IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00585)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2008

The Board of Directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31st March 2008 together with the comparative figures for the corresponding year in 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	3	17,189	243,485
Cost of sales		(25,931)	(331,815)
Gross loss		(8,742)	(88,330)
Other income	5	10,048	5,353
Distribution and selling expenses		(1,835)	(2,104)
Impairment loss recognised in respect of computer graphics ("CG") animation pictures		–	(8,144)
Fair value change in derivative financial instrument		(504)	–
Administrative expenses		(53,763)	(40,613)
Finance costs	6	(2,168)	(4,507)
Loss before taxation	7	(56,964)	(138,345)
Income tax expense	8	(865)	(617)
Loss for the year		(57,829)	(138,962)
Attributable to:			
Equity holders of the Company		(57,829)	(138,923)
Minority interests		–	(39)
		(57,829)	(138,962)
Basic loss per share	10	(HK$0.037)	(HK$0.109)

* *for identification purpose only*

CONSOLIDATED BALANCE SHEET

AT 31ST MARCH 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		86,364	64,421
CG animation pictures		463,757	142,075
Goodwill		3,228	3,228
Long term deposits	*11*	9,644	–
Club debentures		3,201	3,201
		566,194	212,925
Current assets			
Inventories		–	155
Trade and other receivables, deposits and prepayments	*11*	12,142	26,968
Tax recoverable		666	771
Bank balances and cash		175,530	367,584
		188,338	395,478
Current liabilities			
Other payables and accruals		20,257	38,186
Unearned revenue		67	110
Tax payable		593	670
Obligations under finance lease – due within one year		670	59
		21,587	39,025
Net current assets		166,751	356,453
Total assets less current liabilities		732,945	569,378
Non-current liabilities			
Obligations under finance lease – due after one year		2,034	175
Derivative financial instrument		19,767	–
Convertible notes		63,328	54,299
Deferred tax		9,973	363
		95,102	54,837
Net assets		637,843	514,541
Capital and reserves			
Share capital		163,795	144,113
Reserves		474,048	370,428
Total equity attributable to equity holders of the Company		637,843	514,541

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group is principally engaged in the production of CG animation pictures for licensing and sale. At 31st March 2008, the CG animation pictures in progress amounted to approximately HK$460 million and it is expected that further HK$640 million cash outlays will have to be incurred to complete the pictures and to meet the Group's daily operating expenditures in coming years up to March 2010 before revenue from the pictures is generated. At 31st March 2008, the Group had bank and cash balances and undrawn banking facilities of approximately HK$176 million and HK$70 million, respectively. In addition, on 2nd July 2008, the Company entered into a subscription agreement with an independent third party not connected with the Group, in relation to the subscription for a total of 362,790,698 shares of the Company, at a subscription price of HK$0.86 per share (the "Placing"). Once the transaction is completed, the net proceeds from the Placing of approximately HK$311 million will be used for the development of CG animation pictures. The transaction is not yet completed at the report date. Details of the Placing are set out in the Company's announcement dated 4th July 2008. At present, the directors are actively pursuing various funding sources to meet the Group's cash flow requirements, including placement of shares, pre-sale/licensing of, and inviting financing partners for, the animation pictures.

The Directors are of the opinion that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on a going concern basis and the Group's non-current assets are stated in the consolidated balance sheet in accordance with the Group's normal accounting policies.

From 1st April 2009 onwards, provided that the Group is able to obtain the necessary financing in a timely manner, the Directors also believe that the Group will continue to operate as a going concern and have the ability to complete the CG animation pictures in progress and meet its other financial obligations.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, the following 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 1st April 2007.

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a change of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold or services rendered by the Group during the year and is summarised as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Income from licensing of CG animation pictures	11,436	240,691
Production service income from CG animation pictures	278	1,783
Income from licensing of ancillary rights of CG animation pictures	5,475	1,011
	17,189	243,485

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

In both years, the Group is operating in a single business of production, which is licensing and sales of CG animation pictures. Accordingly, no business segment analysis is presented.

Geographical segments

The Group's operations are mainly located in North America and Hong Kong. These locations are the basis on which the Group reports its primary segment information and is identified according to the location of the Group's assets.

Segment information for the two years ended 31st March 2008 is presented below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2008

	North America	**Hong Kong**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	15,025	395	1,769	–	17,189
Inter-segment sales	176,011	187,564	1,356	(364,931)	–
Total	191,036	187,959	3,125	(364,931)	17,189

Inter-segment sales are charged at prevailing market rates.

RESULTS					
Segment results	(9,656)	(29,328)	(4,596)		(43,580)
Other income					10,048
Unallocated corporate expenses					(21,264)
Finance costs					(2,168)
Loss before taxation					(56,964)
Income tax expense					(865)
Loss for the year					(57,829)

For the year ended 31st March 2007

	North America *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	124,364	108,530	10,591	–	243,485
Inter-segment sales	98,778	286,174	1,614	(386,566)	–
Total	223,142	394,704	12,205	(386,566)	243,485

Inter-segment sales are charged at prevailing market rates.

	North America *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS					
Segment results	(46,359)	(68,162)	(10,230)		(124,751)
Other income					5,353
Unallocated corporate expenses					(14,440)
Finance costs					(4,507)
Loss before taxation					(138,345)
Income tax expense					(617)
Loss for the year					(138,962)

5. OTHER INCOME

	2008 *HK$'000*	2007 *HK$'000*
Interest income	6,822	3,755
VAT refund relating to a previously disposed business	3,186	1,590
Others	40	8
	10,048	5,353

6. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest wholly repayable within five years on:		
Bank borrowings	–	11,269
Obligations under finance leases	176	4
Other borrowings	–	76
Effective interest expense on convertible notes	5,270	5,679
	5,446	17,028
Less: amounts capitalised in CG animation pictures	(3,278)	(12,521)
	2,168	4,507

Effective interest expense on convertible notes issued on 30th January 2008 was fully capitalised as it is the specific borrowing used for the production of CG animation pictures.

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.74% (2007: 10.10% per annum) to expenditure on qualifying assets.

7. LOSS BEFORE TAXATION

	2008 *HK$'000*	2007 *HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' emoluments	27,810	21,113
Other staff costs	183,512	92,203
Equity-settled share-based payments expenses other than Directors	62,541	19,953
Total staff costs	273,863	133,269
Less: amounts capitalised in CG animation pictures and inventories	(241,009)	(109,635)
	32,854	23,634
Depreciation of property, plant and equipment	22,016	16,729
Less: amounts capitalised in CG animation pictures and inventories	(20,196)	(15,354)
	1,820	1,375
Rentals in respect of premises under operating leases	13,489	8,399
Less: amounts capitalised in CG animation pictures and inventories	(12,483)	(7,653)
	1,006	746
Auditor's remuneration	1,300	1,100
Amortisation of CG animation pictures (included in cost of sales)	25,212	330,006
Loss on disposal of property, plant and equipment	669	218
Cost of inventories recognised as expenses	535	1,762
Net foreign exchange losses	556	423

8. INCOME TAX EXPENSE

	2008 *HK$'000*	2007 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current tax	–	4
– Underprovision in prior years	24	–
	24	4
Other jurisdictions		
– Current tax	13	676
– Under(over)provision in the prior year	333	(426)
	346	250
Deferred tax	495	363
Total	865	617

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) on the estimated assessable profits for the current year.

On 26th June 2008, the Hong Kong Profits Tax rate was enacted to decrease from 17.5% to 16.5% with effect from the year of assessment of 2008/2009. As at 31st March 2008, as the proposed reduction of profits tax rate has not yet been substantively enacted, there was no financial impact for the current year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Loss before taxation	(56,964)	(138,345)
Tax at the Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	(9,969)	(24,210)
Tax effect of expenses not deductible for tax purpose	11,717	9,785
Tax effect of income not taxable for tax purpose	(1,734)	(930)
Tax effect of tax losses not recognised	573	16,311
Under(over)provision in prior years	357	(426)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(79)	87
Tax charge for the year	865	617

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for any of the two years ended 31st March 2007 and 2008.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the year of HK$57,829,000 (2007: HK$138,923,000) and on the weighted average number of 1,545,771,845 (2007: 1,279,316,192) shares in issue during the year.

No diluted loss per share for any of the two years ended 31st March 2008 are presented as the exercise of share options and the conversion of convertible notes would result in a decrease in loss per share.

11. LONG TERM DEPOSITS, TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Long term deposits	9,644	–
Trade receivables	2,051	19,515
Other receivables, deposits and prepayments	10,091	7,453
	21,786	26,968

Long term deposits represented the rental deposits for the office premises and were stated at amortised cost as at balance sheet date.

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 reporting date:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	–	6,647
31 to 60 days	415	1,207
Over 60 days	1,636	11,661
	2,051	19,515

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. At the balance sheet date, 81% (2007: 100%) of the trade receivables that are neither past due nor impaired without default payment history.

Included in the Group's trade receivable balance is a debtor with carrying amount of HK$390,000 (2007: Nil) which was past due at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over this balance. The age of this receivable is about one year (2007: Nil).

Trade and other receivables included HK$1,661,000 (2007: HK$5,653,000) that are denominated in USD, other than the functional currency of the respective group entities, at the balance sheet date.

12. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of CG animation pictures authorised but not contracted for in the consolidated financial statements	301,771	–
Capital expenditure in respect of CG animation pictures and property, plant and equipment contracted for but not provided in the consolidated financial statements	8,500	12,805

BUSINESS REVIEW

For the current year under review, turnover was HK$17.2 million (2007: HK$243.5 million) and mainly represented by the one CG animation film, namely *TMNT* and one 2D anime film, namely *Highlander: The Search for Vengeance* which were released in last financial year. As new CG films are under production, the Group recorded a drop in turnover by HK$226.3 million or 93% in comparison with that of last year.

With the corresponding decrease in film amortization, loss attributable to equity holders for the year reduced to HK$57.8 million (2007: HK$138.9 million), a decrease of 58% as compared with last year. The surge up of administrative and other operating expenses for the year mainly reflected the increase in expenses of HK$8 million recognised in relation to share options granted to employees as part of its incentive scheme by the Group .

Corporate

Conversion of Convertible Notes

On 28th September 2007, principal amount of the convertible notes 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. On 3rd October 2007, the remaining principal amount of HK$10 million convertible notes 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 31 March 2006 had been fully converted into shares of the Company.

The Winnington Subscription Agreement

On 4th December 2007, the Company and Winnington Capital Limited ("Winnington") entered into a subscription agreement (the "Winnington Subscription Agreement") pursuant to which the Company has agreed to issue, and Winnington has agreed to subscribe for the zero coupon convertible notes with three year maturities in an aggregate amount of HK$132 million subject to the terms and conditions set out in the Winnington Subscription Agreement (the "Winnington Convertible Notes"). The Winnington Convertibles Notes are convertible into up to an aggregate of 74,660,633 shares of the Company at initial conversion price at HK$1.768 per shares. The net proceeds of approximately HK$131 million would be used for a portion of development costs of four full length feature computer graphics imagery animation movies scheduled tentatively to be released during the year from 2009 to 2011. As Winnington is a connected person (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange), a special general meeting of shareholders was held on 16 January 2008 and the resolution for that subscription was duly passed by the independent shareholders at the meeting. On 30th January 2008, the Winnington Subscription Agreement was completed.

The Subscription for the Oxley Convertible Notes

On 4th December 2007, the Company also entered into subscription agreements with various subscribers ("Subscription Agreement") for the subscription of zero coupon convertible notes with principal amounts of HK$274 million (the "Oxley Convertible Notes"). The principal terms of the Oxley Convertible Notes was identical to the Winnington Convertible Notes. On 31st March 2008, one of the subscribers, Good Biz Invest Limited (now known as Ninja Investments Ltd.) notified the Company that due to current unfavourable market conditions, it was unable to arrange sufficient funding to fulfill its payment obligations under the Subscription Agreement. Accordingly, the Company has terminated the Subscription Agreement

Subscription of Shares

In July 2008, the Company entered into subscription agreement with Oxley Spring Media Limited, an independent third party, for the subscription of 362,790,698 shares priced at HK$0.86 per share. An initial tranche of approximately HK$156.0 million is expected to be completed on or before 31st July 2008. The second tranche of approximately HK$156.0 is expected to close on fifth business date after approval from shareholders for the allotment and issue of the second tranche subscription shares at the coming special general meeting.

Interest in associate

In November 2007, 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.

Prospects

Following the release of *TMNT* in March 2007, the company embarked on a program to strengthen its creative, production and marketing teams in Hong Kong and Los Angeles.

Cecil Kramer joined Imagi as Executive Vice President of Production, based in Los Angeles. Among many other credits, Ms. Kramer produced *Flushed Away* and served as an executive producer on *Wallace & Gromit: The Curse of the Were-Rabbit*, which won the 2005 Academy Award® for Best Animated Feature Film. Previously, Cecil had been Co-Head of Production at DreamWorks Animation.

Ken Tsumura joined the company as Executive Vice President of Production, based in Hong Kong. Mr. Tsumura's production credits include *Curious George and Father of the Pride*, and he has worked on projects at such companies as DreamWorks Animation, Walt Disney Animation, Universal Pictures and Columbia Pictures. Most recently, he was Senior Vice President of Production & Technology with Mainframe Entertainment.

Erin Corbett was recruited as Senior Vice President, Global Marketing. Previously, Ms. Corbett held senior marketing positions with The Walt Disney Company and Warner Bros. Pictures, where she was responsible for global marketing and promotional partnerships for film franchises such as *Harry Potter* and *Batman*.

Cora Yim joined Imagi as our Hong Kong-based Director of Marketing & Strategic Planning. Ms. Yim formerly held similar positions with Golden Harvest and Media Asia.

Tim Cheung was recruited from DreamWorks, where he was directing animator, supervising animator and head of character animation, respectively, on the *Shrek trilogy*. Mr. Cheung is based at our Hong Kong production facility, where he has the title of Vice President of Animation and oversees the animation for all of Imagi's feature films.

Imagi's Los Angeles-based development group is headed by Paul Wang, Executive Vice President of Development. Mr. Wang and his team evaluate and develop candidate properties for future productions. Before joining Imagi, Mr. Wang was at PDI/DreamWorks, where he did pioneering work on animated motion pictures such as *Antz, Madagascar* and *Shrek*.

Imagi's next two feature film releases are *Astro Boy* (2H-2009) and *Gatchaman* (2H-2010).

Astro Boy has been one of the world's best-known and most loved superheroes for more than 50 years. Created in the early 1950s by the "god of manga" and "father of anime", Japan's Osamu Tezuka, the iconic character has found wide popularity as the hero of three acclaimed animated television series spanning over four decades, besides being one of the top licensed properties for merchandising.

Set in futuristic Metro City and featuring a young robot with incredible powers, Imagi's Astro Boy is an action-adventure with comedy and heart. David Bowers (*Flushed Away*) is directing the CG-animated motion picture from a screenplay written by Timothy Harris (*Kindergarten Cop, Trading Places*), with Maryann Garger producing. Makoto Tezuka, son of the legendary creator of *Astro Boy*, is serving as a consultant on the film.

Astro Boy will feature the voices of Academy Award®-winning actor Nicolas Cage, Nathan Lane, Bill Nighy and Eugene Levy with Freddie Highmore (*The Spiderwick Chronicles, The Golden Compass*) in the title role.

Imagi Studios and Summit Entertainment have entered into a global alliance whereby Summit will distribute Astro Boy worldwide except for Imagi's reserved territories of Japan, Hong Kong and China.

Based on the successful 1970s television series, Imagi's *Gatchaman* is the heroic story of five unlikely teenage superheroes who must work together to save the world from an alien invasion. Each exceptional member of G5 embodies distinctive qualities with dynamic fighting styles as they explode onto the big screen.

Imagi's projects in development include *Tusker* (1H-2011) and *Cat Tale* (tbd). In addition to these announced projects, the development team is working on approximately 20 other feature film candidates.

Set against the backdrop of the beautiful but unforgiving landscape of India, *Tusker* is the saga of a young elephant's journey of discovery, heroism and redemption, which intersects with and renews the life of a reclusive old elephant who has long been an outsider. Brooke Breton (*Avatar, The Road to El Dorado*) will produce the inspiring adventure drama from a screenplay by Ted Tally (*All the Pretty Horses, Silence of the Lambs*).

Cat Tale is a heartwarming family movie about a cat – raised as a dog – who must travel to Catropolis in an effort to discover his true cat nature. Galen Walker (*TMNT, Highlander: The Search for Vengeance*) is producing from a screenplay by Aaron Mendelsohn (*Air Bud*).

Imagi's marketing team is tasked with planning and carrying out strategies in promotions, licensing, advertising, publicity and public relations. The department presents projects in production to promotional partner candidates with the goal of securing marketing alliances that increase awareness among consumers around the world. Typical partner candidates are quick service restaurants, soft drink bottlers, automotive manufacturers, consumer electronics brands, apparel makers and food companies, among many others. To this end, Imagi's marketing team participates in trade conferences such as Toy Fair and Licensing Expo in the U.S., as well as toys and games shows in Asia.

Discussions are underway with potential licensees for games, toys, merchandising and other promotional partners on all of Imagi's upcoming titles.

Imagi's marketing team promotes early awareness of our films to consumers, and in particular, to consumers who tend to be opinion leaders. These outreach activities include participation in leading popular arts conventions such as Comic-Con and Anime Expo.

Imagi has secured the services of the William Morris Agency, the largest and most diversified talent and literary agency in the world. In concert with William Morris, Imagi is in negotiation with major studio partners for distribution of future movies.

Technologically, Imagi stays at the cutting edge of CG animation through development of proprietary software. Research and development continue to be essential elements in bringing innovative computer graphics to our movies. Through a presence at industry events such as Siggraph, Imagi is building upon its worldwide profile as a studio which continuously breaks new ground in CG animation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 31st March 2008, the Group had available aggregate banking facilities of HK$70 million, all of which were remained unutilized. The Group's cash deposits and bank balances as at that date amounted to approximately HK$175.5 million (31st March 2007: HK$367.6 million).

Further, the Group has maintained a sound capital structure, with a current ratio of 8.7 (31st March 2007: 10.1) and a gearing ratio, measured as total debts over total assets, of 15.5% (31st March 2007: 15.4%) as of the year end date.

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group are predominately denominated in Hong Kong dollars, US dollars, Euros and Japanese Yen. No hedging or other instruments to reduce the currency risks have been implemented during the year. 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.

PLEDGE OF ASSETS

At 31st March 2008, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

At 31st March 2008, the Group had no significant contingent liabilities.

HUMAN RESOURCES

As at 31st March 2008, the Group employed over 500 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 the 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 year ended 31st March 2008.

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) and Mr. Ng See Yuen. The Group's final results for the year ended 31st March 2008 have been reviewed by the Audit Committee.

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 year ended 31st March 2008, except the following deviations.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. During the year, 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.

Following the resignation of Mr. Lai Chi Kin, Lawrence on 14th July 2008 as independent non-executive director, a member of audit committee, the chairman and a member of remuneration committee, the Company currently has two independent non-executive directors and audit committee members which fall below the minimum number of three independent non-executive directors and three members in the audit committee as required under Rule 3.10(1) and Rule 3.21 of the Listing Rules . The Company currently has two remuneration committee members, consisting of one executive director and one independent non-executive director which fall below the requirement of (i) two independent non-executive directors and one executive director as required by the code of corporate governance of the Company and (ii) the majority of the members of the remuneration committee should be independent non-executive directors as required by the Code on Corporate Governance Practices under Listing Rules.

The Company will identify a suitable candidate to fill the vacancy as soon as possible. Further announcement will be made as and when appropriate.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.imagi.com.hk) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31st March 2008 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

On behalf of the Board
Kao Wai Ho, Francis
Chairman & Chief Creative Officer

Hong Kong, 16th July 2008

Website: *www.imagi.com.hk*

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

Executive Directors:	Mr. Kao Wai Ho, Francis *(Chairman and Chief Creative Officer)* Mr. Douglas Esse Glen *(Chief Executive Officer)*
Independent Non-Executive Directors:	Mr. Ng See Yuen Mr. Oh Kok Chi