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

(incorporated in Bermuda with limited liability)

(Stock Code: 585)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

The Board of Directors (the "Board") of Imagi International Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Turnover	3	**12,502**	259
Cost of sales		**(18,297)**	(541)
Gross loss		**(5,795)**	(282)
Other income		**5,089**	2,943
Administrative and other operating expenses		**(24,031)**	(11,946)
Finance costs		**(2,102)**	(2,141)
Loss before taxation	4	**(26,839)**	(11,426)
Income tax expense	5	**(226)**	(61)
Loss for the period		**(27,065)**	(11,487)
Attributable to:			
Equity holders of the Company		**(27,065)**	(11,476)
Minority interests		**–**	(11)
		(27,065)	(11,487)
Basic loss per share	7	**(1.86 HK cents)**	(0.92 HK cents)

* *For identification only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30th September 2007 HK$'000 (unaudited)	At 31st March 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**74,389**	64,421
Computer graphics ("CG") animation pictures		**280,173**	142,075
Goodwill		**3,228**	3,228
Interest in an associate		**–**	–
Available-for-sale investments		**3,201**	3,201
		360,991	212,925
Current assets			
Inventories		**–**	155
Trade and other receivables	8	**28,900**	26,968
Tax recoverable		**737**	771
Bank balances and cash		**221,901**	367,584
		251,538	395,478
Current liabilities			
Other payables		**17,539**	38,186
Unearned revenue		**61**	110
Tax payable		**797**	670
Obligations under finance lease – due within one year		**513**	59
		18,910	39,025
Net current assets		**232,628**	356,453
Total assets less current liabilities		**593,619**	569,378
Non-current liabilities			
Obligations under finance lease – due after one year		**1,712**	175
Convertible notes		**9,245**	54,299
Deferred taxation		**363**	363
		11,320	54,837
Net assets		**582,299**	514,541
Capital and reserves			
Share capital		**160,254**	144,113
Reserves		**422,045**	370,428
Total equity		**582,299**	514,541

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34, Interim Financial Reporting.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st April 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 8	Scope of HKFRS 2[2]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions[5]

[1] Effective for annual periods beginning on or after 1st January 2007
[2] Effective for annual periods beginning on or after 1st May 2006
[3] Effective for annual periods beginning on or after 1st June 2006
[4] Effective for annual periods beginning on or after 1st November 2006
[5] Effective for annual periods beginning on or after 1st March 2007

The adoption of the new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standard or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1st January 2009
[2] Effective for annual periods beginning on or after 1st January 2008
[3] Effective for annual periods beginning on or after 1st July 2008

The Directors of the Company anticipate that the application of these standard or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group is operating in a single business of production, licensing and sales of CG animation pictures of which revenue for the period was mainly generated from the United States of America. The revenue, operating results and assets relating to other countries other than the United States of America are totalling and individually below 10% of the total revenue, total results and total assets respectively. Accordingly, no disclosure on segment reporting is presented.

4. Loss before Taxation

	Six months ended 30th September	
	2007	2006
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**9,781**	7,736
Less: amounts capitalised in CG animation pictures and inventories	**(8,899)**	(7,105)
	882	631
Amortisation of CG animation pictures (included in cost of sales)	**17,731**	–

5. Income Tax Expense

	Six months ended 30th September	
	2007	2006
	HK$'000	HK$'000
The charge comprises:		
Taxation in other jurisdictions	**–**	46
Under(over)provision of taxation in other jurisdictions in prior years	**226**	(348)
Deferred taxation – current year	**–**	363
	226	61

A portion of the Group's profit neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the period.

Overseas tax is calculated at the tax rates prevailing in the respective jurisdictions.

6. Interim Dividend

No dividend was paid during the period (2006: Nil). The Directors do not recommend the payment of an interim dividend for the period ended 30th September 2007.

7. Loss Per Share

The calculation of the basic loss per share attributable to the equity holders of the Company for the period is based on the following data:

	Six months ended 30th September	
	2007	2006
Loss for the period attributable to equity holders of the Company	**(HK$27,065,000)**	(HK$11,476,000)
Number of shares:		
Weighted average number of ordinary shares of HK$0.1 each for the purpose of calculating basic loss per share	**1,455,758,273**	1,246,428,264

No diluted loss per share is presented as the exercise of share options and the conversion of convertible notes during the period would result in a decrease in loss per share.

8. Trade and Other Receivables

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 to 90 days.

The following is an aged analysis of trade receivables at the balance sheet dates:

	30th September 2007 HK$'000	31st March 2007 HK$'000
0 to 30 days	**61**	6,647
31 to 60 days	**–**	1,207
Over 60 days	**9,073**	11,661
Total trade receivables	**9,134**	19,515
Other receivables	**19,766**	7,453
	28,900	26,968

9. Capital Commitments

At the balance sheet dates, the Group had the following commitments for capital expenditure in respect of CG animation pictures and property, plant and equipment:

	30th September 2007 HK$'000	31st March 2007 HK$'000
Contracted for but not provided in the condensed consolidated financial statements	**11,414**	12,805

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2007, the Group reported a turnover of HK$12.5 million representing an increase of approximately 47 times as compared to HK$259,000 for the same period of last year. The increase in turnover reflected the continuous contribution of revenue by Teenage Mutant Ninja Turtles ("TMNT") and Highlander: The Search for Vengeance ("Highlander") during the current period, which were completed and delivered in March 2007 and January 2007 respectively.

Loss attributable to shareholders for the six months ended 30th September 2007 was HK$27.1 million, an increase of 136% as compared to HK$11.5 million for the same period of last year. The increase in loss was mainly attributable to the share option expenses of HK$8.7 million recognized in the current period and combined loss of HK$5.4 million in current period for TMNT and Highlander.

CG Animation Pictures

TMNT

TMNT is our first theatrical features film and was released in March 2007. The worldwide box office for TMNT was over US$92 million. DVD for TMNT was released in the US in August 2007. Income derived from TMNT was a major part of income of the Group during the period.

Astro Boy and Gatchaman

The upcoming motion pictures, Astro Boy and Gatchaman, are scheduled for release in 2009, are still in production stage. In September 2007, Imagi has entered into a preliminary distribution agreement with Warner Bros. Pictures, Inc. and The Weinstein Company LLC in relation to Astro Boy and Gatchaman. In addition, certain distribution agreements were signed in relation to Astro Boy and Gatchaman's toys.

Fluorescent Black

Imagi has acquired all rights to Fluorescent Black in November 2007. Fluorescent Black is a riveting futuristic biopunk story set in Singapore and the Malaysian peninsula and will be developed as a graphic novel. The Group believes it has the potential to become a huge cult phenomenon.

Interest in associate

Subsequent to the period end, receivers and managers were appointed to monitor the business of our 22.5% interest in associate. Its business engages in the development, manufacture, sales and distribution of artificial Christmas trees and accessories. The Group has discontinued recognition of its share of post-acquisition losses as the carrying value of the interest in associate is zero and the Group has no further obligation to assume additional commitments of the associate.

Corporate

On 28th September 2007, the convertible notes with principal amount of HK$50 million were converted into 147,058,824 shares of HK$0.10 each in the capital of the Company at the conversion price of HK$0.34. After the conversion, the convertible notes with principal amount of HK$10 million were still outstanding by the period end. On 3rd October 2007, the remaining convertible notes with principal amount of HK$10 million were also converted into 29,411,764 shares at the conversion price of HK$0.34. After such conversion, all principal amounts of the then convertible notes issued during the year ended 31st March 2006 had been fully converted into shares of the Company.

On 4th December 2007, the Company entered into subscription agreements with various subscribers for the subscription of zero coupon convertible notes with principal amounts of HK$406 million. The notes are with three year maturities and the conversion price is HK$1.768. The net proceeds of approximately HK$395 million will be used for the development of four full length feature computer graphics imagery animation movies scheduled tentatively to be released during the period from the first quarter of 2009 to third quarter of 2011. As one of the subscribers, Winnington Capital Limited ("Winnington"), subscribing convertible notes with principal amount of HK$132 million, is a connected person (as defined under the Rules Governing the Listing of Securities on the Stock Exchange "Listing Rules"), a special general meeting of shareholders will be held to approve that subscription. As the subscription agreements are inter-conditional, Winnington and other subscribers will abstain from voting in the coming special general meeting. Should the convertible notes be converted in full at the initial conversion price of HK$1.768 per conversion share, a maximum of approximately 229.6 million conversion shares will be issued.

Prospects

Imagi is in advanced stages of negotiation to obtain rights to several new properties which the Group believes have significant potential as feature films. In this regard, the Group's strategy is to prioritize those properties for which the Group can own or license the broadest possible range of rights, including not only feature film, but also television, derivative, merchandising, and promotion rights. The Group will announce new property acquisitions after definitive agreements are reached with the property owners.

Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30th September 2007, the Group had available aggregate banking facilities of HK$80 million, all of which was remained unutilized. The Group's cash deposits and bank balances as at that date amounted to approximately HK$221.9 million (31st March 2007: HK$367.6 million). The Board believes that the Group has sufficient financial resources to discharge its debts and finance its operations and capital expenditures.

Further, the Group has maintained a sound capital structure, with a current ratio of 13.3 (31st March 2007: 10.1) and a gearing ratio, measured as total debts over total assets, of 4.9% (31st March 2007: 15.4%) as of the period end date.

Foreign Exchange Exposure

Transactions of the Group are predominately denominated in Hong Kong dollars, US dollars, Euro and Japanese Yen. No hedging or other instruments to reduce the currency risks have been implemented during the period. However, review of the Group's exposure to foreign exchange risk is conducted periodically and derivative financial instruments may be used to hedge against such risks when necessary.

Contingent Liabilities

As at 30th September 2007, the Group had no significant contingent liabilities.

Human Resources

As at 30th September 2007, the Group employed over 470 full-time staff worldwide. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market in respective countries where the Group has operations. Remuneration packages of Directors and senior management are reviewed and approved by the Remuneration Committee formed by two Independent Non-Executive Directors and one Executive Director of the Company. In addition to basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performance and at the discretion of the Board.

The Group is committed to continually developing and deploying the potential of its staff to the fullest extent, by keeping them abreast with the latest technical, creative and business best practices. The Group's studio is well-equipped with in-house training facilities where structured training programs are regularly provided to staff in technical, creative and managerial disciplines. Besides internal training programs, the Group also provides customized training courses in collaboration with external training consultants and educational institutions. The Group believes that staff is its most valuable asset.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th September 2007.

AUDIT COMMITTEE

The Audit Committee meets regularly with the Group's senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, the effectiveness of the system of internal controls and compliance, and to make recommendations to the Board. The members of the Audit Committee are Mr. Oh Kok Chi (Chairman of the Committee), Mr. Lai Chi Kin, Lawrence and Mr. Ng See Yuen.

The said condensed consolidated financial statements for the period covered by this interim announcement have also been reviewed by the Audit Committee and the Company's external auditors, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

The Company is committed to maintain good corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the period ended 30th September 2007, except the following deviation.

Under the Code Provision A.4.1, Non-Executive Directors should be appointed for a specific term, subject to re-election. During the period, none of the Non-Executive Director and the Independent Non-Executive Directors of the Company was appointed for any specific fixed term. In accordance with the bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30th September 2007 containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange's website at http://www.hkex.com.hk and the Company's website at http://www.imagi.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to thank my fellow management and staff for their dedication and hard work during the past period, as well as our worldwide viewers, distributors, business partners and shareholders for their support.

On behalf of the Board
Kao Wai Ho, Francis
Deputy Chairman, Co-Chief Executive Officer and Chief Creative Officer

Hong Kong, 14th December 2007

Website: www.imagi.com.hk

As at the date of this Announcement, the Board comprises:

Executive Directors:	Mr. Kao Cheung Chong, Michael *(Chairman)* Mr. Kao Wai Ho, Francis *(Deputy Chairman, Co-Chief Executive Officer and Chief Creative Officer)* Mr. Douglas Esse Glen *(Co-Chief Executive Officer)* Mr. Tse Chi Man, Terry *(President and Chief Financial Officer)*
Non-Executive Director:	Mr. Lam Pak Kin, Philip
Independent Non-Executive Directors:	Mr. Lai Chi Kin, Lawrence Mr. Ng See Yuen Mr. Oh Kok Chi