MAGI **IMAGI INTERNATIONAL HOLDINGS LIMITED** 意馬國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 585)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

Placing Agent



On 15 January 2007, the Vendor (being the Controlling Shareholder of the Company), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent has agreed to procure, as agent of the Vendor, purchasers for up to 125,000,000 Placing Shares at the Placing Price (being HK\$3.50) per Placing Share on a best-endeavour basis.

On 15 January 2007, the Vendor also entered into the Subscription Agreement with the Company pursuant to which the Vendor has agreed to subscribe for, and the Company has agreed to allot and issue to the Vendor, the Subscription Shares (the number of which shall be equivalent to the number of Placing Shares successfully placed by the Placing Agreement) at the Subscription Price (being HK\$3.50) per Subscription Share, which is the same as the Placing Price. The Subscription Agreement is subject to the conditions as set out below.

The 125,000,000 Placing Shares represent approximately 9.94% of the issued share capital of Company as at the date of this announcement and approximately 9.04% of the issued share capital of the Company as enlarged by the allotment and issue of the 125,000,000 Subscription Shares.

The Placing Price represents (i) a discount of approximately 11.84% to the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on 12 January 2007, being the last trading day immediately preceding the date of the Placing Agreement and the Subscription Agreement; (ii) a discount of approximately 4.42% to the average closing price of HK\$3.662 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 January 2007; and (iii) a discount of approximately 0.82% to the average closing price of HK\$3.529 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12 January 2007.

It is expected that the net proceeds from the Subscription (assuming 125,000,000 Placing Shares have been successfully placed and equivalent number of Subscription Shares has been subscribed for) will amount to approximately HK\$426,000,000.

Trading in Shares was suspended at the request of the Company from 9:30 a.m. on 15 January 2007, pending the publication of this announcement. In light of publication of this announcement, application has been made by the Company to the Stock Exchange for the resumption of trading in Shares from 9:30 a.m. on 16 January 2007.

PLACING AGREEMENT (DATED 15 JANUARY 2007)

The Company

Vendor (2)

Sunni International Limited, a Controlling Shareholder of the Company. As at the date of this announcement, Sunni International Limited owns 585,618,505 Shares, representing approximately 46.55% of the issued share capital of the Company as at the date of this announcement,

Placing Agent
CLSA Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent is a third party independent of the Group and not a connected person (as defined in the Listing Rules) of the Group.

Number of Placing Shares:

Up to 125,000,000 Placing Shares on a best-endeavour basis. The 125,000,000 Placing Shares represent approximately 9.94% of the issued share capital of the Company of 1,257,927,500 Shares as at the date of this announcement and approximately 9.04% of the issued share capital of the Company as enlarged by the allotment and issue of 125,000,000 Subscription Shares.

The Placing Shares rank pari passu with all other issued Shares as at the date of this announcement in all respects, including the right to receive all dividends declared, made or paid on or after the date of the Placing Agreement and are sold free from any liens, charges and encumbrances, claims, options, security interests, equities and other third party rights.

There will be not fewer than six placees (the "Placees"), who will be independent professional, institutional or other investors selected and procured by the Placing Agent.

The Placees (and its ultimate beneficial owner(s), if applicable) will be third parties independent of the Group and not connected persons (as defined in the Listing Rules) of the Group, and that no Placee will become substantial Shareholder.

Placing Price:

HK\$3.50 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fee and SFC transaction levy).

The Placing Price has been arrived at after arm's length negotiations among the Company, the Vendor and the Placing Agent and represents (i) a discount of approximately 11.84% to the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on 12 January 2007, being the last trading day immediately preceding the date of the Placing Agreement and the Subscription Agreement; (ii) a discount of approximately 4.42% to the average closing price of HK\$3.662 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 January 2007; and (iii) a discount of approximately 0.82% to the average closing price of HK\$3.529 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12 January 2007.

Placing Completion:

The Placing Completion shall take place on 18 January 2007 (or such later date as the Vendor and the Placing Agent may agree in writing).

Lock-up:

The Vendor undertook to the Placing Agent that for a period of two months from the Closing Date, it would not, without the prior written consent of the Placing Agent, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of its Shares or any interests.

The Company agreed to the Placing Agent that, for a period of two months from the Closing Date, it would not and the Vendor also undertook to procure that neither the Company nor any of its subsidiaries would not, without the prior written consent of the Placing Agent, issue or agree to allot or issue any Shares (other than pursuant to (i) any exercise of any convertible bonds or warrants in issue at the date of the Placing Agreement or any other conversion or subscription rights existing at the date of the Placing Agreement or (ii) any scrip dividend scheme) or other securities or grant or agree to grant any options, warrants or other rights to subscribe for any Shares or securities or to repurchase any securities of the Company.

SUBSCRIPTION AGREEMENT (DATED 15 JANUARY 2007)

Parties:

The Company

Subscriber (2)

Sunni International Limited

Number of Subscription Shares:

Such number of new Shares equivalent to the number of Placing Shares successfully placed by the Placing Agent pursuant to the Placing Agreement.

In the event that the Placing Agent shall have placed 125,000,000 Placing Shares, the Subscriber shall subscribe for 125,000,000 Subscription Shares (amounting to an aggregate nominal value of HK\$12,500,000). The 125,000,000 Subscription Shares represent approximately 9.94% of the issued share capital of the Company as at the date of this announcement and approximately 9.04% of the issued share capital of the Company as enlarged by allotment and issue of the 125,000,000 Subscription Shares.

Subscription price:

HK\$3.50 per Subscription Share, which is the same as the Placing Price. The total subscription money to be paid by the Subscriber to the Company shall be the aggregate amount of the Subscription Price to be paid by the Subscriber pursuant to the Subscription, less the expenses to be incurred pursuant to the Placing and the Subscription. The net price per Subscription Share amounts to approximately HK\$3.41.

The Subscription Shares will, upon issue, rank pari passu in all respects with the issued Shares as at the date of the Subscription Completion, including the right to receive all dividends and distributions declared, paid or made on or after the date of allotment.

Subscription Completion:

The Subscription Completion shall take place on the business day after the date on which all conditions of the Subscription have been fulfilled, but in any event not later than 14 days after the date of the Placing Agreement. However, if the Subscription is not completed on or before 29 January 2007 (being 14 days from the date of the Placing Agreement), the Subscription will be subject to independent Shareholders' approval pursuant to the relevant provisions under Chapter 14A of the Listing Rules.

Conditions for the Subscription:

Completion of the Subscription is conditional on:

- (a) the Placing Completion;
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the (b) Subscription Shares; and
- (if required) the Bermuda Monetary Authority consenting to the issue of the Subscription Shares.

If any of the conditions of the Subscription is not fulfilled on or before 26 January 2007 (or such later date as may be agreed between the Company and the Subscriber), the Subscription Agreement and all rights and obligations thereunder will cease and terminate.

EXPENSES

The Company will bear all the costs, expenses and charges to be incurred by the Company and the Vendor in relation to the Placing (including the placing commission payable to the Placing Agent for the Placing) and the Subscription.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 24 August 2006. As at the date of this announcement, the maximum number of Shares that can be issued under the general mandate is 251,585,500 Shares.

SHAREHOLDING STRUCTURE

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has convertible notes in the outstanding principal amount of HK\$70,000,000. Assuming the Placees do not hold any Shares immediately before the Placing Completion, the conversion rights attached to the convertible notes issued by the Company are not exercised and there is no other change in the shareholding of the Company after the date of this announcement, to the best of the Directors' knowledge and based on publicly available information including various filings made under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the shareholding structure of the Company immediately before and after the Placing Completion and the Subscription Completion (assuming 125,000,000 Shares are placed and subscribed for in full pursuant to the Placing Agreement and the Subscription Agreement) are as follows:

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after the Placing Completion but before the Subscription Completion		Shareholding immediately after the Placing Completion and the Subscription Completion	
	Number of	% of shareholding	Number of	% of shareholding	Number of	% of shareholding
	Shares	(approximate)	Shares	(approximate)	Shares	(approximate)
The Vendor and its parties acting in concert						
Mr. Kao Cheung Chong, Michael	37,288,020	2.96%	37,288,020	2.96%	37,288,020	2.70%
Mr. Kao Wai Ho, Francis	7,122,000	0.57%	7,122,000	0.57%	7,122,000	0.51%
Sunni International Limited (Note 1)	585,618,505	46.55%	460,618,505	36.61%	585,618,505	42.35%
Happy Nation Limited (Note 2)	12,197,985	0.97%	12,197,985	0.97%	12,197,985	0.88%
Sub-total	642,226,510	51.05%	517,226,500	41.11%	642,226,510	46.44%
Directors (Note 3) Other Shareholders	2,395,500	0.19%	2,395,500	0.19%	2,395,500	0.17%
Winnington Group	203,840,000	16.21%	203,840,000	16.21%	203,840,000	14.74%
Placees	_	-	125,000,000	9.94%	125,000,000	9.04%
Other public Shareholders	409,465,490	32.55%	409,465,490	32.55%	409,465,490	29.61%
Total	1,257,927,500	100.00%	1,257,927,500	100.00%	1,382,927,500	100.00%

- Sunni International Limited 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, son of Mr. Kao Cheung Chong, Michael) are discretionary objects).
- The entire issued share capital of Happy Nation Limited is beneficially owned by China Link Holding Limited, which in turn is beneficially owned by HSBC International Trustee Limited, acting as trustee for The Cheerco Trust, of which Mr. Kao Cheung Chong, Michael and Mr. Kao Wai Ho, Francis are discretionary objects, holds 54.67% of the issued share capital of Sunni International Limited.
- These Shares are held by Directors other than Mr. Kao Cheung Chong, Michael and Mr. Kao Wai Ho, Francis. (3) For ease of illustration purposes only, Winnington Group refers to collective shareholdings of Mr. Hung Kam Biu, Kenneth ("Mr. Hung"), Ms. Chu Jocelyn ("Ms. Chu"), Trophy Asset Management Limited ("Trophy Asset"), Goodyear Group Limited ("Goodyear") and Trophy Fund. Goodyear is wholly-owned by Trophy Fund which in turn is wholly-owned by Trophy Asset. Trophy Asset is wholly-owned by Mr. Hung. Trophy Fund is managed by Winnington Capital Limited, an investment manager which is 50% owned by each of Mr. Hung and Ms. Chu.
- REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS The Group is principally engaged in the production of computer graphics animation pictures and television series. The Board believes that the Placing and the Subscription will increase the capital base of the Company and broaden its shareholder base. It is expected that the net proceeds from the Subscription (assuming 125,000,000 Placing Shares have

been successfully placed and equivalent number of Subscription Khares has been subscribed for) will amount to approximately HK\$426,500,000. The net proceeds from the Subscription will be used mainly as (i) as to approximately HK\$380 million for the development of new CG animation feature film projects:

- as to the remaining amount for the expansion of the Company's studios in Hong Kong and in the United States of America and for the Group's working capital purposes. (ii)
- The Directors consider the terms of the Placing and the Subscription to be fair and reasonable and believe that the Placing and the Subscription are in the best interest of the Company and the Shareholders.

The Company has not issued any equity securities to raise funds in the 12 months immediately preceding the date of this announcement.

APPLICATION FOR LISTING Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal

in, the Subscription Shares. GENERAL.

the board of Directors for the time being

Trading in Shares was suspended at the request of the Company from 9:30 a.m. on 15 January 2007, pending the publication of this announcement. In light of publication of this announcement, application has been made by the Company to the Stock Exchange for the resumption of trading in Shares from 9:30

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

a.m. on 16 January 2007.

"Board"

18 January 2007 (or such later date as the Vendor and the Placing "Closing Date"

- Agent may agree in writing)
- Imagi International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of "Company
- incorporated in Bermuda with limited 1 which are listed on the Stock Exchange

- "Controlling Shareholder" has the meaning ascribed to such term in Rule 1.01 of the Listing
- Rules
- "Director(s)" director(s) of the Company

- "Group" the Company and its subsidiaries

- "HK\$" Hong Kong dollars, the lawful currency of Hong Kong for the time
- being
- "Hong Kong" the Hong Kong Special Administrative Region of the People's Republic
 - of China
- "Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange
- "Placing" the placing of the Placing Shares "Placing Agent" CLSA Limited
- "Placing Agreement"
- the agreement dated 15 January 2007 entered into by the Company, the Vendor and the Placing Agent in relation to the Placing
- "Placing Completion" completion of the Placing
- "Placing Price" HK\$3.50 per Placing Share
- "Placing Shares" up to 125,000,000 Shares beneficially owned by the Vendor as at the
- date of this announcement and to be placed under the Placing Agreement
- "SFC" the Securities and Futures Commission of Hong Kong
- ordinary share(s) of par value HK\$0.10 each in the capital of the "Share(s)" Company
- "Shareholder(s)" holder(s) of Share(s)
- "Stock Exchange" The Stock Exchange of Hong Kong Limited "Subscription" the subscription for the Subscription Shares by the Subscriber
- "Subscription Agreement" the agreement entered into by the Company and the Subscriber on 15 January 2007 in relation to the Subscription
- "Subscription Completion" completion of the Subscription $\ensuremath{\mathsf{HK\$3.50}}$ per Subscription Share which is the same as the Placing Price "Subscription Price"
- such number of new Shares equivalent to the number of Placing Shares "Subscription Shares" placed by the Placing Agent under the Placing Agreement which are to be allotted and issued under the Subscription Agreement
- "Vendor" or "Subscriber" Sunni International Limited

By order of the Board Imagi International Holdings Limited Kao Wai Ho, Francis
Deputy Chairman and Co-Chief Executive Officer

for identification purposes only

Hong Kong, 15 January 2007

As at the date of this announcement, the executive Directors are Mr. Kao Cheung Chong, Michael, Mr. Kao Wai Ho, Francis, Mr. Douglas Esse Glen, Mr. Tse Chi Man, Terry, Mr. Yip Kar Hang, Raymond and Mr. Thomas Knox Gray. The non-executive Director is Mr. Lam Pak Kin, Philip. The independent non-executive Directors are Mr. Lai Chi Kin, Lawrence, Mr. Ng See Yuen and Mr. Oh Kok Chi.