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

(incorporated in Bermuda with limited liability)
(Stock Code: 585)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the annual report (the “Annual Report”) of Imagi International Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) for the year ended 31 December 2021. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the Annual Report, the Company would like to provide the following supplement information regarding the money lending business.

In respect of the money lending business, the Group focuses on providing sizeable loans to niche customers including corporate customers and high-net-worth individuals instead of the mass customer market. The Company currently views a “sizeable loan” being the total principal amount of HK\$5 million or more. This amount is being reviewed and adjusted regularly, in accordance with the changes in the Company’s circumstances and the prevailing economic environment. The Company will also, from time to time, make exceptions and lend under the “sizeable” amount depending on the actual circumstances of any specific loans. The “niche customers” of the Company consist mainly of corporate clients and high net-worth individuals who had been referred to the Company by the directors of Imagi Lenders or high level management of the Company or had past business or dealings with the Group. The directors and senior management of Imagi Lenders during the financial year ended 31 December 2021 include Mr. Kitchell Osman Bin, Mr. Shimazki Koji, Mr. Wong Ying Seung Asiong, and Mr. Chung Wilson.

* *for identification purpose only*

During the financial year ended 31 December 2021, the loans granted by the Group were of the size in the range from HK\$10 million to HK\$42 million, with interest rates ranging from 4% to 48% per annum. There was only one loan bearing 48% per annum (where this borrower, who was in urgent need of fund but a new customer to the Company, offered to pay higher interest rate to the Company in order to get prompt approval of his loan application) whilst all other unsecured loans bear interest rate with a narrower range of interest rate between 7% to 15% per annum, which are competitive interest rate in the market. In determining the interest rates, the Company would take into consideration the amount of loan, the tenor, the security if any, the assessed risk, the past history of relationship, prospects of other future businesses and also the comparative prevailing interest rate in the market. Borrowers during the financial year ended 31 December 2021 include previous customers or business acquaintances of the Group's senior management. The source of funds for the lending business is funded by the internal resources of the Group and thus have no external financial costs.

As at 31 December 2021, the outstanding loan receivables were due from seven customers, of which the largest single loan and the five largest loans in aggregate represent approximately 21% and 83% respectively of the total loan receivables. The Company has not entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrower(s) whose loan(s) was still outstanding as at 31 December 2021. The Company has complied with the requirements set out in Chapter 14 and/or 14A (where applicable) of the Listing Rules when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 December 2021.

The following table sets forth the distribution of the balances of the Company's outstanding loan exposure to borrowers by size as at 31 December 2021:

				Loans receivable as at 31 December 2021 HK\$'000	Impairment allowances as at 31 December 2021 HK\$'000	Net loans receivable as at 31 December 2021 HK\$'000
	Number of loan	Original tenure of loan ^{Note}	Interest rate per annum (p.a.)			
Over HK\$5,000,000 to HK\$10,000,000	1	12 months	12% p.a. – 48% p.a.	5,037	(41)	4,996
Over HK\$10,000,000 to HK\$20,000,000	2	3 months – 6 months	4% p.a. – 8% p.a.	32,188	(245)	31,943
Over HK\$20,000,000 to HK\$30,000,000	4	6 months – 12 months	5% p.a. – 15% p.a.	90,610	(767)	89,843
	<u>7</u>			<u>127,835</u>	<u>(1,053)</u>	<u>126,782</u>

Note: The term of the loans were extended on case by case basis and the extension period ranged from 4 to 12 months.

As stated in the Annual Report, the money lending business is led by the general manager of the Company as a compliance officer and the directors of Imagi Lenders have full power and authorities to review and to approve the loan applications in accordance with the MLO and the internal control and operation manual of the Group.

Imagi Lenders has internal control policy in place and the exposure to the credit risk is monitored on an ongoing basis. The credit risk assessment and internal control procedures for the operation of its money lending business are summarised as follows:

Loan application

Upon receipt of a loan application from potential customers, know-your-client (“KYC”) procedures are performed by the servicing team including but not limited to background search including compliance infringements search, verification of the identity documents (e.g. identity card and address proof), review of income or asset proof of the potential customer which include financial statements of corporate clients, securities statements and other proof of assets in relation to the loan principal amount. If and when necessary, the KYC procedures may include interview with the applicants to understand their financial needs and repayment ability. The results of the KYC will be reported to the management of Imagi Lenders for further approval of the subject application.

Loan approval

With reference to the loan application information and the KYC results, the credit assessment team of Imagi Lenders will make recommendation to the management of Imagi Lenders for those loan application with satisfactory results. The Company would consider the requests from clients, the Company’s own financial situation at the time, risks assessment, the prevailing market/economic conditions, the prevailing market interest rates (i.e. the prime rate quoted from major banks and the interest rates for personal loans generally offered by banks or licensed money lenders in the market), potential future businesses to arrive at the interest rate, loan tenure, provision of security and/or collateral, if so, and repayment method.

The following factors are taken into account in the approval process:

- (a) the financial conditions of the applicant including overall assessment of the assets, liabilities and annual income of the applicant;
- (b) the availability of guarantee or provision of collateral, if any;
- (c) historical payment record of applicant with the Group, if applicable;
- (d) prevalent market interest rate; and
- (e) the finance cost of Imagi Lenders.

Given the model of business of the Company with its focus on niche customers, the Company would assess the borrowers on case by case basis instead of relying on a mechanic box-ticking exercise on the credit assessment. If loan application is being approved, a loan agreement together with related loan documents (collectively as the “Loan Documents”) will be prepared and executed. Once the Loan Documents are duly executed, the borrower can request for the loan drawdown in accordance with the terms of the loan agreement.

Loan monitoring and repayment collection

Loan monitoring mechanism had been established. The management of money lending segment is responsible for on-going monitoring of the loan portfolio, loan recoverability, debt collection, identifying potential problems and recommending mitigating measures. The Company will conduct regular company searches, internet searches and regulatory compliance searches in order to monitor the risk level. The Company will request borrowers for provision of any updated financial information if considered necessary to update their financial ability, credit risk and assess the loan recoverability. These exercises are to monitor if any material adverse change may arise on the financial or legal conditions on the borrowers.

Upon a loan is overdue, this would be immediately advised to senior management of Imagi Lenders for discussion and appropriate actions will be taken on case by case basis. In respect of the mature loans, the management reminds the borrowers of the repayment schedules via phone calls, email or other text message.

In the event of a loan delinquency, the Group applies different collection methods depending on the time of delinquency. Follow-up action will include reminding calls, reminders issued by the Company, demand letter issued by Company’s lawyer and legal proceedings may also be taken if necessary.

The above additional information supplements, and should be read in conjunction with, the Annual Report which does not affect other information contained in the Annual Report. Save as disclosed above, information contained in the Annual Report remains unchanged.

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

Hong Kong, 14 November 2022

At the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Kitchell Osman Bin (*Chairman*)

Ms. Choi Ka Wing

Mr. Shimazaki Koji

Independent non-executive Directors:

Mr. Chan Hak Kan

Ms. Liu Jianyi

Mr. Miu Frank H.

Dr. Santos Antonio Maria