

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00585)

EXCLUSIVITY AGREEMENT IN RESPECT OF A POSSIBLE INVESTMENT IN THE COMPANY UPDATE ON THE REVIEW OF THE COMPANY'S OPERATION AND BUSINESS DIRECTION

The Board wishes to announce that on 2 February 2010, the Company entered into the Exclusivity Agreement, with the Investor to grant the Investor an exclusivity period to conduct due diligence on the Group with a view to a possible investment in the Company. **If the Possible Investment is consummated, it may involve the issue of new Shares, the Investor becoming a controlling shareholder of the Company, and a material dilution of existing Shareholders' shareholding interest in the Company.**

At this stage the parties to the Exclusivity Agreement have not entered into any legally binding agreement in respect of the Possible Investment.

As at the date of this announcement, the Company has (i) 3,601,518,384 Shares in issue, (ii) 277,376,956 which may be issued pursuant to its Share Option Scheme, and (iii) a zero coupon convertible note in the principal amount of HK\$132,000,000. Apart from these securities, none of the Investor, its beneficial owner and parties acting in concert with any of them has dealt in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of Takeovers Code) of the Company.

A further announcement will be made by the Company if and when legally binding agreements in respect of the Possible Investment are entered into.

As the Possible Investment may or may not take place, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Company has decided to implement certain rationalisation steps and alter its business direction with the view of reducing costs further, maintaining the core competencies of the Group, and maximising the embedded value of the Group's cumulative knowledge and knowhow in the computer graphic imaging animated feature movie business.

* For identification purposes only

Reference is made to the announcements dated 30 December 2009, 20 January 2010 and 26 January 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 (the "Recent Announcements"). Unless otherwise stated, terms defined in the Recent Announcements have the same meanings when used in this announcement.

The Board wishes to announce that on 2 February 2010, the Company entered into the Exclusivity Agreement with the Investor and granted the Investor exclusivity to conduct due diligence on the Group with a view to a possible investment in the Company.

EXCLUSIVITY AGREEMENT IN RESPECT OF A POSSIBLE INVESTMENT IN THE COMPANY

The following summarises the key terms of the Exclusivity Agreement:

Parties

- (i) the Investor; and
- (ii) the Company

To the best knowledge of the Company, the Investor, and parties acting in concert with it, are Independent Third Parties.

Exclusivity

In connection with the negotiations between the Company and the Investor in relation to a possible investment by the Investor in the Company (the "Possible Investment"), the Company has undertaken to the Investor that, during the Exclusivity Period, it shall not, directly or indirectly, enter into any discussion or agreement with any person except the Investor relating to any investment in the Company other than the Possible Investment (defined below). During the Exclusivity Period, the Company will allow the Investor to conduct due diligence review of the assets, liabilities, activities, operations, prospects and affairs of the Group.

Shareholders should note that if the Possible Investment is consummated, it may involve the issue of new Shares, the Investor becoming a controlling shareholder of the Company, and a material dilution of existing Shareholders' shareholding interest in the Company.

As at the date of this announcement, the Company has (i) 3,601,518,384 Shares in issue, (ii) 277,376,956 which may be issued pursuant to its Share Option Scheme, and (iii) a zero coupon convertible note in the principal amount of HK\$132,000,000. Apart from these securities, none of the Investor, its beneficial owner and parties acting in concert with any of them has dealt in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of Takeovers Code) of the Company.

Earnest Money

In consideration of the Company agreeing to grant exclusivity to the Investor under the Exclusivity Agreement, the Investor shall pay a cash sum of HK\$3,500,000 as earnest money (the "Earnest Money") to the Company which shall be free to utilise such money for working capital requirements.

If no legally binding agreement relating to the Possible Investment is entered into by the end of the Exclusivity Period, the Earnest Money will become repayable to the Investor together with reimbursement of reasonable legal costs incurred by the Investor.

If the Company fails to repay the Earnest Money when due, the Company will be liable to pay the Investor interest on the Earnest Money calculated at the rate of 20% per annum, from the date commencing two weeks after the Exclusivity Expiry Date. The Company has also agreed, amongst other things, that until the Earnest Money with accrued interest is fully repaid, it shall not issue any new Shares (or securities convertible into Shares) or to enter into any pledge of any of the Group's assets.

If a legally binding agreement relating to the Possible Investment is entered into, the Earnest Money may be treated as deposit for the Possible Investment subject to the terms of the said legally binding agreement.

A further announcement will be made by the Company if and when legally binding agreements for the Possible Investment are entered into.

UPDATE OF THE REVIEW OF THE GROUP'S OPERATION AND BUSINESS DIRECTION

The Group is principally engaged in the production of computer graphic imaging animated motion pictures ("CGI Movie(s)") and has a proven track record of producing and distributing world class animation films. Following the disappointing performance of its feature film *Astro Boy* and as mentioned in the Recent Announcements, the Board has concluded that the long-term viability of the Company would depend on its ability to restructure its balance sheet, to further streamline and rationalise the Group's business operations.

In this regard, the Company has carried out a strategic review of its business and operations with the view to maximising the business potential of the Group. As part of this exercise and as mentioned in the Recent Announcements, the Group has already terminated the employment of certain Group employees and withdrawn funding support for its United States subsidiaries. The Board also recognises that further aggressive cost reductions are necessary. The Company is actively exploring possible means to enhance the Group's liquidity position, including discussing with its major creditors as mentioned in the Recent Announcements and is considering the Company's exposure arising from its continuing financial support of certain subsidiaries of the Group. At the same time, the Board believes that further cost rationalisation must be achieved in parallel with measures to maintaining the Group's core competencies in the CGI Movie business and to make best use of the Group's cumulative knowledge and knowhow in the CGI Movie business.

To this end, the Company has adopted the position that instead of solely relying on the Group's in-house facilities in producing the animation films, the Company intends to use different production methods such as outsourcing the production to other animation houses, or utilising existing third party animation capacity available in the PRC. The Group will continue its efforts in maintaining and building the creative aspects of the Group's business (e.g. in the development of film scripts and story boards), and to continue to exploit the commercial potential of the Group's IP rights, as well as to seek optimal financing arrangements to progress the Group's existing portfolio of movie projects under development.

As the Possible Investment may or may not take place, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company. If the Possible Investment cannot be successfully concluded and/or the Company is unable to obtain other funding, 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.

DEALINGS DISCLOSURE

The respective associates of the Investor and the Company are reminded to disclose their dealings in the securities of the Company in accordance with Rule 22 of the Takeovers Code.

Stockbrokers, banks and others who deal in relevant securities of the Company 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 of the Takeovers Code and 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 pursuant to the Takeovers Code. 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 seven-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 enquires. 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.

TERMS USED IN THIS ANNOUNCEMENT

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code;
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code;
“Board”	the board of Directors;
“Company”	Imagi International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange;
“Director(s)”	director(s) of the Company;

“Exclusivity Agreement”	the exclusivity agreement dated 2 February 2010 entered into between the Company and the Investor, setting out the exclusivity provision and other basic understanding between the parties in connection with due diligence and the Possible Investment;
“Exclusivity Expiry Date”	the date which is the earliest of: <ul style="list-style-type: none"> (a) the date that the legally binding agreements for the Possible Investment have been signed by the Investor; (b) the date the Investor informs the Company that it no longer wish to proceed with the due diligence review and/or negotiations; and (c) 28 February 2010 or such other date as the parties may agree;
“Exclusivity Period”	the period commencing on the date of receipt by the Company of the Earnest Money and ending on the Exclusivity Expiry Date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person of the Company (as “connected person” is defined in the Listing Rules);
“Investor”	an Independent Third Party;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Share(s)”	the ordinary share(s) of a nominal value of HK\$0.10 each in the share capital of the Company;
“Share Option Scheme”	the Share Option Scheme approved and adopted by the Company on 16 August 2002;
“Shareholder(s)”	holder(s) of shares;

