

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



IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00585)

FURTHER UPDATE ON THE REVIEW OF GROUP'S OPERATIONS AND BUSINESS DIRECTION

Reference is made to the Company's announcement dated 2 February 2010.

As part of the Group's ongoing review of its business and operations and in order to further preserve its limited liquidity and shareholder value, the Company has withdrawn its financial support from Imagi Production Limited, one of its subsidiaries, and will focus on developing the commercial potential of its IP rights and exploit the creative aspects of its CGI Movie business through its other subsidiary, Imagi Services Limited.

Reference is made to the Company's announcement dated 2 February 2010 (the "2 Feb Announcement") in relation to, among other things, the progress of Company's review of its operations and business direction. Unless otherwise defined, defined terms in the 2 Feb Announcement shall have the same meanings when used in this announcement.

As mentioned in the 2 Feb Announcement, the Company has carried out a strategic review of its business and operations with a view to maximizing the business potential of the Group; as part of this exercise, the Group had, in December 2009, terminated the employment of certain Group employees and in January 2010, withdrawn funding support for its United States subsidiaries.

The Board recognizes that further aggressive cost reductions are necessary in order to further preserve the Group's limited liquidity and shareholder value. After considering the Company's exposure arising from its continuing financial support of certain subsidiaries of the Group, the Company has, on 5 February 2010, withdrawn financial support from one of its principal subsidiaries, Imagi Production Limited ("IPL") which is the in-house arm of the Company engaged in the digital production of animated films. The principal asset of IPL consists of the Group's computer equipment used in the production of CGI Movies. Prior to 5 February 2010, IPL employed, excluding the employees terminated in December 2009 as mentioned above, a total of approximately 250 employees, who will no longer be employed by the Group, except for certain specialists with critical knowledge of systems and experience with animation production processes will be retained. Accordingly, IPL will be applying to the Hong Kong court to appoint provisional liquidators. A further announcement will be made when this appointment is confirmed.

* for identification purpose only

To further streamline and rationalize the Group's operations while retaining and optimizing the Group's cumulative knowledge and knowhow in the CGI Movie business, the Group will no longer use in-house facilities to produce animated films but instead, intends to outsource the labour intensive digital production elements of this film making process to other animation houses, or use third party animation capacity available in the PRC and elsewhere. The Group intends to develop the commercial potential of its IP rights and exploit the creative aspects of its CGI Movie business (e.g. by developing film scripts and story boards) . It will also seek optimal financing arrangements for the Group's movie projects currently under development. These activities will be focused in the Group's subsidiary in Hong Kong, Imagi Services Limited.

The objective of the above actions is to reduce the Group's fixed cost base of the Company. The Company's business model will evolve and following the cessation of the in-house digital animated film production activities of IPL, the Group will focus on various higher value-added business activities, include:

- creation of IPs and creation of characters, and development of the storyline and creation of movie storyboards,
- the continued marketing and commercial exploitation of completed film projects including completed film projects such as the *Astro Boy* feature film, and
- the continued development of two animated movie projects which are in progress.

The labour intensive digital production part of the film making process will now be outsourced. These activities described above are carried on under various subsidiaries of the Group and will remain the Group's principal businesses going forward.

The Board believes that with the reduction of headcounts achieved since December, 2009, the Group has significantly streamlined its operations and is in a better position to accomplish its business direction as mentioned in the 2 Feb Announcement. The Group will carefully monitor its future manpower requirements, and will continue to build its businesses through taking on new hires of full-time, part-time or contracted employees and consultants as appropriate.

The Group's decision to withdraw financial support from IPL is not expected to have an adverse impact on the Group's revenue to be recognized from the *Astro Boy* feature film and its associated activities. The Board believes that, having insulated the Group from the financial exposure to IPL, the Group will considerably improve its negotiating position to seek suitable business partners and financiers and enable it to further develop its existing portfolio of film projects.

UPDATE ON THE EXCLUSIVITY AGREEMENT

The Board is pleased to advise that the Company has received the Earnest Money of HK\$3,500,000 from the Investor and that the Investor is progressing with its due diligence work. The Company will issue further announcement to update Shareholders as and when there is any significant further developments.

By order of the Board
Imagi International Holdings Limited
Mr. Phoon Chiong Kit
Deputy Chairman and Chief Executive Officer

Hong Kong, 5 February 2010

As at the date of this announcement, the executive director of the Company is Mr. Phoon Chiong Kit. The non-executive director of the Company is Mr. William Montgomerie Courtauld. The independent non-executive director of the Company is Mr. Ng See Yuen.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.