Placing Agent to terminate the respective Placing Agreements in accordance with the terms and conditions contained therein.

Completion of the Placing:

Completion of the Placing will take place on the second business day after the business day immediately after the date of the Placing Agreements on which the Placing Shares are traded on the Stock Exchange (ie. 22 July 2004) or on such other day as may be agreed between the Vendor and the Placing Agents in writing. The costs and expenses incurred in relation to the Placing will be borne by the Company.

The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and its shareholders as a whole.

SUBSCRIPTION AGREEMENT

Date:

19 July 2004

Subscriber:

The Vendor

Subscription Shares:

Upon completion of the Placing pursuant to the Placing Agreements, the Subscription Shares represent approximately 12.57% of the Company's existing issued share capital and approximately 11.17% of its issued share capital as enlarged by the Subscription Shares.

The Subscription Shares, when fully paid and issued, will upon issue rank pari passu in all respects with the existing issued Shares including the right to receive all dividends and distributions declared, paid or made with reference to a record date on or after the date of completion of the Subscription.

Subscription price:

HK\$1.58 per Subscription Share (which is the same as the Placing Price).

Conditions of the Subscription:

Completion of the Subscription is conditional upon the following taking place on or before 29 July 2004 or such later date as may be agreed between the Vendor and the Company in writing:

- (a)

the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Subscription Shares (either unconditionally or subject to conditions which are acceptable to the Company);
- (b)

if required, the Bermuda Monetary Authority approving the allotment and issue of the Subscription Shares; and
- (c)

completion of the Placing.

If any of these conditions is not fulfilled by 29 July 2004 or such later date as may be agreed between the Vendor and the Company, the Subscription Agreement will lapse and the liabilities of the parties under the Subscription Agreement will cease and determine.

Completion of the Subscription:

Completion of the Subscription will take place on the second business day after satisfaction of the conditions referred to above. Completion of the Subscription is currently expected to take place on 2 August 2004, and in any event within 14 days of the date of the Placing Agreements in order to comply with Chapter 14A of the Listing Rules. The costs and expensed incurred in relation to the Subscription will be borne by the Company.

GENERAL MANDATE

The Subscription Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the special general meeting of the Company held on 29 March 2004. As at the date of this announcement, no Share has been issued under the aforesaid mandate.

CHANGES IN SHAREHOLDING STRUCTURE

| | Approximate percentage of shareholding before Placing and Subscription | Approximate percentage of shareholding after Placing but before Subscription | Approximate percentage of shareholding after Placing and Subscription |
|---|--|--|---|
| the Vendor (<i>Note 1</i>) | 56.11% | 43.55% | 49.85% |
| Kao Cheung Chong, Michael (<i>Note 2</i>) | 3.55% | 3.55% | 3.16% |
| Happy Nation Limited (<i>Note 1</i>) | 1.18% | 1.18% | 1.05% |
| Kao Wai Ho, Francis (<i>Note 2</i>) | 0.69% | 0.69% | 0.61% |
| Lam Pak Kin, Philip (<i>Note 3</i>) | 0.20% | 0.20% | 0.17% |
| Public | | | |
| – existing | 38.27% | 38.27% | |
| – Placees | – | 12.57% | |
| Sub-total | 38.27% | 50.84% | 45.16% |
| TOTAL | 100% | 100% | 100% |

1.

The Vendor is 54.67% beneficially owned by Happy Nation Limited, whose entire issued share capital is in turn beneficially owned by China Link Holding Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited (acting as trustee for The Cheerco Trust, of which Mr. Kao Cheung Chong, Michael and his family members (including, Mr. Kao Wai Ho, Francis) are discretionary objects).
2.

The shareholding figures include the personal and corporate interests of these Directors in issued Shares pursuant to Part XV of the Securities and Futures Ordinance but do not include Shares in which they are otherwise deemed to be interested pursuant to Part XV of the Securities and Futures Ordinance which are held by the Vendor.
3.

The shareholding figures include all issued Shares in which Mr. Lam Pak Kin, Philip is deemed to be interested pursuant to Part XV of the Securities and Futures Ordinance.

As at the date of this announcement, the existing authorized share capital of the Company comprises 500,000,000 Shares, of which 206,869,500 Shares are issued and fully paid up.

REASONS FOR THE TRANSACTIONS AND USE OF PROCEEDS

The Company is principally engaged in the production of computer graphics animated motion pictures and television series.

* For identification purpose only

The Board considers that the Placing and the Subscription will enlarge the shareholder base and the capital base of the Company and will strengthen the financial position of the Group. The total net proceeds of the Subscription of approximately HK\$39.7 million is intended to be used as follows:

1. as to approximately HK\$24 million for funding the pre-production and the obtaining of intellectual property licensing rights for the production of a feature length computer graphics ("CG") animation film based on the theme and story line of a well-known and popular Hollywood title. The Group is currently negotiating with the respective owners of several such titles in respect of the licensing of the intellectual property rights. Production of the film is expected to commence from late 2004 and completion is expected in early 2006. The production budget of the film is currently estimated to be approximately US\$20 million; and
2. as to the remainder of approximately HK\$15.7 million for funding the pre-production of five direct-to-video CG animation feature film projects, which will be conducted in collaboration with Kabushiki Kaisha Mad House, one of the leading animation studios in Japan. Average production budget of such projects is expected to be approximately US\$2 million to US\$3 million each.

Further announcement in relation to the above investments will be made as and when appropriate in compliance with the Listing Rules.

Based on the estimated net proceeds from the Subscription of approximately HK\$39.7 million, the net proceed per Subscription Share upon completion of the Placing and the Subscription to be received by the Company is approximately HK\$1.53.

Save for a rights issue ("Rights Issue") at HK\$1.08 per rights share (in the proportion of one rights share for every two shares held) which had been completed in May 2004, from which net proceeds of approximately HK\$71 million were raised, the Company has not carried out any fund raising exercise in the past 12 months.

As disclosed in the prospectus of the Company dated 19 April 2004, the net proceeds of the Rights Issue are intended to be used as follows:

- (a) as to approximately HK\$8 million for establishing the Group's international marketing team for the Group's computer animation products and services in the United States of America;
- (b) as to approximately HK\$30 million for the initial-stage expansion of the Group's production capability in relation to computer graphics animated feature films, including: (i) approximately HK\$3 million for expanding production studio facilities; (ii) approximately HK\$17 million for purchasing new machinery, equipment and software; and (iii) approximately HK\$10 million for the salaries of additional staff during the initial year of expansion. The Group has initiated the sourcing of relevant new machinery, equipment and software as well as the search for appropriate additional office space; and
- (c) as to the balance of approximately HK\$33 million for general working capital purposes.

As at the date of this announcement, approximately HK\$20 million of the net proceed of the Rights Issue had been utilized by the Company as to approximately HK\$5 million for establishing the Group's international marketing team for the Group's computer animation products and services in the United States of America, approximately HK\$5 million for the initial-stage expansion of the Group's production capability in relation to computer graphics animated feature films and approximately HK\$10 million as general working capital.

The Directors consider the terms and conditions of the Subscription to be fair and reasonable and believe that the Placing and the Subscription are in the best interest of the Company and its shareholders.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares have been suspended on the Stock Exchange from 9:30 a.m. on 16 July 2004 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 20 July 2004.

DEFINITION

In this announcement, the expressions below have the meanings assigned:

| | |
|--------------------------|---|
| "Board" | means the board of directors of the Company for the time being; |
| "CITIC Capital" | means CITIC Capital Markets Limited, a deemed licensed corporation to carry on business in types 1, 4, 5, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, advising on future contracts and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is not a connected person (as defined in the Listing Rules) of the Company; |
| "Code" | means the Hong Kong Code on Takeovers and Mergers; |
| "Company" | means IMAGI INTERNATIONAL HOLDINGS LIMITED, a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange; |
| "Director(s)" | directors, and including independent non-executive directors of the Board; |
| "First Shanghai" | means First Shanghai Securities Limited, a deemed licensed corporation to carry on business in types 1, 4, 6, 7 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, providing automated trading services and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is not a connected person (as defined in the Listing Rules) of the Company; |
| "Group" | means the Company and its subsidiaries; |
| "HK\$" | means Hong Kong dollars, the lawful currency of Hong Kong for the time being; |
| "Hong Kong" | means the Hong Kong Special Administrative Region of the People's Republic of China; |
| "Listing Rules" | means the Rules Governing the Listing of Securities on the Stock Exchange; |
| "Placees" | means independent individual, professional, corporate and/or institutional or other investors procured or to be procured by the Placing Agents under the Placing; |
| "Placing" | means the placing of the Placing Shares under the Placing Agreements; |
| "Placing Agents" | means First Shanghai and CITIC Capital; |
| "Placing Agreements" | means the two placing agreements both dated 19 July 2004 entered into between the Vendor and each of the Placing Agents in relation to the Placing; |
| "Placing Price" | means HK\$1.58 per Placing Share; |
| "Placing Shares" | means an aggregate of 26,000,000 existing Shares which are beneficially owned by the Vendor; |
| "PRC" | means the People's Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan; |
| "Share(s)" | means ordinary share(s) of HK\$0.50 each in the capital of the Company; |
| "Stock Exchange" | means The Stock Exchange of Hong Kong Limited; |
| "Subscription" | means the subscription for the Subscription Shares by the Vendor pursuant to the Subscription Agreement; |
| "Subscription Agreement" | means the agreement dated 19 July 2004 between the Company and the Vendor in relation to the Subscription; |
| "Subscription Shares" | means such number of new Shares which shall be equal to the aggregate number of Shares being placed by the Placing Agents pursuant to the Placing Agreements; and |
| "Vendor" | means Sunni International Limited, a company incorporated in the British Virgin Islands and interested in approximately 56.11% of the entire issued share capital of the Company as at the date of this announcement. |

For and on behalf of the Board of
IMAGI INTERNATIONAL HOLDINGS LIMITED
Yip Kar Hang, Raymond
Company Secretary

The Board comprises:

| | | |
|-----------------------------|---|--|
| <i>Executive Directors:</i> | Mr. Kao Cheung Chong, Michael (<i>Chairman</i>) | Mr. Kao Wai Ho, Francis (<i>Deputy Chairman</i>) |
| | Mr. Zhang Liping | Mr. Lam Pak Kin, Philip |

| | |
|-------------------------|-----------------|
| Non-executive Director: | Mr. Ng See Yuen |
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| | | |
|---|-----------------------------|------------------|
| <i>Independent Non-executive Directors:</i> | Mr. Alexander Reid Hamilton | Mr. Randy Harris |
| | Mr. Oh Kok Chi | |

Hong Kong, 19 July 2004