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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)

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN
LES AMBASSADEURS CLUB LIMITED
AND
(2) REVERSE TAKEOVER
INVOLVING A NEW LISTING APPLICATION**

Sole Sponsor to the New Listing Application of the Company



Reference is made to the Company's announcement dated 20 May 2019 in respect of the Term Sheet on the Acquisition and the possible reverse takeover involving the New Listing Application.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 24 July 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell:

- (i) the Sale Shares, which represent the entire issued share capital in the Target Company; and
- (ii) the Sale Loan, which represents the aggregate amount owed by the Target Company to the Seller as at Completion,

for the Consideration of £122,000,000 (equivalent to approximately HK\$1,206.1 million) (subject to adjustment) which shall be settled in full by the Purchaser in cash. The Guarantor shall guarantee the Guaranteed Obligations.

The Target Company is a private company incorporated in England and Wales with limited liability. The principal activity of the Target Company is the operation of Les Ambassadeurs Club, which is a private members club located in London, United Kingdom that provides access to a high-end casino as well as luxury travel and concierge services. Les Ambassadeurs Club has an international customer base and delivers particular attention and outstanding services to its members, which consist primarily of suitable wealthy individuals, the majority of whom are domiciled outside of the United Kingdom.

Immediately prior to the entering into of the Sale and Purchase Agreement, the Target Company is directly wholly owned by the Seller. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the SGM.

In addition, the Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the New Listing Application to be made by the Company. The New Listing Application is required to comply with all the requirements under the Listing Rules, in particular, the requirements under Chapters 8 and 9 of the Listing Rules. As at the date of this announcement, the New Listing Application has not yet been submitted to the Stock Exchange, and the Company will initiate the New Listing Application process as soon as reasonably practicable. Assuming no material delay in the existing tentative timetable, it is expected that the submission of the New Listing Application will be made to the Stock Exchange in October 2019. The Listing Committee may or may not grant its approval of the New Listing Application.

Optima Capital has been appointed as the sole sponsor in relation to the New Listing Application.

In addition, as the Target Company is involved in gambling activities, the Stock Exchange has issued the Guidance Letter which stipulates, among other things, that if a listed issuer invests directly or indirectly in gambling activities and the operation of such gambling activities:

- (i) fails to comply with the applicable laws in the jurisdictions where such activities take place; and/or
- (ii) contravenes the Gambling Ordinance,

a listed issuer may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. In such an event, the Stock Exchange may direct a listed issuer to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the securities of the listed issuer pursuant to Rule 6.01 of the Listing Rules.

As at the date of this announcement, the Company had engaged the English Legal Adviser to conduct due diligence on the gambling activities of the Target Company and for the purpose of obtaining the English Legal Opinion to cover the requirements set out in the Guidance Letter. The Company will make further announcement(s) regarding the material findings of the English Legal Opinion as and when appropriate and such material findings will also be included in the Circular to be despatched to the Shareholders. The Company will comply with all applicable laws and regulations (including but not limited to the Listing Rules and the Guidance Letter) in connection with the Acquisition.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company will despatch the Circular in accordance with the requirements under the Listing Rules, which is expected to contain, among other things:

- (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the financial and other information of the Group;
- (iii) the financial and other information of the Target Group;
- (iv) the unaudited pro forma financial information of the Enlarged Group;
- (v) the valuation report of the Target Group to be prepared by an independent professional valuer;
- (vi) the information regarding the New Listing Application; and
- (vii) the notice of the SGM to consider and, if thought fit, to approve the resolution(s) relating to the Sale and Purchase Agreement and the transactions contemplated thereunder and the proxy form.

As required under Rule 14.60(7) of the Listing Rules, the expected date of despatch of the Circular is no more than 15 business days (as defined in the Listing Rules) after the publication of this announcement. As additional time is required for compiling the relevant information in the Circular and for the reasons disclosed under the section headed “SGM and Despatch of the Circular” in this announcement, the Company expects that the Circular will be despatched to the Shareholders on or before 31 December 2019 and the Company will make further announcement in relation to the despatch of the Circular as and when necessary.

WARNING

Completion is subject to the satisfaction and/or waiver of the Conditions Precedent, and provided that the termination rights are not exercised by the Purchaser or the Seller, pursuant to the Sale and Purchase Agreement, and therefore the Acquisition may or may not take place.

In addition, the Listing Committee's approval for the New Listing Application to be made by the Company may or may not be granted. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing or contemplating to deal in the securities of the Company. Shareholders and public investors are advised to obtain appropriate professional advice.

INTRODUCTION

Reference is made to the Company's announcement dated 20 May 2019 in respect of the Term Sheet on the Acquisition and the possible reverse takeover involving the New Listing Application.

The Board is pleased to announce that on 24 July 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell:

- (i) the Sale Shares, which represent the entire issued share capital in the Target Company; and
- (ii) the Sale Loan, which represents the aggregate amount owed by the Target Company to the Seller as at Completion,

for the Consideration of £122,000,000 (equivalent to approximately HK\$1,206.1 million) (subject to adjustment) which shall be settled by the Purchaser in cash. The Guarantor shall guarantee the Guaranteed Obligations.

THE SALE AND PURCHASE AGREEMENT

Date : 24 July 2019

Parties : (1) Seller : the Seller
(2) Purchaser : the Purchaser
(3) Guarantor : Mr. Suen

The Seller is a private company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is ultimately wholly owned by Mr. Suen, the Guarantor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Seller and the Guarantor is an Independent Third Party. Other than in respect of the Acquisition, neither the Company nor its connected persons has any prior or existing business relationship or arrangement with the Seller, the Guarantor and/or their respective associates.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Seller:

- (i) the Sale Shares, which represent the entire issued share capital in the Target Company; and
- (ii) the Sale Loan, which represents the aggregate amount owed by the Target Company to the Seller as at Completion.

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration is £122,000,000 (equivalent to approximately HK\$1,206.1 million) less:

- (i) the Equity Value Shortfall;
- (ii) the Working Capital Shortfall;
- (iii) the Sale Loan Shortfall; and
- (iv) the amount of any Completion Overdue Trade Receivables which, as at the first anniversary of the Completion Date, remain unpaid.

The portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan on a dollar-for-dollar basis as at the Completion Date, and the remaining balance of the Consideration shall be attributable to the Sale Shares. If there is any Sale Loan Shortfall, the Consideration shall be adjusted downward by an amount equivalent to the amount of the Sale Loan Shortfall.

According to the Sale and Purchase Agreement, within 30 Business Days after the Completion Date, the Purchaser shall prepare and deliver to the Seller (i) a draft completion statement (including statements relating to the Working Capital Shortfall, Sale Loan Shortfall and the Completion Overdue Trade Receivables) and (ii) a draft payment statement (including the Balancing Amount) to calculate the details of the adjustments (if any) to the Consideration (collectively, the "**Draft Statements**"). Within 20 Business Days after receiving the Draft

Statements, the Seller shall issue in writing a notice to the Purchaser (the “**Response Notice**”) in case it has any objections to the calculation or lined items. Lack of such Response Notice would be deemed as agreement, and the Draft Statements delivered by the Purchaser shall be regarded as final and binding on the Seller and the Purchaser. In case the Seller issues its Response Notice with details and reasons, the Seller and Purchaser shall use all their reasonable endeavours to reach agreement upon the adjustment(s), if any. If within 14 days after service of the Response Notice, the Seller and Purchaser do not reach such agreement, a partner at an independent firm of chartered accountants shall be agreed and appointed by the Purchaser and the Seller to make the determination. If no such partner can be agreed or appointed by the parties after a further 21 days, on the written request of either the Seller or the Purchaser, a partner at an independent firm of chartered accountants will be selected by the president or other senior officer of the Institute of Chartered Accountants in England and Wales. The decision of the partner so appointed will, in the absence of manifest error, be final and binding on the Seller and the Purchaser.

Therefore, if the Draft Statements to be prepared by the Purchaser have been agreed by the Seller, the respective amounts of the Completion Overdue Trade Receivables and the Balancing Amount shall become final within 50 Business Days after the Completion Date. However, if such agreement cannot be reached by the parties, an extra period of up to 35 days (commencing from the expiry of the 50 Business Days after the Completion Date) and additional time necessary for the expert to make the determination may be needed for the respective amounts of the Completion Overdue Trade Receivables and the Balancing Amount to become final.

The working capital amount of the Target Company is determined by the aggregate of cash, trade receivables (excluding any amounts owing from the Seller’s Group to the Group), stock and pre-payments minus debts, accruals, trade payables (excluding any amounts owing from the Group to the Seller’s Group). With reference to the information in the management accounts of the Target Company as at 30 April 2019, the working capital target as at the Completion Date is determined to be £67,000,000 (equivalent to approximately HK\$662.4 million). According to the management accounts of the Target Company as at 31 May 2019 provided by the Seller, the working capital of the Target Company is approximately £63,700,000 (equivalent to approximately HK\$629.7 million).

According to the information provided by the Seller, the Completion Overdue Trade Receivables as at 4 July 2019 amounted to approximately £78,786,000 (equivalent to approximately HK\$778.9 million).

The Company intends to settle the Consideration using the internal resources of the Group and/or external debt financing, and has no current plan for equity fund raising activities to finance the Acquisition. As at 30 June 2019, the Company had liquid internal resources of approximately HK\$505 million, comprising (i) cash of approximately HK\$81 million; and (ii) bonds and available for sale listed securities held for trading of approximately HK\$423 million. The Company plans to issue corporate bonds with an aggregate face value of up to HK\$1 billion and expects to receive net proceeds of approximately up to HK\$980 million from such bond issuance. The Company will decide on the amount of the Consideration to be funded by its liquid internal resources and the net proceeds of the corporate bonds, respectively, as and when the Consideration or any part thereof becomes payable in accordance with the Sale

and Purchase Agreement. As at the date of this announcement, the Company is in the process of negotiating with a qualified financial institution regarding the terms of the proposed issue of corporate bonds, and no term sheet or any other document with a similar nature has been entered into by the Company in relation to the proposed issue of corporate bonds. Details of the proposed issue of corporate bonds will be announced by the Company when the terms have been agreed with the qualified financial institution.

Payment of the Consideration

The Consideration shall be settled fully in cash in the following manner:

- (i) within seven days after the date of the Sale and Purchase Agreement, the Purchaser shall pay a sum of £10,000,000 (equivalent to approximately HK\$98.7 million) to the Escrow Account;
- (ii) within 14 days after the fulfilment of the Conditions Precedent relating to the granting of the Purchaser Licence to the satisfaction of the Purchaser, the Purchaser shall pay a sum of £40,000,000 (equivalent to approximately HK\$395.4 million) to the Escrow Account;
- (iii) within one month after Completion, the Purchaser shall pay a sum of £72,000,000 (equivalent to approximately HK\$711.8 million) less (i) the amount of any Equity Value Shortfall; and (ii) the amount (if any) by which the amount of the Latest Overdue Trade Receivables exceeds the amount of the Escrow Fund paid to the Purchaser before such instalment payment under the relevant terms of the Sale and Purchase Agreement to the Seller's account;
- (iv) as soon as reasonably practicable but within 10 Business Days after the amount of the Completion Overdue Trade Receivables has become final and binding pursuant to the Sale and Purchase Agreement, an amount equal to the amount (if any) by which the amount of the Completion Overdue Trade Receivables exceeds the amount of the Latest Overdue Trade Receivables will be paid in cash by the Seller to the Purchaser;
- (v) as soon as reasonably practicable but within 10 Business Days after the amount of the Completion Overdue Trade Receivables has become final and binding pursuant to the Sale and Purchase Agreement, an amount equal to the amount (if any) by which the amount of the Latest Overdue Trade Receivables exceeds the amount of the Completion Overdue Trade Receivables will be paid in cash by the Purchaser to the Seller's account;
- (vi) within 10 Business Days of the Balancing Amount having become final and binding pursuant to the Sale and Purchase Agreement, if the Balancing Amount is negative (but for the purpose thereof, being treated as a positive number), the Seller shall pay to the Purchaser in cash the Balancing Amount. For the avoidance of doubt, if the Balancing Amount is positive, no payment will be made by the Purchaser;
- (vii) as soon as reasonably practicable after and, in any event, within 10 Business Days of the first anniversary of the Completion Date, the amount of any Completion Overdue Trade Receivables which as at the first anniversary of the Completion Date remain unpaid will be paid in cash by the Seller to the Purchaser; and

(viii) as soon as reasonably practicable but within 10 Business Days after the first anniversary of the Completion Date, the amount of any Completion Overdue Trade Receivables which have been paid to the Target Group before the first anniversary of the Completion Date will be paid in cash by the Purchaser to the Seller's account,

together, in the case of items (iii) and (vi) above, with an amount equivalent to interest accrued thereon at the interest rate of three months LIBOR then prevailing from (but excluding) the Completion Date to (and including) the date of such payment.

The Directors are of the view that the interest rate adopted above is a commonly used and transparent market rate, and therefore is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Escrow Account has not been opened and/or is not ready to receive any payment of the Consideration by the due date for that payment, that payment will be delayed until that account has been opened.

The Escrow Account shall be opened and managed by an escrow agent jointly appointed by the Seller and the Purchaser. The Seller and Purchaser have started the process of opening the Escrow Account as at the date of this announcement.

The funds to be paid by the Purchaser into the Escrow Account will be released to:

- (i) the Purchaser as soon as reasonably practicable after Completion, if Completion occurs before the Long Stop Date for an amount equal to the amount of the Latest Overdue Trade Receivables (for the avoidance of doubt, if the amount of the Latest Overdue Trade Receivables exceeds the Escrow Fund, then the entire amount of the Escrow Fund shall be paid to the Purchaser and the net deficit of the Latest Overdue Trade Receivables shall be dealt with in accordance with paragraph (iii) above in the section headed "The Sale and Purchase Agreement – Payment of the Consideration" in this announcement), with any balance of such funds being paid to the Seller; or
- (ii) the Purchaser at the Long Stop Date if Completion does not occur before the Long Stop Date or, if earlier, the date of termination of the Sale and Purchase Agreement.

For the avoidance of doubt, the Escrow Fund will be released in full to the Purchaser if the Sale and Purchase Agreement is terminated (whether or not the break fee (as detailed below) is paid by either the Purchaser or the Seller).

Basis of the Consideration

The Consideration was arrived at based on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller taking into account the following factors:

- (i) the EV/EBITDA Multiples of the Comparable Companies ranging from 5.0 to 16.1 with a median of 9.6;
- (ii) the final Consideration to be subject to the valuation of the equity value of the Target Group being no less than £86,000,000 (equivalent to approximately HK\$850.2 million), representing an Implied EV/EBITDA Multiple of 11.3 for FY2018, as appraised by independent professional valuer(s);
- (iii) the Implied EV/EBITDA Multiple of the Target Company for FY2018 of approximately 11.3, which falls within the range of the EV/EBITDA Multiples of the Comparable Companies;
- (iv) the amount of the Sale Loan as at 30 April 2019 of £36,267,696 (equivalent to approximately HK\$358.5 million); and
- (v) the expected business development and prospects of the Target Group and its market position as one of the leading luxury casinos in London, United Kingdom.

The Comparable Companies were selected by the Purchaser and the Seller based on the criterion that they are global gambling companies with United Kingdom-based non-remote casino operations which are similar to that of the Target Company. Given that (i) all the Comparable Companies have non-remote casino operations in the United Kingdom which are similar to the principal business of the Target Company; (ii) all of them are listed companies with publically available and reliable information for further analysis; and (iii) despite the size of the EBITDA of certain Comparable Companies being significantly larger than that of the Target Company, the Purchaser and the Seller consider that the EV/EBITDA Multiple is an appropriate tool for comparison purpose given that it is a ratio regardless of the absolute size of the EBITDA of the Comparable Companies and accordingly can provide a ballpark benchmark for determining the initial Consideration which will be subsequently finalised based on the valuation of the equity value of the Target Group to be prepared by independent professional valuer(s), the Board is of the view that the Comparable Companies are fair and representative for the purpose of determining the Consideration.

Details of the Comparable Companies are set out below:

| Company Name | Stock Code | Principal Business | EBITDA <i>(£ millions)</i> | EBITDA Multiple <i>(Note 1)</i> |
|-----------------------------------|---|--|--------------------------------------|---|
| Rank Group Plc | RKN <i>(listed on Main Market of the London Stock Exchange)</i> | Rank Group Plc operates bingo clubs and casinos in the United Kingdom with complementary on-line gaming and bookmaking services. | 121 | 5.0 |
| Genting Malaysia Berhad | GENM (4715) <i>(listed on Main Market of the Bursa Malaysia Securities Berhad)</i> | Genting Malaysia Berhad develops and leases property, operates leisure and hospitality services, and provides time share ownership scheme. | 500 | 7.8 |
| Crown Resorts Limited | CWN <i>(listed on Australian Securities Exchange)</i> | Crown Resorts Limited operates and manages gaming and entertainment facilities, bars, restaurants, nightclubs, cinemas and retail outlets. | 454 | 9.6 |
| Caesars Entertainment Corporation | CZR <i>(listed on Nasdaq Stock Market)</i> | Caesars Entertainment Corporation operates casino resorts on multiple continents. | 1,672 | 12.1 |
| Century Casinos, Inc | CNTY <i>(listed on Nasdaq Stock Market)</i> | Century Casinos, Inc. owns casinos, hotels, resorts, and luxury cruise vessels. Century Casinos, Inc. serves customers worldwide. | 17 | 16.1 |

Source: Bloomberg

| Comparable Companies | EBITDA <i>(£ millions)</i> | EBITDA Multiple <i>(Note 1)</i> |
|-----------------------------|--------------------------------------|---|
| Maximum | 1,672 | 16.1 |
| Minimum | 17 | 5.0 |
| Average | 553 | 10.1 |
| Median | 454 | 9.6 |

| Company Name | Stock Code | Principal Business | EBITDA | | Implied EV/EBITDA Multiple | |
|----------------|------------|---|--------|--------|----------------------------|--------------------|
| | | | FY2017 | FY2018 | FY2017 (Note 2) | FY2018 (Note 2) |
| Target Company | N/A | Non-remote high-end United Kingdom casino operation | 18.1 | 10.2 | 6.4 | 11.3 |

Notes:

1. *The EV/EBITDA Multiples of the comparable companies represent the EV of the comparable companies as at 30 June 2019 over the EBITDA of the comparable companies for their respective latest financial years. The EV of the comparable companies represents the market capitalisation of the comparable companies as at 30 June 2019 plus net debt of the comparable companies as shown on their respective latest statements of financial position.*
2. *The Implied EV/EBITDA Multiples of the Target Company for FY2017 and FY2018 represent the EV of the Target Company for FY2017 and FY2018, respectively, which is implied by the initial Consideration attributable to the Sale Shares of £86,000,000 (equivalent to approximately HK\$850.2 million) plus the net debt of the Target Company (including the Sale Loan as at 30 April 2019 of approximately £36.3 million (equivalent to approximately HK\$358.9 million)) as at 30 April 2019 of approximately £29.2 million (equivalent to approximately HK\$288.7 million), over the EBITDA of the Target Company for FY2017 (approximately £18.1 million) and FY2018 (approximately £10.2 million), respectively.*

As shown on the table above, the Implied EV/EBITDA Multiple of the Target Company for FY2018 is slightly higher than the median of 9.6 for the Comparable Companies. The slight premium was mainly due to the expected business development prospects of the Target Group, and the market position of the casino operated by the Target Company. London is a major tourist destination and business center for Europe and the world and regularly attracts many wealthy visitors looking for entertainment and leisure activities. The Directors are of the view that Les Ambassadeurs Club, which is operated by the Target Group, is one of the leading luxury casinos in London that has a strong reputation and an excellent brand name. Leveraging on the attractiveness of London for the reasons set out above and the strength of the Target Group, the Directors considered favourably the prospects for the expected business development of the Target Group. Based on data from the Gambling Commission on the six high-end casinos in the United Kingdom, the market share of Les Ambassadeurs Club operated by the Target Company is set out below:

| | 2016 | 2017 | 2018 |
|--------------------------------------|------|------|------|
| Attendance | | | |
| Les Ambassadeurs Club's market share | 25% | 25% | 32% |
| Drop ^(Note 1) | | | |
| Les Ambassadeurs Club's market share | 47% | 55% | 52% |
| Win ^(Note 2) | | | |
| Les Ambassadeurs Club's market share | 32% | 54% | 41% |

Notes:

1. "Drop" refers to the amount of money exchanged for chips in a casino.
2. "Win" refers to the amount of money cashed out for chips in a casino.

Based on the factors mentioned above, the Consideration payable by the Purchaser is considered by the Board to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company is in the process of engaging an independent professional valuer for the purpose of the New Listing Application and the determination of the final Consideration. It is expected that the valuation of the equity value of the Target Group will be completed before the publication of the Circular, which is anticipated to be issued in December 2019.

Conditions Precedent

Completion is conditional upon the satisfaction and/or waiver (as the case may be) of the following conditions in the Sale and Purchase Agreement before the Long Stop Date:

- (a) the Purchaser being satisfied (acting in good faith) with the results of the due diligence review to be conducted by the Purchaser or its agent in respect of the assets, liabilities, operations and affairs of the Target Company and such other matters as deemed necessary by the Purchaser;
- (b) the necessary ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated under it by the Shareholders, who are entitled to vote and not required to abstain from voting under the Listing Rules at a general meeting of the Company to be convened and held, and all other consents and acts required to be obtained by the Company under the Listing Rules and/or any other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver(s) from compliance with any of such rules having been obtained from the Stock Exchange;
- (c) the Stock Exchange having approved the resumption of trading of the Shares on the Stock Exchange or all the conditions for the resumption of trading of the Shares on the Stock Exchange having been fulfilled;
- (d) approval in principle by the Listing Committee of the New Listing Application having been granted and not having been revoked or withdrawn;
- (e) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange, SFC or any other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Sale and Purchase Agreement;

- (f) either:
- (i) the Purchaser Mid-Point Value is no less than £86,000,000 (equivalent to approximately HK\$850.2 million);

or, if the Seller disagrees with such valuation and obtains its own valuation report from a reputable valuer approved in advance by the Purchaser (such approval not to be unreasonably withheld or delayed);
 - (ii) the mid-point value between the Purchaser Mid-Point Value and the Seller Mid-Point Value is no less than £86,000,000 (equivalent to approximately HK\$850.2 million);
- (g) the Target Company having obtained and maintained all required approvals and licences for the business including but not limited to the Existing Operating Licence (unless and until the Purchaser Licence is granted and has effect), the Casino Premises Licence and the Premises Licence and the same not being subject to, or at risk of, lapsing, suspension, surrender, review, revocation or challenge;
- (h) the Target Company obtaining, on terms satisfactory to the Purchaser, the Purchaser Licence on the basis of it being a subsidiary of the Purchaser;
- (i) the Purchaser having received a legal opinion issued by a competent United Kingdom legal adviser in respect of the Target Company related matters and in the form and substance satisfactory to the Purchaser (acting reasonably);
- (j) all necessary approvals or consents from the relevant governmental or regulatory authorities or other relevant third parties of either the Target Company or the Seller or the Purchaser for the consummation of the transactions contemplated under the Sale and Purchase Agreement having been obtained on terms satisfactory to the Purchaser (acting reasonably);
- (k) the Seller not being in material breach of any provision of the Sale and Purchase Agreement;
- (l) the Seller not being in breach of the Seller's Pre-Completion Undertakings;
- (m) the Purchaser being satisfied (acting reasonably) that, on Completion, the Seller's warranties and representations in the Sale and Purchase Agreement will remain true and accurate in all material respects and are not misleading in any material respect;
- (n) the Purchaser being reasonably satisfied that there has not been any Material Adverse Change in respect of the Target Company since the date of the Sale and Purchase Agreement;
- (o) the Sale and Purchase Agreement not having been terminated by the Purchaser pursuant to the Sale and Purchase Agreement;
- (p) the Purchaser having completed (a) fund raising exercise(s) to its reasonable satisfaction or the conditions of such fund raising exercise(s) having been fulfilled;

- (q) the Purchaser's full compliance with paragraph (i) and (if applicable) paragraph (ii) above in the section headed "The Sale and Purchase Agreement – Payment of the Consideration" in this announcement;
- (r) the Purchaser being satisfied that no Target Group Member has borrowed any money (including from any member of the Seller Group, any of its shareholder or any of the shareholders of any company of which the Target Group Member is a subsidiary, but excluding any other Target Group Member) except for the Sale Loan up to a maximum of £36,000,000 (equivalent to approximately HK\$355.9 million); and
- (s) the Loan Agreement having been novated from MME to the Seller, with the consent of the Target Company, pursuant to the Initial Deed of Novation, no later than the date immediately preceding the Completion Date.

Subject to compliance by the Seller and the Guarantor with their respective undertakings pursuant to the relevant terms of the Sale and Purchase Agreement, the Purchaser will use reasonable endeavours to ensure that each Condition Precedent set out in paragraphs (b) to (e) (inclusive) and (p) above is satisfied as soon as reasonably practicable and in any event before the Long Stop Date. As at the date of this announcement, none of the Conditions Precedent had been fulfilled or waived.

The Purchaser may at its complete discretion, by notice to the Seller, waive any of the Conditions Precedent either in whole or in part other than Conditions Precedent set out in paragraphs (b) to (e) (inclusive) and (q) above. As at the date of this announcement, the Purchaser has no intention to waive any of the above Conditions Precedent.

The Seller may at its discretion waive the Condition Precedent set out in paragraph (q) above. As at the date of this announcement, the Seller has no intention to waive such Condition Precedent.

The Company expects that Completion may take place in or before the first quarter of 2020.

If any of the Conditions Precedent has not been waived (if applicable) or satisfied on or before the Long Stop Date, the Sale and Purchase Agreement will automatically terminate. Upon termination of the Sale and Purchase Agreement, the funds paid by the Purchaser into the Escrow Account shall be released to the Purchaser and each of the parties' further rights and obligations under the Sale and Purchase Agreement shall cease immediately except for the accrued rights and obligations as at the date of termination.

Guarantee

The Guarantor has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual performance by the Seller of the Guaranteed Obligations and that if the Seller fails to pay in full and on time any amount due in respect of any of the Guaranteed Obligations, the Guarantor will within 10 Business Days of demand pay that amount to the Purchaser.

The Guarantor has also undertaken that, if the Seller fails to perform in full and on time any of the Guaranteed Obligations, the Guarantor will immediately on demand perform or procure the performance of those Guaranteed Obligations (including paying in full and on time any amount due in respect of the Guaranteed Obligations) as if he were the principal obligor; and has agreed that, he will, as an independent and primary obligation, indemnify the Purchaser against all losses, liabilities, costs, expenses and damage the Purchaser incurs as a result of the Seller's failure to perform in full and on time any of the Guaranteed Obligations (including paying in full and on time any amount due in respect of any Guaranteed Obligation), or any of the Guaranteed Obligations being or becoming void, voidable or unenforceable.

Seller's Pre-Completion Undertakings

Between the date of the Sale and Purchase Agreement and Completion, the Seller will procure that each Target Group Member:

- (i) will carry on its business in the ordinary course and in the same manner (including applying the same level of due, skill, care and attention as each Target Group Member currently applies to its business as at the date of the Sale and Purchase Agreement) as presently carried on, having due regard to the interests of the Purchaser as purchaser of the Target Group and will advise and consult with the Purchaser in relation to any matters which would have a material effect on its business; and
- (ii) provides the Purchaser and, when requested, the Purchaser's accountants with copies of all accounts and managements accounts produced by the relevant Target Group Member at the same time as they are provided to the directors of the relevant Target Group Member and access to all of the relevant Target Group Member's accounting records and other books and records.

Completion

Completion shall take place at 12:00 noon (London time) (or such other time as may be agreed in writing between the Seller and the Purchaser) on the fifth Business Day after the first date on which all of the Conditions Precedent have been satisfied or waived (if applicable), or on such earlier date as may be agreed between the Seller and the Purchaser but in any event not later than five Business Days after the Long Stop Date.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

Termination

The Purchaser may by notice in writing to the Seller at any time prior to Completion elect to terminate the Sale and Purchase Agreement without liability on the part of the Purchaser if any fact, matter or event (whether existing or occurring on or before the date of the Sale and Purchase Agreement or arising or occurring afterwards) comes to the notice of the Purchaser at any time prior to Completion which:

- (i) constitutes a material breach by the Seller of any provision of the Sale and Purchase Agreement; or
- (ii) would constitute a material breach or breaches of the warranties set out in the Sale and Purchase Agreement if they were repeated on or at any time before Completion by reference to the facts and circumstances then existing and such breach or breaches are incapable of remedy or, if capable of remedy, have not been remedied to the reasonable satisfaction of the Purchaser within 10 Business Days of the Purchaser notifying the Seller of the breach; or
- (iii) in the reasonable opinion of the Purchaser is or is reasonably likely to result in a Material Adverse Change.

The Seller may also terminate the Sale and Purchase Agreement at any time prior to Completion by giving five Business Days' notice to the Purchaser.

Break fee

Pursuant to the Sale and Purchase Agreement, the Seller shall, and the Guarantor shall procure that the Seller shall, pay to the Purchaser an amount of £12,800,000 (equivalent to approximately HK\$126.5 million) as liquidated damages upon demand by the Purchaser if:

- (i) the Seller or the Guarantor breaches (A) its/his obligations to use reasonable endeavours to ensure that each Conditions Precedent is satisfied as soon as reasonable practicable, or breaches its/his obligation to provide, or procure to provide, such information, documentation and assistance to the Purchaser in connection with any application for the Purchaser Licence as set out in the Sale and Purchase Agreement, or (B) any of the provisions of the Sale and Purchase Agreement which results in Completion not occurring, although the Seller will not be liable for any claim in this sub-paragraph (i) to the extent it relates to the non-continuance of the Existing Operating Licence or to the consequences of such non-continuance; or

- (ii) the Seller or the Guarantor commits any fraud, gross negligence, wilful misconduct or wilful concealment in connection with the Sale and Purchase Agreement and/or the transactions contemplated thereunder; or
- (iii) the Seller elects to terminate the Sale and Purchase Agreement at any time prior to Completion by giving five Business Days' notice to the Purchaser.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall pay to the Seller an amount of £5,000,000 (equivalent to approximately HK\$49.4 million) as liquidated damages upon demand by the Seller if the Purchaser wilfully breaches any of the provisions of the Sale and Purchase Agreement which results in Completion not occurring, provided that the Purchaser shall not be liable to pay any break fee to the Seller if Completion does not take place as a result of non-fulfilment of any of the Conditions Precedent set out in paragraphs (b) to (e) (inclusive) and (p) as set out above for whatever reasons.

The amount of the break fee was agreed after arm's length negotiations between the Seller and the Purchaser, with reference to the assessment of the Directors in respect of the Company's incurred costs and expenses as well as the efforts that the Company had expended in respect of the Acquisition. The Directors are confident that all possible outcomes that are out of the Company's control have already been covered in all material respects by the Conditions Precedent and the representations and warranties as set out in the Sale and Purchase Agreement and accordingly, the situation where the Purchaser needs to pay the break fee to the Seller will be within the control of the Company. As for the break fee to be paid by the Seller to the Purchaser, the Directors consider that the amount is sufficient to compensate the Company for its incurred costs and expenses, as well as its efforts expended, on the Acquisition. During the course of the negotiations between the Company and the Seller, the Seller had disclosed that the Seller's Application is in the process of being considered by the Gambling Commission and it is out of the Seller's control whether the Seller's Application would eventually be approved by the Gambling Commission. Given the aforesaid, the Seller is of the view that it should not be treated as a party at fault being liable to pay any damages or compensation to the Purchaser if the Existing Operating Licence ceases to have effect as a result of the failure of the Seller's Application. According to the Sale and Purchase Agreement, the Seller will not be liable for any claim for the break fee by the Purchaser to the extent that it relates to the non-continuance of the Existing Operating Licence or to the consequences of such non-continuance (regardless whether it is due to the failure of the Seller to obtain the approval of the Seller's Application or any other reasons). The parties' intention to impose the break fee arrangement on the Acquisition is to provide the non-defaulting party with adequate compensation against certain intentional or deliberate breaches on the part of the defaulting party. The Company believes it is within the Seller's self-interest to maintain the Existing Operating Licence pending Completion given that the Existing Operating Licence is a material asset of the Target Company, so the current exemption to the payment of the break fee by the Seller is a fair and reasonable arrangement.

Whilst it is not feasible to list out all the circumstances which might result in the Existing Operating Licence not being continued or being terminated (other than due to the failure of the Seller's Application), the Company understands that the Existing Operating Licence may not continue or may be terminated if there are any material breaches of the commission specific conditions of, and/or requirements to maintain, the Existing Operating Licence as well as any other applicable laws and regulations. As the Company is in the process of carrying out its due diligence on the Target Group, further details regarding the Existing Operating Licence will be disclosed in the Circular to be despatched to the Shareholders. Notwithstanding the Seller is not liable for the non-continuance of the Existing Operating Licence or the consequences of such non-continuance, the Directors are of the view that the Company is sufficiently safeguarded against such risk since the Conditions Precedent stipulate that the Target Company shall maintain the Existing Operating Licence (unless and until the Purchaser Licence is granted and is effective), otherwise the Acquisition will be terminated, and therefore, the Directors consider it to be fair and reasonable for the Company to accept such exclusion of the Seller's liability. Furthermore, the Directors are of the view that the amount and arrangement of the break fee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Indemnity

Pursuant to the Sale and Purchase Agreement, the Seller will indemnify the Purchaser against all losses, liabilities, costs, damages and expenses that the Purchaser does or will incur or suffer, all claims or proceedings made, brought or threatened against the Purchaser by any person and all losses, liabilities, costs (on a full indemnity basis), damages and expense that the Purchaser does or will incur or suffer as a result of defending or settling any such actual or threatened claim or proceeding, in each case arising out of or in connection with certain issues, in accordance with the terms of the Sale and Purchase Agreement.

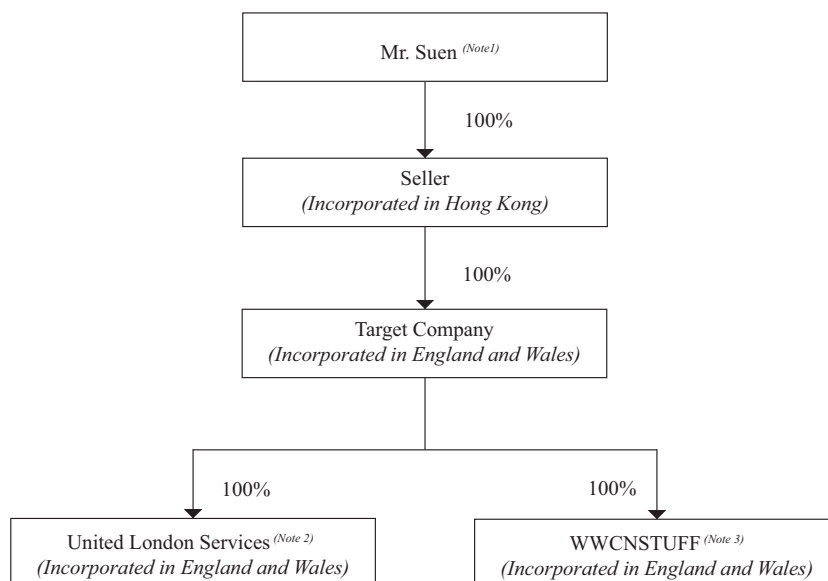
INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

Background

The Target Company is a private company incorporated in England and Wales with limited liability on 23 April 1992. The principal activity of the Target Company is the operation of Les Ambassadeurs Club, which is a private members club located in London, United Kingdom that provides access to a high-end casino as well as luxury travel and concierge services. Les Ambassadeurs Club has an international customer base and delivers particular attention and outstanding services to its members, which consist primarily of suitable wealthy individuals, the majority of whom are domiciled outside of the United Kingdom.

Immediately prior to the entering into of the Sale and Purchase Agreement, the Target Company is wholly-owned by the Seller. After Completion, the Purchaser shall be interested in the entire issued share capital in the Target Company.

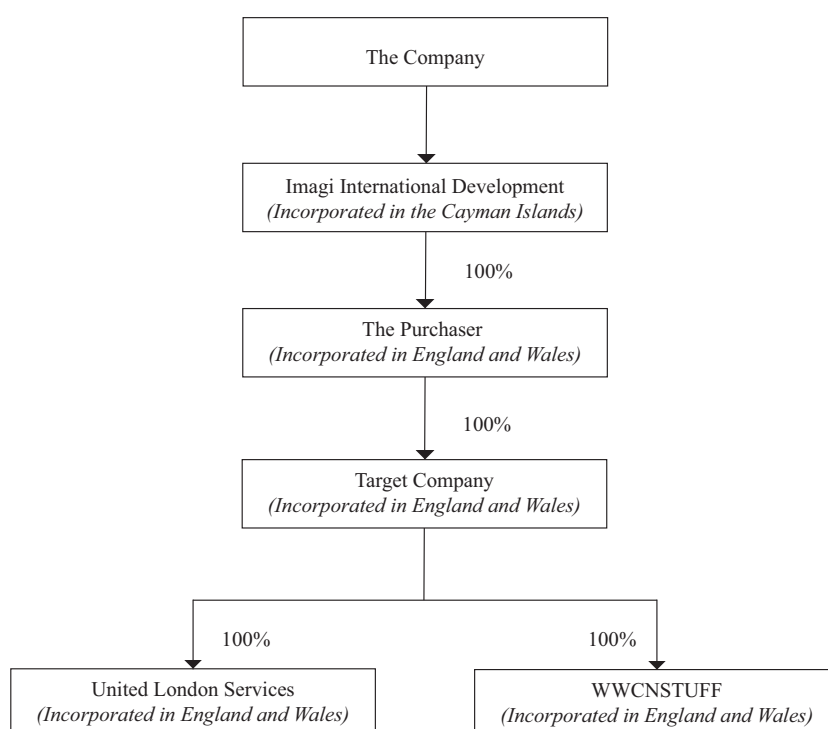
The simplified structure chart of the Target Group as at the date of this announcement is set out below:



Notes:

1. The Seller is wholly-owned by Jolly Champion Holding Limited (an investment holding company incorporated in the British Virgin Islands), which in turn is wholly-owned by MME. Mr. Suen is the direct sole shareholder of MME.
2. United London Services was incorporated by the Target Company on 13 May 2016 and is principally engaged in provision of customer services for the customers of the Les Ambassadeurs Club casino operated by the Target Company.
3. WWCNSTUFF was incorporated by the Target Company on 2 February 2018 and is currently a dormant company.

It is anticipated that the simplified structure chart of the Target Group immediately upon Completion will be as follows:



Principal business

The principal activity of the Target Company is the operation of Les Ambassadeurs Club, which is one of the most exclusive and distinguished gambling clubs in the United Kingdom and located in the very heart of London's upscale Mayfair district at Nos. 5 and 6 Hamilton Place, which is a fine historic and spacious building with a number of stylish private gaming rooms, a notable main staircase and an elegant library.

Les Ambassadeurs Club is known as one of the leaders in the high-end casino market of London, consistently holding a large share of the exclusive market, including amongst the high-end Mayfair casinos. Once owned by the Conyngham family and Leopold de Rothschild (son of Baron Lionel de Rothschild), Les Ambassadeurs Club re-opened in its present leasehold premises in the early 1990s.

In the past few years there have been substantial investments in restoring the historic building in which the Target Company operates Les Ambassadeurs Club. A new restaurant was opened in 2017, completely transforming the basement area of the premises and enabling high net worth players to enjoy exclusive dining with their families, with a complete separation from the casino environment. A refurbishment of the first floor area was completed in 2018, creating a grand salle for additional gaming in a luxuriously furnished room. Work continues to be carried out to further improve the facilities and environment of Les Ambassadeurs Club for its customers.

The Property which is currently occupied by Les Ambassadeurs Club is leased by the Target Company, and the Property comprises elegant main public areas, six stylish private gaming rooms and an outdoor garden area where al fresco gaming takes place. The key terms of the lease of the Property are summarised below:

| | | |
|----------------------------|---|---|
| Date of lease | : | 9 October 2012 |
| Landlord | : | an Independent Third Party |
| Tenant | : | the Target Company |
| Location | : | No. 5 and 6 Hamilton Place, London, W1J 7ED, United Kingdom |
| Term | : | 50 years commencing on 9 October 2012 |
| Current annual rent | : | £3,250,000 (equivalent to approximately HK\$32.1 million) payable in advance on the usual quarterly days (subject to rent review on each subsequent fifth anniversary from the commencement date, the next of which shall be due on 9 October 2022) |

Termination right of the tenant : the Target Company, as the tenant, has the right to terminate the lease upon the happening of a specified event which means the date on which:

- (i) any law or regulation which renders illegal use of the Property as a high class casino comes into force; or
- (ii) the Target Company would be required to cease using the Property as a high class casino because of the withdrawal or rescission (or the proper refusal of the grant or renewal) of such licence or licences from time to time required for that purpose where such withdrawal, rescission or refusal does not arise from the act or default of the Target Company (or of those for whom the Target Company is responsible) and there exists no reasonable prospect (whether by appeal or otherwise) of the Target Company obtaining such licences where (and provided that) at such date the permitted use of the Property remains as a high class casino and is not the subject of an extant consent from the landlord pursuant to the terms for an alternative use,

with three months' notice in writing given within three months thereof to the landlord, and provided that the Target Company (a) pays all rent and other moneys payable to the landlord; and (b) gives full vacant possession of the whole Property.

Landlord's right to forfeit : the landlord has the right to forfeit the lease and re-enter the Property in the event that the Target Company breaches any covenant or provision in the lease to be observed or performed by the Target Company as a tenant, including the Target Company's obligation of maintaining all consents and licences necessary to operate the casino, punctual payment of rent, using the Property as permitted user only, and other covenants customarily to be observed or performed by the tenant in a lease with a similar nature

Les Ambassadeurs Club employed approximately 346 staff as at February 2019 and occupies a total of 40,750 square feet of space. In order to maximise customer-facing floor space in the building situated at 5 Hamilton Place, the Target Company has rented offices on nearby Curzon Street in London for other staff such as the compliance team and various administrative functions.

Much of the clientele at Les Ambassadeurs Club have Asian and Middle Eastern backgrounds, with the stated primary target audience to be “Suitable Wealthy Foreign Nationals”. To provide the best possible customer service, Les Ambassadeurs Club employs hosts and marketing professionals with the necessary language skills.

Les Ambassadeurs Club provides casino games being games of chance which are not equal chance gaming. Les Ambassadeurs Club currently has 34 casino tables, 6 electronic gaming terminals and 10 gaming machines offering a variety of games including American roulette, blackjack, punto banco and 3 card poker. It also provides electronic versions of casino games and gaming machines and is permitted to provide card room and other games of equal chance. The Target Group generates its revenue from gaming and non-gaming income including tourism, travel-related and entertainment.

Existing Licences

As at the date of this announcement, subject to completion of the due diligence on the Target Company, which is currently being undertaken, and to the best of the knowledge and belief of the Directors, the Target Company holds all the licences which are necessary for its business operations. Details of the key licences of the Target Company are set out below:

Converted Casino Operating Licence

The converted casino operating licence, namely the Existing Operating Licence, was issued by the Gambling Commission to the Target Company on 8 October 2007 and is valid for an indefinite period of time.

All converted casino operating licences are subject to LCCPs and mandatory conditions as set out under the Gambling Act 2005. In addition, the Existing Operating Licence is subject to the following commission specific conditions that the licensee (i) may only operate one or more casinos only in premises in respect of which a converted casino premises licence has effect; and (ii) provided annual gross gaming yield is less than £110 million. As due diligence on the gambling activities of the Target Company is being conducted as at the date of this announcement, further disclosure regarding the compliance with the LCCPs, mandatory conditions under the Gambling Act 2005 and commission specific conditions shall be included in the Circular.

Ancillary Remote Operating Licence

The ancillary remote operating licence was issued to the Target Company originally on 16 October 2007 and is valid for an indefinite period of time.

All ancillary remote operating licences are subject to LCCPs and mandatory conditions as set out under the Gambling Act 2005. In addition, the ancillary remote operating licence that was granted to the Target Company is subject to commission specific conditions which apply to all ancillary remote casino operating licences.

Casino Premises Licence

The Casino Premises Licence of the Target Company came into effect on 1 September 2007 and is valid for an indefinite period of time.

The Casino Premises Licence is subject to mandatory conditions as set out under the Gambling Act 2005 and the Gambling Act 2005 (Mandatory and Default Conditions) (England and Wales) Regulations 2007, which apply to all converted casino premises, but is not subject to the default conditions relating to operating hours as these have been removed, enabling Les Ambassadeurs Club to operate 24 hours a day every day (except Christmas Day). There are no other material conditions which are applicable to the Casino Premises Licence of the Target Company.

Premises Licence

The Target Company also holds the Premises Licence, which was issued under the Licensing Act 2003, authorising the sale of alcohol, provision of regulated entertainment and late night refreshment from the premises. This premises licence is valid for an indefinite period of time.

The Premises Licence of the Target Company is subject to mandatory conditions as set out in the Licensing Act 2003 (Mandatory Licensing Conditions) Order 2010 and the Licensing Act 2003 (Mandatory Licensing Conditions) Order 2014, which apply to all licensed premises. It is also subject to a number of additional conditions relating to restrictions on number of persons (excluding staff) permitted on the premises at any one time (basement: 200 persons; ground floor: 200 persons; and first floor: 250 persons), restrictions relating to external outdoor terraces and the provision of CCTV.

Subject to completion of the due diligence on the Target Company, which is currently being undertaken, the Directors confirm that, as at the date of this announcement and to the best of their knowledge and belief, after making reasonable enquires, the Target Company currently holds all licences which are necessary for the business operations (including the gambling activities) of the Target Company. Further details regarding the licences of the Target Company shall be included in the Circular.

The current operations of Les Ambassadeurs Club are not affected by the continuance of the Seller's Application. The Operating Licences shall continue to have effect at least until the Seller's Application is determined by the Gambling Commission. The Casino Premises Licence is unlikely to be affected by the outcome of the Seller's Application but in the event that the Operating Licences become invalid, Les Ambassadeurs Club could not be operated until a new operating licence has been granted to the Target Company and has effect. The Premises Licence will not be affected by the Seller's Application. For details regarding the Seller's Application, please refer to the section headed "Application to the Gambling Commission" below.

It is envisaged that after Completion, the Casino Premises Licence and the Premises Licence will remain valid with Les Ambassadeurs Club being operated under the Purchaser Licence.

Due diligence regarding the gambling activities carried on by the Target Company and its compliance with applicable laws

Regulatory overview

Gambling in Great Britain is regulated by the Gambling Commission, an independent non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport of the United Kingdom and established under the framework of the Gambling Act 2005. Westminster City Council is also the relevant licensing authority in respect of the Casino Premises Licence held by the Target Company.

The gambling operation of casino business in Great Britain is governed ostensibly by the Gambling Act 2005 and regulations made under the Gambling Act 2005 and is based on three key licensing objectives:

- (i) preventing gambling from (a) being a source of crime and disorder, (b) being associated with crime and disorder, or (c) being used to support crime;
- (ii) ensuring that gambling is conducted in a fair and open way; and
- (iii) protecting children and other vulnerable people from being harmed or exploited by gambling.

Casino businesses are required to hold the relevant operating licences issued by the Gambling Commission which are subject to LCCPs issued and updated by the Gambling Commission from time to time. Operators are also required to comply with technical standards published by the Gambling Commission. An operator can only operate a casino from premises which are subject to a casino premises licence issued by the licensing authority of the relevant local authority.

In relation to the prevention of money laundering and terrorist financing, casino businesses are subject to various laws and regulations, including but not limited to the Terrorism Act 2000 of the United Kingdom, the Proceeds of Crime Act 2002 of the United Kingdom and the MLR. It is also a requirement of the LCCPs that a casino operator must comply with the Gambling Commission's guidance – *“The Prevention of money laundering and combating the financing of terrorism – Guidance for remote and non-remote casinos”*.

The Gambling Commission has wide powers under the Gambling Act 2005 in its regulation of gambling operators as well as licensing operators and key personnel, it sets appropriate licence conditions and codes of practice, carries out compliance activities, enforcement and prosecution work and provides advice.

There are a variety of ways that the Gambling Commission can deal with non-compliance by licensees, ranging from enhanced compliance procedures and regulatory settlements to licence reviews (which can lead to giving the licensee advice as to conduct, issuing a warning to the licensee, adding, removing or amending a condition on the licence, suspending or revoking a licence or imposing a financial penalty) and other formal enforcement action including imposing financial penalties. The Gambling Commission also has powers to launch criminal investigations and bring criminal proceedings against companies and individuals.

The Gambling Act 2005 also gives licensing authorities in England and Wales, the police and the Gambling Commission the power to prosecute the offence of using premises for gambling without the requisite permissions. Separately a responsible authority (including the licensing authority, Gambling Commission, Her Majesty's Revenue and Customs of the United Kingdom, police, fire authority, environmental health authority or child protection authority) or an interested party (being a person living close to the premises or who has a business interest that may be affected) can apply to the licensing authority for a review of the casino premises licence. A review could lead to removing, adding or amending a condition on the casino premises licence, suspending the casino premises licence for a period up to three months or revoking the casino premises licence.

The Gambling Commission requires casino operators to prevent gambling being a source of crime or disorder, being associated with crime or disorder or being used to support crime. Whilst potential breaches of the Proceeds of Crime Act 2002 and the Terrorism Act 2000 will normally be reported to the National Crime Agency of the United Kingdom and fall to the police to investigate, the Gambling Commission, in its role as the gambling regulator in Great Britain, seeks assurance that risks to the licensing objectives posed by money laundering activity and terrorist financing are effectively managed, and its guidance will assist casino operators to meet their obligations under the applicable laws, where appropriate.

Where a casino operator fails to uphold the licensing objectives, for example by being ineffective in applying anti-money laundering or counter-financing terrorism controls or ignoring their responsibilities under the applicable laws, or breaches an applicable licence condition, the Gambling Commission may consider reviewing the operating licence. The Gambling Commission may also consider taking other enforcement action including imposing a financial penalty where a licence condition has been breached.

The Gambling Commission is designated as the supervisory body for the casino industry under the MLR and uses its power under the legislation to exchange information on proceeds of crime or money laundering with the National Crime Agency and other law enforcement partners involved in taking action under the applicable laws.

Due diligence and compliance with the applicable laws of the gambling activities of the Target Company

The Company has engaged the English Legal Adviser, namely Mr. Jeremy Phillips, Queen's Counsel, for the purpose of issuing the English Legal Opinion which addresses the matters relating to the gambling activities of the Target Company as required by the Guidance Letter. The English Legal Adviser has been involved with casino applications and objections in the United Kingdom since early 1980s and has dealt with many cases in either a court, tribunal or advisory capacity. He is also the joint editor of "*Smith & Monkcom on Gambling*" and is the editor in chief of "*Paterson's Licensing Act*".

As at the date of this announcement, due diligence on the gambling activities of the Target Company is being conducted, and it is expected that such due diligence work shall be completed by the end of August 2019.

Since the Target Company is involved in gambling activities, further disclosure regarding the Target Group and its business operations is required by the Guidance Letter. As the Company is still in the process of carrying out its due diligence on the Target Group and its business activities, further disclosure regarding the following areas shall be included in the Circular to be despatched to the Shareholders:

- (i) the Applicable Laws which are required to be complied with by the Target Group;
- (ii) the Target Company's compliance with the Applicable Laws in the jurisdictions where such gambling activities take place, and/or whether the gambling activities of the Target Company contravene the Gambling Ordinance;
- (iii) how the Applicable Laws are administered and enforced;
- (iv) the controls implemented by the Target Company to comply with the Applicable Laws;
- (v) confirmations from independent professional parties regarding the Target Company's compliance with the Applicable Laws, and adequacy and effectiveness of its internal control measures implemented with respect to the operations of gambling activities and anti-money laundering; and
- (vi) specific risks in relating to the Target Company's gambling operations.

Financial information

Set out below is the audited consolidated financial information of the Target Company as at and for the two years ended 31 December 2017 and 2018, which was prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law):

| | For the year ended 31 December 2017 (audited) <i>(Note)</i> <hr/> (£'000) | For the year ended 31 December 2018 (audited) <i>(Note)</i> <hr/> (£'000) |
|--------------------------------------|---|---|
| Revenue | 156,906 | 98,887 |
| Profit/loss before tax | 15,667 | 6,710 |
| Profit/loss after tax | 12,426 | 4,777 |
| Fixed assets | | |
| Intangible assets | 8,057 | 8,051 |
| Property, plant and equipment | 16,381 | 15,557 |
| Current assets | | |
| Inventories | 5,642 | 2,781 |
| Trade and other receivables | 89,438 | 108,195 |
| Cash and cash equivalents | 52,810 | 15,284 |
| Current Liabilities | (127,603) | (100,366) |
| (amount falling due within one year) | | |
| Net assets | 44,725 | 49,502 |

Note:

According to the audited annual reports and consolidated financial statements for the two years ended 31 December 2018 provided by the Target Company, the auditors of the Target Group have issued an unqualified audit opinion on the Target Group's financial statements for the two financial years. The financial information relating to the Target Company as set out above is provided by the Target Company and was extracted from its financial statements prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), which may have difference with the Hong Kong Financial Reporting Standards, which are used by the Company to prepare its financial statements. Audited financial statements regarding the Target Group to be attached in the Circular is expected to be prepared in accordance with the Hong Kong Financial Reporting Standards.

According to the management of the Target Company, the reason for the substantial decrease in the Target Group's revenue and profit after tax for the year ended 31 December 2018 is due to the reduction in gaming revenue as a result of lower hold from key individual customers, which resulted from higher than expected numbers of customers who won on the gaming tables during the year ended 31 December 2018, namely the casino hold was lower. As at the date of this announcement, the management of the Target Company is not anticipating a repeat of the lower hold experienced in 2018 for the remainder of 2019. Therefore, as at the date of this announcement, the Directors are of the view that the decline of revenues for 2018 is a one time affair and do not expect a material continual decline in the Target Company's revenues for 2019.

Development plan

The Directors confirm that it is the intention of the Company that after Completion, the Board will assume responsibility for determining the overall future strategy for the Enlarged Group, including the Target Group. However, as at the date of this announcement, there are no current plans for any Director to sit on the board of the Target Company. Furthermore, there are no current plans for any member from the Board or the Company's senior management to either perform any of the key management functions at the Target Group, or hold a personal management licence. The Company plans to rely on the decades of experience of the chief executive officer and his executive team at the Target Company for input as well as to continue delivering on its business objectives.

The Directors intend to continue building the Target Company's business by:

- (i) supporting the Target Company's efforts in continuing to offer the existing outstanding products and services to the high-end London casino market;
- (ii) relying on the decades of experience and expertise of the current management of the Target Company to continue generating stable revenue from the existing customer base of Les Ambassadeurs Club while facilitating initiatives to increase the membership of Les Ambassadeurs Club and minimizing disruptions to its business;
- (iii) identifying possible synergies and opportunities to reduce costs; and
- (iv) facilitating the establishment of a top-tier private concierge service available exclusively to the members of Les Ambassadeurs Club to increase the brand awareness and customer loyalty.

As at the date of this announcement, the Company has no further commitment in the Target Group.

The Company may consider whether to recruit additional management staff, who are experienced in the Target Group's industry, to assist in the management and monitoring of the Target Group after Completion. Furthermore, as part of its due diligence, the Company will engage expert consultants to review the internal controls of the Target Company with the view of improving its internal control and monitoring (if necessary).

INFORMATION ON THE SELLER AND THE GUARANTOR

The Seller is an investment holding company incorporated in Hong Kong and is indirectly wholly-owned by Mr. Suen, namely, the Guarantor, as at the date of this announcement. Each of the Seller and Mr. Suen is an Independent Third Party. Mr. Suen is a personal acquaintance of Mr. Kitchell Osman Bin, the Company's acting chairman, as they had both served on the same board of a listed company in the past. Other than in respect of the Acquisition, neither the Company nor its connected persons has any prior or existing business relationship or arrangement with the Seller, Mr. Suen and/or their respective associates.

Mr. Suen, aged 58, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and in the People's Republic of China. As at the date of this announcement, Mr. Suen indirectly held:

- (i) approximately 18.38% equity interest in Courage Investment Group Limited, whose shares are both listed on the Main Board of the Stock Exchange (stock code: 1145) and on the Singapore Exchange Securities Trading Limited (stock code: CIN);
- (ii) approximately 16.45% equity interest in EPI (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 689);
- (iii) approximately 16.83% equity interest in PT International Development Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 372);
- (iv) approximately 30.63% equity interest in Birmingham Sports Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2309); and
- (v) approximately 9.89% equity interest in China Strategic Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 235).

According to the information provided by the Seller, Mr. Suen had acquired the Target Company in October 2017 from Landing International Development Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code 582), at a consideration of HK\$2,500 million. After the acquisition of the Target Company, a change of control application, namely, the Seller's Application, had been made to the Gambling Commission for change of corporate control of the Target Company in respect of the Existing Operating Licence and as at the date of this announcement, the Seller's Application is in progress and under consideration by the Gambling Commission.

APPLICATION TO THE GAMBLING COMMISSION

Although the Target Company is operating the casino with the valid Operating Licences, an application has been made for the Purchaser Licence (with an indefinite term) on 21 July 2019 as the status of the Seller's Application remains outstanding. The Gambling Commission has advised that whilst it continues to consider the Seller's Application, an application for the Purchaser Licence may be made by the Target Company on the basis of the Target Company being a subsidiary of the Company, and such application will be considered on its own merits. The Gambling Commission is not expected to approve and allow both the Seller's Application and the application for the Purchaser Licence to have effect simultaneously.

If the Seller's Application has been granted before Completion, the Target Company may make a Purchaser's CoC Application instead of pursuing the application for the Purchaser Licence. However, if the application for the Purchaser Licence has been approved before Completion, it is not envisaged that a Purchaser's CoC Application shall be necessary. In such event, it is expected that the Operating Licences shall cease to have effect or be requested to be surrendered before the Purchaser Licence has effect.

In the event that the application for the Purchaser Licence is determined by the Gambling Commission to have effect on or after Completion, the Seller's Application may not necessarily be determined by the Gambling Commission if the Seller's Application remains unresolved on the Completion Date.

Accordingly, in light of the circumstances, the Directors consider that by making an application for the Purchaser Licence that would be effective on Completion, it will replace the Operating Licences and will ensure that the Target Company will be able to continue to operate its gambling business after Completion.

As at the date of this announcement, the Company has submitted the application for the Purchaser Licence to the Gambling Commission in connection with the Acquisition. Following the grant of the Purchaser Licence by the Gambling Commission, it is expected that the Purchaser Licence will replace the Operating Licences. The Company has engaged experienced legal advisers in the United Kingdom to assist and facilitate in the application process for the Purchaser Licence. The guidance response time given by the Gambling Commission for determining a new operating licence application is 16 weeks from receipt, however, this timing is only for guidance purposes and could be longer dependent upon any additional enquiries or requests for information which the Gambling Commission may have. Therefore, the Company anticipates the Purchaser Licence may be obtained on or before 30 November 2019. Details of the application process to the Gambling Commission will be disclosed by the Company in the Circular to be despatched to the Shareholders.

FINANCIAL IMPACTS ON THE COMPANY

Following Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group. After Completion, any difference between the Consideration paid and the net asset value of the Target Group would be recognised as goodwill (or discount on acquisition in case the difference is negative in amount). Intangible assets may be identified and recognised separately from goodwill upon completion of the valuation to be performed by an independent professional valuer. The financial impacts arising from the Acquisition are subject to audit by the Company's auditors. Further details of the financial impact of the Acquisition will be disclosed in the Circular to be despatched to the Shareholders.

REASONS FOR THE ACQUISITION

The Group is principally engaged in integrated financial services, investment holdings, computer graphic imaging business, cultural and entertainment business. The integrated financial services of the Group comprises securities investments and proprietary trading, the provision of securities brokerage services, margin financing services, money lending services.

While the Company devotes most of its efforts to developing the aforementioned businesses, the Company is always on the lookout for new additional attractive business opportunities that would benefit the Company and its Shareholders. The acquisition of the Target Company is an exceptional opportunity to gain a foothold in the exclusive London casino market. The Target Company is an attractive investment asset as it caters to an exclusive clientele in a niche industry with high barriers to entry that is more resilient throughout an economic cycle. Historical financial performance of the Target Company suggests the casino's ability to generate stable cash flow and operational indicators instil confidence that the business can and will be operated successfully and will remain profitable in the future. As it is difficult to replicate this type of investment given the scarcity of high-end London casinos, the Directors believe that the Target Company provides a unique value proposition for the Shareholders. The Directors are of the view that the Acquisition will also benefit the Company and its Shareholders by providing both industry and geographical diversification, while decreasing the sensitivity of income to bouts of market volatility. After considering the above, the Directors are of the view that the Acquisition is in the best interests of the Company and its Shareholders as a whole.

The Company currently intends to continue its existing businesses and there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination or scaling down of the Company's existing businesses or assets up to the date of this announcement.

As at the date of this announcement, the Company does not intend to make any changes to its management. After Completion, given that the Target Company will constitute the largest economic entity within the Enlarged Group, the Company will review and consider the suitability of having one of the Target Company's senior management to join the Board. Such assessment will also be subject to the consideration and recommendations of the nomination committee of the Board and shall be determined based on the individual's merits and expertise.

The Directors consider that the terms of the Sale and Purchase Agreement have been entered into on normal commercial terms, and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the SGM.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the New Listing Application to be made by the Company. The Enlarged Group or the Target Company must be able to meet the requirements under Rule 8.05 of the Listing Rules and the Enlarged Group must be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules.

As at the date of this announcement, the New Listing Application has not yet been submitted to the Stock Exchange, and the Company will initiate the New Listing Application process as soon as reasonably practicable. Assuming no material delay in the existing tentative timetable, it is expected that the submission of the New Listing Application will be made to the Stock Exchange in October 2019.

Optima Capital has been appointed as the sole sponsor in relation to the Company's New Listing Application.

In addition, as the Target Company is involved in gambling activities, the Stock Exchange has issued the Guidance Letter which stipulates, among other things, that if a listed issuer invests directly or indirectly in gambling activities and the operation of such gambling activities:

- (i) fails to comply with the applicable laws in the jurisdictions where such activities take place; and/or

(ii) contravenes the Gambling Ordinance,

a listed issuer may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. In such an event, the Stock Exchange may direct a listed issuer to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the securities of the listed issuer pursuant to Rule 6.01 of the Listing Rules.

As at the date of this announcement, the Company has engaged a qualified English legal adviser to conduct due diligence on the gambling activities of the Target Company and for the purpose of obtaining an English legal opinion to cover the requirements set out in the Guidance Letter. The Company will make further announcement(s) regarding the material findings of the English legal opinion as and when appropriate and such material findings will also be included in the Circular to be despatched to the Shareholders. The Company will comply with all applicable laws and regulations (including but not limited to the Listing Rules and the Guidance Letter) in connection with the Acquisition.

SGM AND DESPATCH OF THE CIRCULAR

The SGM will be convened to consider, and if thought fit, to pass the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the date of this Agreement and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting in the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company will despatch the Circular in accordance with the requirements under the Listing Rules, which is expected to contain, among other things:

- (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the financial and other information of the Group;
- (iii) the financial and other information of the Target Group;
- (iv) the unaudited pro forma financial information of the Enlarged Group;
- (v) the valuation report of the Target Group to be prepared by an independent professional valuer;
- (vi) the information regarding the New Listing Application; and

(vii) the notice of the SGM to consider and, if thought fit, to approve the resolution(s) relating to the Sale and Purchase Agreement and the transactions contemplated thereunder and the proxy forms.

The Circular is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as reasonably practicable after the Company has obtained the approval in principle from the Listing Committee with respect to the New Listing Application. Shareholders and potential investors should refer to the Circular for further details of the Acquisition and the New Listing Application.

Under Rule 14.60(7) of the Listing Rules, the Company is required to despatch the Circular in relation to a very substantial acquisition within fifteen (15) Business Days after the publication of the announcement. As additional time is required for:

- (i) compilation and preparation of the Circular including but not limited to (a) the audited financial information of the Target Group; (b) the unaudited pro forma financial information on the Enlarged Group; and (c) the valuation report of the Target Group; and
- (ii) preparation of the New Listing Application pursuant to Rule 14.54 of the Listing Rules including but not limited to (a) performance of due diligence by the Company's sponsor in relation to the New Listing Application; (b) preparation of the necessary documentation to be submitted to the Stock Exchange with the New Listing Application; and (c) obtaining the listing approval from the Listing Committee for the New Listing Application,

the Company expects the despatch of the Circular will be postponed to a date falling on or before 31 December 2019 and the Company will make further announcement in relation to the despatch of the Circular as and when necessary.

WARNING

Completion is subject to the satisfaction and/or waiver of the Conditions Precedent, and provided that the termination rights are not exercised by the Purchaser or the Seller, pursuant to the Sale and Purchase Agreement, and therefore the Acquisition may or may not take place.

In addition, the Listing Committee's approval for the New Listing Application to be made by the Company may or may not be granted. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing or contemplating to deal in the securities of the Company. Shareholders and public investors are advised to obtain appropriate professional advice.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “Acquisition” | the conditional acquisition of the entire issued share capital in the Target Company and the Sale Loan by the Purchaser from the Seller pursuant to the Sale and Purchase Agreement |
| “Actual Working Capital Amount” | the actual working capital amount of the Target Group as at the close of business on the Completion Date as determined by the actual working capital amount statement agreed or determined in accordance with the relevant schedule of the Sale and Purchase Agreement |
| “Applicable Laws” | the applicable regulatory or licensing requirements, government policies that regulate gambling activities, and relevant anti-money laundering laws |
| “associates” | has the meaning ascribed thereto under the Listing Rules |
| “Balancing Amount” | the aggregate of the Sale Loan Shortfall and the Working Capital Shortfall |
| “Board” | the board of Directors |
| “Business Day(s)” | any day that is not a Saturday, Sunday or public or bank holiday in Hong Kong |
| “Casino Premises Licence” | the casino premises licence granted under the Gambling Act 2005 to the Target Company and issued by the Licensing Authority and at 22 December 2017 numbered 17/09670/LIGV to permit the use of the Property as a converted casino (as may be varied, updated or re-issued from time to time) |
| “Circular” | the relevant circular in relation to, among other things, the Acquisition and the New Listing Application |

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| “Company” | Imagi International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 585) |
| “Comparable Companies” | the comparable companies which have been selected and agreed by the Purchaser and the Seller based on the criteria set out in this announcement, the details of which are set out in the section headed “The Sale and Purchase Agreement – Basis of the Consideration” |
| “Completion” | completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement |
| “Completion Date” | the date falling on the fifth Business Day after the first date on which all of the Conditions Precedent have been satisfied or waived, or on such other earlier date as the Seller and the Purchaser may agree in writing but in any event not later than five Business Days after the Long Stop Date |
| “Completion Overdue Trade Receivables” | Trade Receivables as at Completion which, as at Completion, have been due for payment for at least six months and remain unpaid |
| “Condition(s) Precedent” | the condition(s) precedent in the Sale and Purchase Agreement and as detailed in the section headed “The Sale and Purchase Agreement – Conditions Precedent” in this announcement |
| “Consideration” | the consideration payable by the Purchaser to the Seller under the Sale and Purchase Agreement |
| “Director(s)” | director(s) of the Company |
| “EBITDA” | earnings before interest, taxes, depreciation and amortisation |
| “English Legal Adviser” | Mr. Jeremy Phillips, Queen’s Counsel, of Francis Taylor Building, who is the legal adviser to the Company in respect of certain specific matters relating to English law |

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| “English Legal Opinion” | the legal opinion relating to certain specific matters of the Target Company under English law to be issued by the English Legal Adviser |
| “Enlarged Group” | the Group as enlarged by the Target Group |
| “Equity Value Shortfall” | the amount (if any) by which the Purchaser Mid-Point Value is less than £86,000,000 (equivalent to approximately HK\$850.2 million), or, if applicable, the amount (if any) by which the mid-point value between the Purchaser Mid-Point Value and the Seller Mid-Point Value is less than £86,000,000 (equivalent to approximately HK\$850.2 million) |
| “Escrow Account” | an interest bearing on demand deposit account to be set up with a licensed bank in Hong Kong, which will hold the amount standing to the credit of such account from time to time on the terms set out in the Sale and Purchase Agreement |
| “Escrow Fund” | the amount standing to the credit of the Escrow Account from time to time |
| “EV” | the enterprise value equivalent to the sum of market capitalisation plus net debt |
| “EV/EBITDA Multiple” | the ratio of EV over EBITDA |
| “Existing Operating Licence” | the existing operating licence granted under the Gambling Act 2005 and issued by the Gambling Commission and currently held by the Target Company to permit it to operate a casino and at 4 April 2018 numbered 000-002171-N-104011-016 (as may be varied, updated or re-issued from time to time) |
| “FY2017” | the financial year ended 31 December 2017 |
| “FY2018” | the financial year ended 31 December 2018 |
| “Gambling Act 2005” | the Gambling Act 2005 of the United Kingdom |

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| “Gambling Commission” | the Gambling Commission of Great Britain, as established under the Gambling Act 2005, which regulates commercial gambling in Great Britain in partnership with licensing authorities |
| “Gambling Ordinance” | the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Group” | the Company together with its subsidiaries |
| “Guaranteed Obligations” | all of the Seller’s liabilities and obligations, whether present or future, express or implied, actual or contingent, under or in connection with the Sale and Purchase Agreement as amended, novated, supplemented, extended, restated or replaced from time to time |
| “Guarantor” | Mr. Suen, who indirectly owns the entire issued share capital in the Seller and who agreed to guarantee the Guaranteed Obligations as set out in the Sale and Purchase Agreement |
| “Guidance Letter” | the Stock Exchange’s guidance letter HKEX-GL71-14 (January 2014) (Updated in March 2019) in relation to “Gambling Activities of New Applicants and/or Listed Issuers” |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Imagi International Development” | Imagi International Development Limited, a company incorporated in the Cayman Islands with limited liability, which is the holding company of the Purchaser and directly wholly-owned by the Company |
| “Implied EV/EBITDA Multiple” | the ratio of the enterprise value, which is implied by the initial Consideration attributable to the Sale Shares of £86,000,000 (equivalent to approximately HK\$850.2 million) plus the net debt of the Target Company (including the Sale Loan as at 30 April 2019 of approximately £36.3 million (equivalent to approximately HK\$358.9 million)) as at 30 April 2019 of approximately £29.2 million (equivalent to approximately HK\$288.7 million), over the EBITDA of the Target Company for the corresponding financial year |

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| “Independent Third Party” | an individual or a company which is independent of and not connected with the Group and any of the directors, chief executive or substantial shareholders of any of the Company and its subsidiaries (as defined under the Listing Rules) |
| “Initial Deed of Novation” | <p>the deed of novation in the agreed form to be entered into among MME, the Seller and the Target Company pursuant to which the Loan Agreement will be novated from MME to the Seller, with the consent of the Target Company, before Completion, with the key terms as below:</p> <ul style="list-style-type: none"> (i) the Seller undertakes and agrees with the Target Company that it shall comply with the obligations of MME under the Loan Agreement and be bound by the terms of the Loan Agreement in every way as if the Seller had been a party to the Loan Agreement; (ii) MME transfers its rights and obligations under the Loan Agreement to the Seller with the consent of the Target Company and shall be released from its rights and obligations thereunder from the date of the Initial Deed of Novation; (iii) the Target Company undertakes and agrees with the Seller that it shall comply with its obligations under the Loan Agreement and be bound by the terms of the Loan Agreement in every way as if the Seller had been a party to the Loan Agreement in place of MME; and (iv) the Seller shall be liable in place of MME for all obligations under the Loan Agreement that accrue on or after the date of the Initial Deed of Novation |
| “Latest Overdue Trade Receivables” | Trade Receivables as at the last day of the month immediately preceding the month in which Completion occurs which, as at that date, have been due for payment for at least six months and remain unpaid, as set out in a statement prepared by the directors of the Target Company and certified by the finance director of the Target Company as being true and accurate |
| “LCCPs” | Licensing Conditions and Codes of Practices issued and updated by the Gambling Commission from time to time |

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| “LIBOR” | London inter-bank offered rate |
| “Licensing Authority” | the Licensing Authority of Westminster City Council in the United Kingdom |
| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Loan Agreement” | the loan agreement dated 28 March 2019 between MME and the Target Company, which each of the Seller and the Guarantor will procure will be novated from MME to the Seller, with the consent of the Target Company, before Completion |
| “Long Stop Date” | the date falling twelve (12) months immediately after the date of the Sale and Purchase Agreement, or such later date as the Seller and the Purchaser may agree in writing |
| “Material Adverse Change” | any act, omission, fact, matter, event, circumstance, condition, change, or result which affects or is reasonably likely to affect materially and adversely the business, operations, assets, position (financial, trading or otherwise), profits or prospects of any member of the Target Group |
| “MLR” | The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 of the United Kingdom |
| “MME” | Master Million Enterprises Limited, a company incorporated in the British Virgin Islands, which is a parent undertaking of the Seller and the Target Company, and the entire issued share capital in which is directly owned by the Guarantor |
| “Mr. Suen” | Mr. Suen Cho Hung Paul, the ultimate shareholder of the Seller and the Guarantor |
| “New Listing Application” | the new listing application as contemplated under the Acquisition and has the meaning ascribed to it under the section headed “Introduction” in this announcement |

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| “Operating Licences” | the Existing Operating Licence and the ancillary remote operating licence of the Target Company |
| “Optima Capital” | Optima Capital Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor to the Company’s New Listing Application |
| “Pre-Completion Undertakings” | undertakings on a list of matters which cannot be undertaken, or must be undertaken, between exchange of the Sale and Purchase Agreement and Completion without the prior consent of the Purchaser as set out in the Sale and Purchase Agreement |
| “Premises Licence” | the premises licence granted under the Licensing Act 2003 of the United Kingdom and issued by the Licensing Authority authorising the provision of regulated entertainment, late night refreshment and the sale of alcohol at the Property and at 16 March 2017 numbered 17/01868/LIPVM (as may be varied, updated or re-issued from time to time) |
| “Property” | the property situated on Nos. 5 and 6 Hamilton Place, London W1J 7ED, United Kingdom and each part of such property on which the Target Company operates Les Ambassadeurs Club |
| “Purchaser” | Project Martini Limited, a private company incorporated in England and Wales with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Purchaser Licence” | the operating licences expected to be granted under the Gambling Act 2005 and issued by the Gambling Commission to the Target Company, on terms satisfactory to the Company, on the basis of the Target Company being a subsidiary of the Company |
| “Purchaser Mid-Point Value” | the mid-point value of the range of the equity value of the Target Company as appraised by a valuer to be engaged by the Purchaser in its valuation report satisfactory to the Purchaser |

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| “Purchaser’s CoC Application” | an application to the Gambling Commission for the approval of the change of control in respect of the Operating Licences on the basis of the Target Company being a subsidiary of the Company |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 24 July 2019 entered into among the Purchaser, the Seller and the Guarantor in relation to the Acquisition |
| “Sale Loan” | the outstanding amount owed by the Target Company to the Seller under the Loan Agreement (as supplemented by the Initial Deed of Novation) as at Completion |
| “Sale Loan Shortfall” | the amount (if any) by which the Sale Loan is less than £36,000,000 (equivalent to approximately HK\$355.9 million) |
| “Sale Shares” | the entire issued share capital in the Target Company |
| “Seller” | United Time Corporation Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by Mr. Suen as at the date of the Sale and Purchase Agreement |
| “Seller Group” | the Seller together with its subsidiaries |
| “Seller Mid-Point Value” | the mid-point value of the range of the equity value of the Target Company as appraised by an independent reputable valuer to be approved in advance by the Purchaser (such approval not to be unreasonably withheld or delayed) and engaged by the Seller pursuant to the terms of the Sale and Purchase Agreement |
| “Seller’s Application” | the change of control application submitted by the Target Company when the Target Company became a subsidiary of the Seller and ultimately controlled by Mr. Suen via special purpose vehicles, as a result of the acquisition of the Target Company by the Seller from the then shareholder of the Target Company |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

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| “SGM” | the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder |
| “Share(s)” | ordinary share(s) of HK\$0.04 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Les Ambassadeurs Club Limited, a private company incorporated in England and Wales with limited liability and was formerly known as Drivemade Limited |
| “Target Group” | the Target Company together with the Target Subsidiaries |
| “Target Group Member” | any company which is a member of the Target Group as at the date of the Sale and Purchase Agreement |
| “Target Subsidiaries” | United London Services and WWCNSTUFF |
| “Term Sheet” | the term sheet in respect of the Acquisition, which was signed by the Company, the Seller and the Guarantor on 17 May 2019 |
| “Trade Receivables” | the Target Group’s trade receivables, excluding any receivables included in all amounts owing from the Seller Group to the Target Group (in each case including any accrued interest) as at the close of business on the Completion Date |
| “United London Services” | United London Services Limited, a private company incorporated in England and Wales with limited liability and a direct wholly-owned subsidiary of the Target Company |
| “Working Capital Shortfall” | the amount (if any) by which the Actual Working Capital Amount as determined in accordance with the terms of the Sale and Purchase Agreement as at the close of business on the Completion Date is less than a working capital target of £67,000,000 (equivalent to approximately HK\$662.4 million) |

“WWCNSTUFF” WWCNSTUFF Limited, a private company incorporated in England and Wales with limited liability and a direct wholly-owned subsidiary of the Target Company and which was formerly known as Les Ambassadeurs Online Limited

“£” pound sterling, the lawful currency of the United Kingdom

For illustrative purpose, the conversion of £ into HK\$ in this announcement is based on the exchange rate of £1.00 = HK\$9.886 as at the date of this announcement.

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

Hong Kong, 24 July 2019

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Kitchell Osman Bin (*Acting 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
Mr. Ngai Wai Kin

* *For identification purpose only*