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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)**

### **VERY SUBSTANTIAL DISPOSAL CONNECTED TRANSACTION AND RESUMPTION OF TRADING**

#### **THE PROPOSED DISPOSAL**

The Company, the Purchaser and the Guarantor entered into the Sale and Purchase Agreement on 16 September 2013, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares representing the entire issued share capital of Infoport. The total consideration payable on Completion is HK\$634.2 million. Upon Completion, Infoport will cease to be a wholly-owned subsidiary of the Company.

#### **CONNECTED TRANSACTION**

The Company and Luminary entered into the Engagement Agreement on 16 September 2013, pursuant to which Luminary has been appointed as the financial advisor of the Company in relation to the Proposed Disposal. The Company will pay Luminary a fee of HK\$5.0 million for the Engagement. Luminary is wholly-owned by Mr. Leung, the Chairman and a non-executive Director of the Company. Furthermore, Mr. Leung is as at the date of this announcement an indirect majority shareholder of Idea Talent, which owns 26.95% of the issued share capital of the Company. Mr. Leung also holds an additional 0.29% of the issued share capital of the Company in his personal capacity. Therefore, Luminary is a connected person of the Company. Accordingly, the entering into of the Engagement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

\* For identification purpose only

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceeds 75%, the Proposed Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Engagement constitutes a connected transaction of the Company as such term is defined under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Engagement is less than 5%, the Engagement is only subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

## **GENERAL**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser, the Guarantor and the ultimate beneficial owner of each of the Purchaser and the Guarantor are third parties independent of the Company and not connected persons of the Company, PGBBW or CPE.

A circular containing, among other things, the information required under the Listing Rules in relation to the Proposed Disposal and a notice of the SGM will be despatched to the Shareholders on or around 30 September 2013 (i.e. six Business Days after the publication of this announcement).

**As completion of the Proposed Disposal is subject to the fulfillment of a number of conditions precedent and the termination rights of the parties, the Proposed Disposal may or may not proceed to completion. Shareholders and investors should exercise caution when dealing in the Shares.**

**Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Upon Completion, the Company's cash level will increase significantly. If the assets of the Company consist substantially of cash or short-dated securities after Completion, it may become a cash company under Rule 14.82 of the Listing Rules. If the Company becomes a cash company upon Completion, it may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing, but the Stock Exchange will treat such application for lifting of the suspension as if it were a new listing application. The Stock Exchange reserves the right to cancel the listing of the Shares if such suspension continues for more than 12 months.**

**Under Rule 13.24 of the Listing Rules, an issuer shall carry out a sufficient level of operations or have sufficient assets to warrant the continued listing of the issuer's securities. The operations of the Company will significantly diminish after the Completion. If the Company does not have a sufficient level of operations and does not have sufficient assets after the Completion, the trading of the Shares will be suspended.**

**In addition, the Stock Exchange may apply reverse takeover requirements or requirements similar to new listing applications to any new asset or business to be acquired by the Company whether before or after the Completion. As at the date of this announcement, the Company has been actively negotiating with various companies about acquiring new businesses and/or assets (among others, a company which is engaged in the development and distribution of curriculum-based courseware for school students in Hong Kong, and is currently planning to expand into other countries including mainland China) and intends to complete any such acquisitions in the immediate future. The Company will make further announcements on the progress of such proposed acquisitions to keep the public informed.**

**Because of the abovementioned potential implications, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 10:42 a.m. on 16 September 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 23 September 2013.

## **INTRODUCTION**

### **Proposed Disposal**

The Board is pleased to announce that on 16 September 2013, the Company, the Purchaser and the Guarantor (which is the direct controlling parent of the Purchaser) entered into the Sale and Purchase Agreement pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Shares representing the entire issued share capital of Infoport subject to the satisfaction or waiver of the Conditions. The Consideration for the Proposed Disposal is HK\$634.2 million.

Infoport is a company incorporated in the British Virgin Islands with limited liability, and its wholly-owned subsidiaries, Toon Express HK and Toon Express GZ, are the main operating entities. Infoport Group has a close business relationship and key commercial arrangements with its strategic partner, CPE. The shareholders of CPE and the Guarantor entered into the CPE-SPA on the same day as the Sale and Purchase Agreement. According to the CPE-SPA, the shareholders of CPE have agreed to sell and the Guarantor has agreed to purchase 100% of the equity interest of CPE. The Completion and the completion of the CPE-SPA are inter-conditional. The key details of the CPE-SPA are set out in the section headed “The CPE-SPA”.

The shareholders of CPE are 劉蔓儀 (Liu Man Yi), 黎麗斯 (Li Li Si) and 李家賢 (Li Jia Xian) who hold 34%, 33% and 33% of the issued share capital of CPE, respectively. All three shareholders hold management positions in CPE and have extensive experience in the China animation industry. Neither CPE nor any of the three shareholders of CPE owns any interests in the Company.

## **Engagement**

The Company and Luminary entered into the Engagement Agreement on 16 September 2013, pursuant to which Luminary has been appointed as the financial advisor of the Company in relation to the Proposed Disposal. The Company will pay Luminary a fee of HK\$5.0 million for the Engagement. Luminary is wholly owned by Mr. Leung, the Chairman and a non-executive Director and an indirect shareholder of 75% of the issued share capital of Idea Talent, which in turn owns 26.95% of the issued share capital of the Company as at the date of this announcement. Mr. Leung also holds an additional 0.29% of the issued share capital of the Company in his personal capacity. Accordingly, the entering into of the Engagement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The terms of the Sale and Purchase Agreement and the Engagement Agreement are described in more details below.

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 16 September 2013

**Parties:**

- (a) The Company (as seller)
- (b) The Purchaser
- (c) The Guarantor

**Sale Shares:** Subject to the satisfaction or waiver of the Conditions, at Completion, the Company will sell and the Purchaser will purchase the Sale Shares

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser, the Guarantor and the ultimate beneficial owner of each of the Purchaser and the Guarantor are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company, PGBBW or CPE.

## **Assets to be disposed**

The Sale Shares represent the entire issued share capital of Infoport. Upon Completion, Infoport will cease to be a wholly-owned subsidiary of the Company.

## **Consideration**

The total Consideration for the sale of the Sale Shares is HK\$634.2 million which will be payable by the Purchaser to the Company in the following manner:

(a) First Installment: within three (3) Business Days after signing of the Sale and Purchase Agreement, the Purchaser will pay 10% of the Consideration to the Company by way of transfer of immediately available funds;

- (b) Second Installment: within five (5) Business Days after the date of obtaining the shareholders approval of the Guarantor (but no later than 18 October 2013), the Purchaser will pay 10% of the Consideration to the Company by way of transfer of immediately available funds. On the same day, the Purchaser will deposit with an escrow agent cashier's orders in amounts equal to the Third Installment and the Final Installment;
- (c) Third Installment: on the date of satisfaction or waiver of all Conditions, the Purchaser will instruct the escrow agent to release the cashier's order representing 50% of the Consideration to the Company; and
- (d) Final Installment: on the Completion Date, the Purchaser will instruct the escrow agent to release the cashier's order representing 30% of the Consideration to the Company.

Within one month of the Completion Date, the Purchaser will also pay the Company the outstanding amount of the Shareholder Loan as at the Completion Date in cash as consideration for the assignment of the Shareholder Loan to the Purchaser.

### **Basis of Consideration**

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and was determined based on normal commercial terms after taking into account a number of factors including the following:

- (a) the position of the Infoport Group and the Guarantor in the Chinese animation industry;
- (b) the strong brand value of Pleasant Goat and Big Big Wolf, and Infoport's other brands;
- (c) the synergy and value Infoport's brands can bring to the Guarantor's portfolio;
- (d) the financial performance of the Infoport Group;
- (e) the carrying value of intangible assets from the Joint Brand Management Agreement and the CP Agreement as at 30 June 2013 of HK\$592.0 million; and
- (f) the adjusted net asset value of the Infoport Group as at 30 June 2013, as adjusted for the carrying value of intangible assets as mentioned in (e) above and the related deferred tax liabilities, which amounted to approximately HK\$498.1 million.

The Consideration of HK\$634.2 million represents approximately a 7.1% premium to the carrying value of intangible assets mentioned in (e) above and a 27.4% premium to the adjusted net asset value mentioned in (f) above. Taking into account all the above factors, the Directors are of the view that the Consideration is fair and reasonable.

### **Conditions Precedent**

Completion under the Sale and Purchase Agreement is conditional on the following conditions precedent being satisfied or waived:

- (a) the passing of an ordinary resolution at the SGM by the Shareholders who are not prohibited from voting under the Listing Rules to approve the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents;
- (b) from the date of signing the Sale and Purchase Agreement until the Completion Date, there being no material breach of the Seller Warranties and no material breach of any other obligations of the Company under the Sale and Purchase Agreement;
- (c) the obtaining by the Guarantor of its shareholders' approval of the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents, which resolution shall be passed by the requisite majority of the members present in a special general meeting of the Guarantor in accordance with the applicable PRC laws and regulations;
- (d) from the date of signing the Sale and Purchase Agreement until the Completion Date, there being no material breach of the Purchaser Warranties and no material breach of any other obligations of the Purchaser under the Sale and Purchase Agreement; and
- (e) the issuance by Disney of a notice terminating the CP Agreement and the Imagi-Disney Deed and releasing the Company from any liability which the Company may have under the Imagi-Disney Deed or, if such notice is not given, the Guarantor entering into an Indemnity Undertaking with the Company.

Conditions (a) and (c) are incapable of being waived by any Party.

The Company may in its sole discretion decide to waive Conditions (d) and (e) in writing.

The Purchaser may in its sole discretion decide to waive Condition (b) in writing.

Regarding Condition (a), any Shareholder with a material interest in the Proposed Disposal will abstain from voting on any resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents.

Idea Talent, a 26.95% shareholder of the Company, issued an irrevocable undertaking to the Purchaser on the date of the Sale and Purchase Agreement to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents.

Regarding Condition (c), 蔡東青 (Cai Dongqing), 蔡曉東 (Cai Xiaodong) and 李麗卿 (Li Liqing), who hold in aggregate as to 73.33% of the shares of the Guarantor, issued an irrevocable undertaking to the Company on the date of the Sale and Purchase Agreement to vote in favour of the resolution to be proposed at a special general meeting of the Guarantor to approve the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents.

Regarding Condition (e), the Guarantor entered into an irrevocable Indemnity Undertaking with the Company on 16 September 2013 which is effective on the Completion Date, therefore Condition (e) will be satisfied on the Completion Date. By entering into the Indemnity Undertaking, the Guarantor undertakes to indemnify the Company against any

cost and damages payable by the Company as a result of any litigation, assertion or claim brought by Disney against the Company under the CP Agreement and/or the Imagi-Disney Deed.

The Company is of the view that including conditions precedent such as (b) or (d) in the Sale and Purchase Agreement is in line with market practice in similar transactions and it will only waive condition (d) if it is in the best interest of the Company and its shareholders as a whole. As far as the Company is aware, the Purchaser will only waive condition (b) if it is in the best interest of the Purchaser to do so.

Neither the Company nor the Purchaser (so far as the Company is aware) has any intention to waive any of the Conditions as at the date of this announcement.

### **Termination**

In the event that any of the Conditions in (a) and (b) has not been fulfilled (unless waived in writing by the Purchaser with respect to Condition (b)) on or before the Long Stop Date, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by giving written notice to the Company whereby within seven days after issuance of such written notice by the Purchaser, the Company shall forthwith repay and refund all payments made by the Purchaser including the First Installment and the Second Installment together with interest calculated based on The Hongkong and Shanghai Banking Corporation Limited current deposit interest rate for the corresponding period in full to the Purchaser.

In the event that any of the Conditions in (c) to (e) has not been fulfilled (unless waived with respect to Conditions (d) and (e) in writing by the Company) on or before the Long Stop Date, the Company shall be entitled to terminate the Sale and Purchase Agreement by giving written notice to the Purchaser.

In the event that Conditions (a) and (b) are fulfilled, but the Purchaser does not proceed to Completion and/or the Guarantor does not proceed to completion under the CPE-SPA, the Company is entitled to not return the First Installment and the Second Installment (if applicable). In such instance the Purchaser shall not take any legal action whatsoever against the Company in respect of such payments and waives any right it may have to claim back such amounts and shall hold the Company harmless against any loss, damage or liability whatsoever. Alternatively, the Company shall have the right to deposit its Completion deliverables with the escrow agent and request the escrow agent to transfer an amount equal to the Third Installment to it.

In the event that Conditions (a), (c), (d) and (e) are fulfilled (or waived with respect to Condition (d) or (e)), but the Company wilfully does not proceed to Completion, the Purchaser is entitled to request the Company to (i) return the First Installment, the Second Installment and the Third Installment (if applicable) and (ii) pay an amount equal to the sum of the First Installment and the Second Installment. In such instance the Company shall not take any legal action whatsoever against the Purchaser in respect of such payments and waives any right it may have to claim back such amounts and shall hold the Purchaser harmless against any loss, damage or liability whatsoever.

In the event that Conditions (a), (c), (d) and (e) are fulfilled (or waived with respect to Condition (d) or (e)), if the existing shareholders of CPE do not proceed to completion under the CPE-SPA (except if caused by the breach of the Sale and Purchase Agreement by the Company) then (i) the Company shall return the First Installment, the Second Installment, and the Third Installment (if applicable) to the Purchaser as soon as possible and (ii) the Purchaser shall not have the right to request any amount from the Company.

### **Guarantee**

The Guarantor as a guarantor, unconditionally and irrevocably guarantees the sums below being paid immediately on demand as a primary obligor under the following circumstances:

- (a) the Purchaser does not pay any amount when due under or in connection with the Sale and Purchase Agreement;
- (b) the Purchaser defers paying the amount due under the Sale and Purchase Agreement and as a result liquidated damages arise; and
- (c) the Purchaser does not indemnify the Company against any costs or losses suffered or incurred by it as a result of the Purchaser's failure to comply properly and punctually with its obligations under the Sale and Purchase Agreement.

### **Completion**

Completion will take place following satisfaction or waiver of the Conditions, unless the Company and the Purchaser otherwise agree in writing.

On the Conditions Satisfaction Date, if any of the provisions under the Sale and Purchase Agreement in relation to Completion are not fully complied with by the Company or the Purchaser, the non-defaulting Party may by written notice to the other Party served on such date:

- (a) elect to terminate the Sale and Purchase Agreement (other than the Surviving Provisions) without liability on the part of the terminating Party;
- (b) effect Completion so far as practicable having regard to the defaults which have occurred; or
- (c) fix a new date for Completion (not being more than 14 Business Days after the Conditions Satisfaction Date).

The Company and the Purchaser have agreed that if the Stock Exchange does not approve the Company's circular on or before 30 September 2013, each of the parties to the Sale and Purchase Agreement shall be obliged to sign a supplementary agreement and such agreement shall stipulate that:

- (a) the Long Stop Date is to be extended;

- (b) upon satisfaction of Condition (a), unless prohibited by the Applicable Law or banned by directives of any PRC government authorities having competent jurisdiction, the Company shall instruct the escrow agent to deliver to it a cashier's order payable on demand in favour of the Company as the beneficiary in the amount of the Third Installment; and
- (c) following payments by the Purchaser of the First Installment and the Second Installment, and the delivery of the cashier's order payable on demand in favour of the Company as the beneficiary in the amount of the Third Installment to the Company under paragraph (b) above, the Purchaser shall obtain the management rights in respect of the Infoport Group.

### **Inter-conditionality between the Sale and Purchase Agreement and the CPE-SPA**

The Completion and the completion under the CPE-SPA are inter-conditional.

### **Undertakings of the Purchaser**

The Purchaser undertakes:

- (a) to pay to the Company the outstanding amount of the Shareholder Loan as at the Completion Date within one month of Completion. Such amount shall be paid by way of transfer of immediately available funds to the Company;
- (b) to procure members of the Infoport Group to provide all necessary information to and cooperation with the Company and its auditor in the preparation of the Completion Accounts; and
- (c) not to initiate termination of the employment contracts with existing employees of the Infoport Group or reduce their remunerations within one year from Completion.

### **THE CPE-SPA**

#### **Information on CPE**

CPE is a company incorporated in the PRC which engages in the development, production and distribution of animation programs including the "Pleasant Goat and Big Big Wolf" TV series. It is also involved in publication, content development and licensing as well as stage shows and mobile carnival operations.

**Date:** 16 September 2013

**Parties:** (a) 劉蔓儀 (Liu Man Yi) ("Ms. Liu")  
黎麗斯 (Li Li Si) ("Ms. Li")  
李家賢 (Li Jia Xian) ("Mr. Li")  
(together the "CPE Sellers")

(b) the Guarantor

**Target Company:** CPE

## **Consideration**

The total consideration is approximately RMB36.4 million. As Ms. Liu, Mr. Li and Ms. Li hold 34%, 33% and 33% of the issued share capital of CPE respectively, they will receive approximately RMB12.4 million, approximately RMB12.0 million and approximately RMB12.0 million, respectively.

The consideration will be paid in the following manner:

- (a) first installment: 10% of the total consideration will be paid within three (3) business days after signing of the CPE-SPA;
- (b) second installment: a further 10% of the total consideration will be paid within five (5) business days after the Guarantor has obtained approval from its shareholders;
- (c) third installment: a further 50% of the total consideration will be paid when all conditions precedent are satisfied or waived; and
- (d) fourth installment: the final 30% of the total consideration will be paid on the date of completion.

The Guarantor will obtain management right of CPE after payment of the third installment. The consideration was determined with reference to the capital contribution made by the CPE Sellers and CPE's net assets.

## **Conditions Precedent**

Completion under the CPE-SPA is conditional on the following conditions precedent being satisfied or waived:

- (a) the approval of the transaction contemplated under the CPE-SPA by CPE's shareholders;
- (b) the issuance of consent letter by the spouse (if any) of each CPE Seller consenting to the transaction contemplated under the CPE-SPA;
- (c) from the date of signing of the CPE-SPA until the date of completion, there being no material breach of the CPE Sellers' warranties and no material breach of other obligations under the CPE-SPA by the CPE Sellers;
- (d) the CPE-SPA being approved by the shareholders of the Guarantor; and
- (e) from the date of signing of the CPE-SPA until the date of completion, there being no material breach of the Guarantor's warranties and no material breach of other obligations under the CPE-SPA by the Guarantor.

## **FRAMEWORK AGREEMENT**

On 16 September 2013, the Company entered into a Framework Agreement for Cooperation in Education and Related Animation Content ("Framework Agreement") with the Guarantor. According to the Framework Agreement, the Company will cooperate with Infoport and CPE

(both of which will be the Guarantor's controlled subsidiaries upon the Completion) in relation to education and content business. The cooperation will include the following arrangements:

**(a) Licensing of animated characters**

Infoport and CPE will grant to the Company a non-exclusive licence to use, within the PRC and Hong Kong the intellectual property rights relating to certain characters selected from CPE's and Infoport's character portfolio for the purpose of permitting the Company to produce new animated television programs and for use, more generally, in the educational sector. Between Infoport and CPE, Infoport owns the trademark rights in relation to the characters (i.e., the exclusive right to use the characters as trade marks or as part of trade marks under which goods and services bearing these trade marks will be sold) and CPE owns the copyright in the characters (i.e., the exclusive right to copy, issue, rent and make available copies to the public, perform, show, play, broadcast and make adaptations to images of the characters).

The Framework Agreement does not include a list of characters which the parties agreed to include in the licence, but the Company will have the right to select characters to be included in the scope of the licence from CPE/Infoport's character portfolio after discussion with the Guarantor. CPE/Infoport have developed and own a large number of characters. A list of characters in which Infoport holds trademark rights or trademark applications has been included as an attachment to the Sale and Purchase Agreement. A list of characters with respect to which CPE has filed copyright registrations has been included as an attachment to the CPE-SPA.

The royalty payable under the licence will be calculated based on the income received from the sale of the Company's new animation programs which include the licensed characters. The royalty rate will be determined by the Company and the Guarantor and will be within 5% to 20%, taking into account market rates, the value of the licensed characters, the length of time for which the licensed characters will appear in the new animation programs, the relevant distribution channels, and the fact that the Guarantor receives a premium in agent fee for distributing the animation programs to TV stations.

The Company plans to develop 180 to 220 episodes of animation programs over the next two years which will contain both CPE's existing characters and new characters developed by the Company. The Company will own the intellectual property rights in the new animation programs it produces and in the new characters it develops for the animation programs.

**(b) Distribution of new animation programs**

The Company will engage CPE to, among other things, distribute the new animation programs to TV stations and the agent fee rate is 50% of the sales price. The Company may engage CPE to distribute the new animation programs on other media and the agent fee rate is 15% of the sales price.

The Company plans to have the animation programs broadcasted through approximately 30 TV stations at provincial or city level and three satellite stations.

**(c) Further cooperation**

The Company and the Guarantor agree that if the Guarantor wishes to expand its business into the educational business sector in the PRC and Hong Kong, it will consider partnering with the Company so as to expand the scope of cooperation.

**CONNECTED TRANSACTION — THE ENGAGEMENT AGREEMENT**

**Date:** 16 September 2013

**Parties:** (a) The Company  
(b) Luminary

**Consideration**

The total advisory fees for the Engagement is HK\$5.0 million which will be payable by the Company to Luminary on the Completion Date. The total advisory fees for the Engagement were arrived at after arms' length negotiation between the Company and Luminary and were determined based on normal commercial terms. The receipt of the advisory fees by Luminary shall not be contingent upon the Completion. If the Completion for whatever reason does not take place before the Long Stop Date, the Company shall pay Luminary the advisory fees in the amount calculated based on the time costs incurred by Luminary up to the date of abortion of the Proposed Disposal subject to a cap of HK\$5.0 million.

**Term**

The Engagement will end on the earlier of (i) Completion or (ii) the early termination of the Sale and Purchase Agreement.

Luminary is wholly-owned by Mr. Leung, the Chairman and a non-executive Director of the Company. Furthermore, Mr. Leung is as at the date of this announcement an indirect majority shareholder of Idea Talent, which owns 26.95% of the issued share capital of the Company. Therefore, Luminary is a connected person (as defined in the Listing Rules) of the Company. Mr. Leung also holds an additional 0.29% of the issued share capital of the Company in his personal capacity. Accordingly, the entering into of the Engagement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, Mr. Leung has abstained from voting on the relevant Board resolution for the approval of the Engagement Agreement.

As each of the applicable percentage ratios (as defined in the Listing Rules) is less than 5%, the Engagement is only subject to the reporting and announcement requirements of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Under the Engagement Agreement, Luminary is engaged by the Company to provide financial and strategic advice in relation to the Transactions.

## INFORMATION ON INFOPORT

Infoport is a company incorporated in the British Virgin Islands with limited liability, and its wholly-owned subsidiaries, Toon Express HK and Toon Express GZ, are the main operating entities. Infoport Group is a leading brand manager in China's animation industry. Infoport Group has close business relationship and key commercial arrangements with its strategic partner, CPE.

Infoport Group develops animation brands and generates additional value to such brands through their franchising and commercialisation. Infoport Group manages popular animation brands in China and international markets with a focus on the consumer products licensing business.

Infoport, Toon Express GZ and CPE entered into the Joint Brand Management Agreement on 15 April 2010, and supplemental agreements were entered into on 27 August 2010 and 10 December 2010. Subsequently, parties to the Joint Brand Management Agreement entered into an amendment agreement on 17 February 2011, with the aim of furthering their cooperation on the management and commercial exploitation of intellectual property rights that they each own.

Pursuant to the Joint Brand Management Agreement (as supplemented and amended), if the results from operating activities in the audited annual statement of accounts of CPE for that financial year is a positive number, CPE will pay Infoport and Toon Express GZ an amount that equals 90% of its results from operating activities as direct marketing expenses; if the results from operating activities in the audited annual statement of accounts of CPE for that financial year is a negative number, CPE shall be entitled to charge Toon Express GZ an amount that equals 100% of its results from operating activities as direct marketing expenses. For the years ended 31 December 2011 and 2012, the direct marketing expenses paid by CPE to Infoport Group amounted to approximately HK\$28.6 million and HK\$30.9 million respectively.

Based on the audited consolidated financial statements of the Infoport Group prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the profit before taxation and extraordinary items for the year ended 31 December 2011 amounted to approximately HK\$32.6 million; the profit after taxation and extraordinary items for the year ended 31 December 2011 amounted to approximately HK\$19.0 million; the profit before taxation and extraordinary items for the year ended 31 December 2012 amounted to approximately HK\$20.6 million; and the profit after taxation and extraordinary items for the year ended 31 December 2012 amounted to approximately HK\$10.1 million. The audited net asset value of the Infoport Group as at 31 December 2012 amounted to approximately HK\$50.9 million.

Following the acquisition of the Infoport Group, the Company recognized certain intangible assets of Infoport Group at a consolidated level and such intangible assets are amortized over a period of time in accordance with the Group's accounting policies. The amortization cost was charged to the Company's consolidated financial statement but not the Infoport Group's financial statement. In addition, the Company used to have operations for production services on computer graphic imaging ("CGI") animation pictures (by group entities other than the Infoport Group), which were closed down in 2012. The Company's

consolidated financial statement recorded losses as the result of such closure. As a result, the Company's financial statement recorded losses despite the profits recorded by the Infoport Group.

## **INFORMATION ON THE COMPANY**

The Company and the Group are currently engaged in licensing and management of cartoon character trademarks and copyrights and related activities.

The Group has been in the business of production, broadcasting and licensing of CGI animation pictures since 2000 and upon Completion, the Company's operations will continue to include the licensing of the CGI animation pictures already in the Company's existing portfolio. After Completion, the business of the Company will also include the development and distribution of interactive learning programs and the implementation of education programs both online and at physical learning centers for school students. According to the Framework Agreement, the Company will produce new animation programs featuring both new animated characters created and developed by the Company and the popular animated characters licensed from CPE. More importantly, the Company will use these characters in the education business in the PRC and Hong Kong. In addition, the Company has also been actively negotiating with various companies about acquiring new businesses and/or assets (among others, a company which is engaged in the development and distribution of curriculum-based courseware for school students in Hong Kong, and is currently planning to expand into other countries including mainland China) and intends to complete any such acquisition in the immediate future in order to maintain a sufficient level of operations and assets to support the continued listing of the Shares after the Completion. The Company will make further announcements on the progress of such proposed acquisitions of new businesses and/or assets to keep the public informed.

## **INFORMATION ON THE PURCHASER**

The Purchaser is incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Guarantor. Its principal business is that of an investment holding company.

## **INFORMATION ON THE GUARANTOR**

The Guarantor is a joint stock company incorporated under the laws of the PRC with limited liability, the shares of which are listed on the main board of the Shenzhen Stock Exchange (stock code 002292). The Guarantor is principally engaged in the animation business, including production and distribution of television shows, comic books, video products and Internet channels.

## **INFORMATION ON LUMINARY**

Luminary is primarily engaged in the provision of financial advisory services in Hong Kong. It is a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

Luminary is wholly-owned by Mr. Leung, the Chairman and a non-executive Director of the Company. Furthermore, Mr. Leung is as at the date of this announcement an indirect majority shareholder of Idea Talent, which owns 26.95% of the issued share capital of the Company. Mr. Leung holds an additional 0.29% of the issued share capital of the Company in his personal capacity. Therefore, Luminary is a connected person (as defined in the Listing Rules) of the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

The Group has deep and strong roots in the cultural industry. Since the acquisition of Infoport in April 2011, the Group has been striving to solidify its position in the animation, media and entertainment industry with its core brand, Pleasant Goat and Big Big Wolf. The Group is pleased with the ever-increasing popularity of the brand. While Pleasant Goat and Big Big Wolf is unquestionably a leading home-grown animation brand in China, it is facing stiffening competition.

In addition, Infoport's existing business model is to cooperate with its strategic partner, CPE, to create and distribute contents through various channels while at the same time Infoport commercializes its animation brands through consumer product licensing. Although this model is strategically sound, the Group's financial performance has been adversely affected by the slowdown of the Chinese economy and increased competition. While many believe that the Chinese economy has stabilized and growth has started to accelerate, the Company is of the view that the consumption market environment will remain challenging in the near future.

In response to the changing industry landscape, the Company intends to steer its strategic focus towards the educational market to take advantage of its solid position in the cultural industry. Despite the slowdown of the economy, China's education industry offers vast opportunities:

- (a) it receives strong government support. As early as in 1993, the Chinese government embarked on educational reforms with the goal of public spending on education reaching 4% of GDP. In 2012, China finally achieved that with the government's heavy spending in the area. Government spending on education totalled RMB7.79 trillion from 2008 to 2012 with a compound annual growth rate ("CAGR") of 21.6% over the five years<sup>1</sup>. However, compared to developed economies, this 4% public spending on education as a percentage of GDP is still relatively low. To illustrate, the Organization for Economic Co-operation and Development ("OECD") countries attained an average of 5.8% in 2010<sup>2</sup>. Hence, educational spending in China has ample room to grow. In addition, Premier Li Keqiang has recently reiterated and stressed the importance of the ongoing educational reforms to improve people's literacy quality and to make education available to every child;

<sup>1</sup> Source: 2012 Government Work Report and China Daily

<sup>2</sup> Source: OECD

- (b) although the number of students in the formal education system has been declining largely due to the one-child policy, the number remains high. According to the Ministry of Education, the total number of students was approximately 268 million in 2012, of which approximately 193 million were primary and secondary school students. This represents a huge market potential; and
- (c) as Chinese affluence level rises, a shift of priority towards quality from quantity is taking place in terms of private educational spending. This gave rise to the emergence of diverse sub-sectors to serve different needs ranging from pre-schools, online education, test preparation help, tutoring services to language training, among others. According to iResearch, Chinese family spending on education has increased from RMB484 billion in 2006 to RMB879 billion in 2011 representing a CAGR of 12.7%. It is estimated to reach RMB983 billion this year.

In order to achieve its strategic goal and as the first step, the Company has entered into the Framework Agreement with the Guarantor on 16 September 2013 to collaborate on the production and distribution of education contents.

The Framework Agreement ensures that the Company will continue getting access to CPE's selected popular characters to be used in the educational business. As discussed in the section headed "Framework Agreement", the Company plans to produce 180 to 220 episodes of animation programs for education purposes over the next two years featuring CPE's existing characters, particularly those in the Pleasant Goat and Big Big Wolf series and new characters developed by the Company. CPE will be engaged by the Company to distribute these animation programs. More importantly, the Company will use the popular characters licensed from CPE and the new characters it develops in relation to the development and implementation of educational contents and programs. The Company believes that this is the fastest and best way to tap into the education market in China. It is because this collaboration allows the Company to ride on the benefits of the combination of CPE and the Guarantor. The acquisition by the Guarantor of CPE brings together two powerful players in the animation industry in China with unparalleled production and distribution prowess and access to the student audience. The Company and the Guarantor may further explore business opportunities to cooperate with each other in the provision of education courseware. The Company will also consider other investment opportunities as and when they arise.

On account of the above, the Company is of the view that the Proposed Disposal represents a good opportunity for the Group to realize its assets at a fair price, which will enable the Group to further strengthen its financial and liquidity position, and provide cash resources for its development and investments in the education business.

On completion of the Proposed Disposal, taking into account (i) the cash balance of the Group as of 31 August 2013; and (ii) the cash to be received in connection with the Disposal, including the net proceeds from the Disposal and settlement of inter-company balances, the total cash of the Group will be approximately HK\$924.6 million.

The Directors, including the independent non-executive Directors, consider the terms of the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

The Proposed Disposal is expected to realize an estimated gain of approximately HK\$136.0 million for the Group, which is subject to audit and expected to be accounted for at Completion. The determination of the estimated gain is based on the proceeds to be received pursuant to the Sale and Purchase Agreement amounting to HK\$634.2 million less the carrying value (net assets adjusted for the carrying value of the intangible assets and the associated deferred tax liabilities) of the Infoport Group as at 30 June 2013 amounting to approximately HK\$498.1 million. The Company expects the actual gain or loss to be recorded in the Completion Accounts to be different given that the abovementioned estimate is based on the carrying value of the Infoport Group as at 30 June 2013 which will be different from that on the Completion Date.

## **USE OF PROCEEDS**

The Directors intend to apply the net proceeds of approximately HK\$623.7 million, which is net of estimated professional fees and expenses in connection with the Transactions, to continue its business development in the cultural industry, in the area of education in particular, through internal growth and possible future acquisitions as and when opportunities arise. The net proceeds will also be used for the general working capital of the Group and for other purposes including but not limited to possible share repurchases by the Company.

## **REASONS FOR AND BENEFITS OF THE ENGAGEMENT**

The Engagement enables the Proposed Disposal to take place smoothly by providing the Company with financial advice in relation to the Proposed Disposal. The details of the Proposed Disposal, including the benefits to the Company, are set out in this announcement.

The Directors (including the independent non-executive Directors) believe that the terms of the Engagement Agreement are on normal commercial terms, fair and reasonable and that entering into the Engagement Agreement is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **Very Substantial Disposal**

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceed 75%, the Proposed Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **Voting by Poll**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll and therefore the ordinary resolution to be put to vote at the SGM will be taken by way of poll as required by the Listing Rules.

## **Circular and SGM**

A circular containing, among other things, the information required under the Listing Rules in relation to the Proposed Disposal and a notice of the SGM will be despatched to the Shareholders on or around 30 September 2013 (i.e. six Business Days after the publication of this announcement).

Any Shareholder with a material interest in the Proposed Disposal will abstain from voting on any resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the Transactions contemplated under the Transaction Documents.

**As completion of the Proposed Disposal is subject to the fulfillment of a number of conditions precedent and the termination rights of the parties, the Proposed Disposal may or may not proceed to completion. Shareholders and investors should exercise caution when dealing in the Shares.**

**Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Upon Completion, the Company's cash level will increase significantly. If the assets of the Company consist substantially of cash or short-dated securities after Completion, it may become a cash company under Rule 14.82 of the Listing Rules. If the Company becomes a cash company upon Completion, it may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing, but the Stock Exchange will treat such application for lifting of the suspension as if it were a new listing application. The Stock Exchange reserves the right to cancel the listing of the Shares if such suspension continues for more than 12 months.**

**Under Rule 13.24 of the Listing Rules, an issuer shall carry out a sufficient level of operations or have sufficient assets to warrant the continued listing of the issuer's securities. The operations of the Company will significantly diminish after the Completion. If the Company does not have a sufficient level of operations and does not have sufficient assets after the Completion, the trading of the Shares will be suspended.**

**In addition, the Stock Exchange may apply reverse takeover requirements or requirements similar to new listing applications to any new assets or business to be acquired by the Company whether before or after the Completion. As at the date of this announcement, the Company has been actively negotiating with various companies about acquiring new businesses and/or assets (among others, a company which is engaged in the development and distribution of curriculum-based courseware for school students in Hong Kong, and is currently planning to expand into other countries including mainland China) and intends to complete any such acquisition in the immediate future. The Company will make further announcements on the progress of such proposed acquisitions to keep the public informed.**

**Because of the abovementioned potential implications, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **The Engagement**

The Engagement constitutes a connected transaction of the Company as such term is defined under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Engagement is less than 5%, the Engagement is only subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 10:42 a.m. on Monday, 16 September 2013 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 23 September 2013.

## **DEFINITIONS**

“Applicable Law”	with respect to any person, any laws, rules, regulations, guidelines, directives, judgments, decrees, order, notices, rulings or decisions of any governmental or regulatory authority or stock exchange that is applicable to such person
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or Sunday or public holiday in Hong Kong on which banks are open in Hong Kong for general commercial business and on which the Stock Exchange is open for business in dealing in securities
“Chairman”	the chairman of the Company, Mr. Leung Pak To
“Company”	Imagi International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 585)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Sale and Purchase Agreement
“Completion Accounts”	the audited accounts to be prepared by the Company's auditors for the period from 1 January 2013 to the Completion Date in accordance with the Company's usual accounting principles
“Completion Date”	following the satisfaction of all Conditions or waiver of the Conditions as practicable (unless the Purchaser and the Company otherwise agree in writing), the expiry date of the performance of the Purchaser and the Company's completion obligations, unless the Purchaser and the Company otherwise agree in writing

“Conditions”	the conditions precedent to Completion as set out in the Sale and Purchase Agreement, and Condition means any of them
“Conditions Satisfaction Date”	the date of satisfaction of all Conditions or waiver of the Conditions as practicable, unless the Purchaser and the Company otherwise agree in writing
“Consideration”	the consideration for the Sale Shares in the amount of HK\$634.2 million
“CP Agreement”	the Consumer Products and Related Use Agreement (as amended and supplemented) entered into by Disney, Infoport, certain direct and indirect shareholders of Infoport and CPE on 30 August 2010
“CPE”	Creative Power Entertaining Limited Liability Company 廣東原創動力文化傳播有限公司, a company incorporated in the PRC with limited liability
“CPE-SPA”	the sale and purchase agreement dated the date of the Sale and Purchase Agreement and signed and entered into between the shareholders of CPE and the Guarantor or its nominee(s) and the supplementary sale and purchase agreement dated the date of the Sale and Purchase Agreement and entered into between, among others, the shareholders of CPE and the Guarantor in relation to the purchase by the Guarantor or the Guarantor’s nominee(s) of 100% equity interest of CPE
“Directors”	the directors of the Company
“Disney”	Disney Enterprises, Inc., a Delaware corporation with its principal place of business at 500 S. Buena Cista Street, Burbank, California 91521, USA
“Engagement”	the engagement by the Company of Luminary as the financial advisor to the Company in relation to the Proposed Disposal
“Engagement Agreement”	the agreement entered into by the Company and Luminary on 16 September 2013 regarding the Engagement
“Final Installment”	the final installment of the Consideration, being an amount representing thirty percent (30%) of the Consideration
“First Installment”	the first installment of the Consideration, being an amount representing ten percent (10%) of the Consideration
“Group”	the Company and its subsidiaries

“Guarantor”	Guangdong Alpha Animation & Culture Co. Ltd, a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002292)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Idea Talent”	Idea Talent Limited, a company incorporated in the British Virgin Islands owned as to 75% indirectly by Mr. Leung Pak To, Chairman and non-executive Director, and 25% indirectly by Mr. Chung Cho Yee, Mico. Idea Talent owns 26.95% of the issued share capital of the Company as at the date of this announcement
“Imagi-Disney Deed”	the Deed of Corporate Guarantee and Indemnity which the Company and Disney entered into on 12 April 2011
“Indemnity Undertaking”	the indemnity undertaking in the form attached to the Sale and Purchase Agreement
“Infoport”	Infoport Management Limited, a company incorporated in the British Virgin Islands with limited liability
“Infoport Group”	Infoport and its subsidiaries
“Joint Brand Management Agreement”	the Joint Brand Management Agreement entered into by Infoport, Toon Express GZ and CPE dated 15 April 2010, as supplemented on 27 August 2010 and 10 December 2010 and amended on 17 February 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Long Stop Date”	(a) 22 October 2013 or if extended pursuant to the Sale and Purchase Agreement; or  (b) such other date as the Purchaser and the Company may at any time and from time to time agree in writing
“Luminary”	Luminary Capital Limited, a company incorporated in Hong Kong, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and wholly-owned by Mr. Leung
“Mr. Leung”	Mr. Leung Pak To

“Parties”	the parties to the Sale and Purchase Agreement and Party means any one of them
“PGBBW”	PGBBW Limited, a company incorporated in the British Virgin Islands with limited liability, which sold 100% of the issued share capital of Infoport to the Company in 2011 further details of which were disclosed in the Company’s major transaction circular dated 23 March 2011
“PRC”	the People’s Republic of China, for the purposes of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Disposal”	the proposed sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“Purchaser”	Alpha Animation and Culture (Hong Kong) Company Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Guarantor
“Purchaser Warranties”	the representations and warranties given by the Purchaser in relation to the purchase of the Sale Shares as set out in the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the agreement entered into by the Company, the Purchaser and the Guarantor on 16 September 2013 regarding the sale and purchase of the Sale Shares
“Sale Shares”	the 499,990 ordinary shares of Infoport, comprising 100% of the issued share capital of Infoport
“Second Installment”	the second installment of the Consideration, being an amount representing ten percent (10%) of the Consideration
“Seller Warranties”	the representations and warranties given by the Company in relation to the Group as set out in the Sale and Purchase Agreement
“SGM”	the special general meeting of the Company to be convened to approve the Proposed Disposal
“Shareholder(s)”	holders of Share(s)
“Shareholder Loan”	the outstanding shareholder loan granted by the Company to Toon Express HK as disclosed by the Company in the Sale and Purchase Agreement, which amounted to approximately HK\$36.6 million as at 30 June 2013 with an interest rate of 3-month HIBOR plus 1% per annum

“Shares”	the ordinary shares of HK\$0.001 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surviving Provisions”	Clauses 1 (Definitions and Interpretation), 13 (Announcement) 14 (Confidentiality), 15 (Costs), 17 (Notices), 18 (General) and 19 (Governing Law) of the Sale and Purchase Agreement
“Third Installment”	the third installment of the Consideration, being an amount representing fifty percent (50%) of the Consideration
“Toon Express GZ”	廣州新原動力動漫形象管理有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Infoport
“Toon Express HK”	Toon Express Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Infoport
“Transaction Documents”	the Sale and Purchase Agreement and the CPE-SPA
“Transactions”	the transactions contemplated under the Transaction Documents

By order of the Board  
**Imagi International Holdings Limited**  
**Leung Pak To**  
*Chairman*

Hong Kong, 19 September 2013

*As at the date of this announcement, the Board comprises Mr. Leung Pak To as the Chairman and non-executive director; Mr. Yung Tse Kwong, Steven as the executive director; Mr. Lian Meng and Ms. Ma Wai Man, Catherine as the non-executive directors; and Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo, Dr. Lam Lee G., Mr. Lim Chin Leong and Ms. Wei Wei as the independent non-executive directors.*