IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00585)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

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 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30th September 2009

	NOTES	Six months ended 30th September 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Revenue	3	**404**	1,561
Cost of sales		**(3)**	(2,286)
Gross profit (loss)		**401**	(725)
Other income		**1,024**	545
Distribution and selling expenses		**(101,624)**	(3,965)
Administrative expenses		**(49,347)**	(17,746)
Other operating expenses		**(22,697)**	–
Loss on redemption of bridge loans		**(150,560)**	–
Loss on redemption of convertible loan note		**(5,332)**	–
Impairment loss recognised in respect of computer graphic ("CG") animation pictures		**(396,178)**	–
Impairment loss on goodwill		**(3,228)**	–
Finance costs		**(482)**	(54)
Loss before tax	4	**(728,023)**	(21,945)
Income tax credit	5	**2,377**	124
Loss for the period		**(725,646)**	(21,821)
Other comprehensive expenses representing exchange differences arising on translation of foreign operation		**(300)**	(135)
Total comprehensive expenses for the period		**(725,946)**	(21,956)
			(restated)
Basic loss per share	7	**(30.32 HK cents)**	(1.21 HK cents)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2009

	NOTES	At 30th September 2009 HK$'000 (unaudited)	At 31st March 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**59,449**	71,392
CG animation pictures		**497,130**	738,647
Goodwill		**–**	3,228
Long term rental deposits		**9,401**	11,017
Club debentures		**2,510**	2,510
		568,490	826,794
Current assets			
Trade and other receivables, deposits and prepayments	8	**152,538**	10,935
Tax recoverable		**40**	10
Bank balances and cash		**28,628**	3,808
		181,206	14,753
Current liabilities			
Other payables and accruals		**52,995**	39,286
Unearned revenue		**26,055**	5,090
Tax payable		**444**	338
Prints and advertising loan		**120,762**	–
Bridge loans		**–**	93,600
Convertible loan note		**–**	132,000
Obligations under finance lease – due within one year		**522**	693
		200,778	271,007
Net current liabilities		**(19,572)**	(256,254)
Total assets less current liabilities		**548,918**	570,540
Non-current liabilities			
Obligations under finance lease – due after one year		**643**	1,341
Convertible loan note		**80,744**	–
Deferred tax		**9,337**	2,396
		90,724	3,737
Net assets		**458,194**	566,803
Capital and reserves			
Share capital		**360,152**	172,875
Reserves		**98,042**	393,928
Total equity attributable to owners of the Company		**458,194**	566,803

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30th September 2009

1. Basis of Preparation of Financial Information

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standards ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Group is principally engaged in the production of CG animation pictures for licensing and sale. At 30th September 2009, the Group had net current liabilities of approximately HK$20 million and it incurred net losses for the six months then ended of approximately HK$726 million. Based on the financial projections prepared by the Company's management, taking into account the estimated net cash proceeds from the Group's recent worldwide launch of a CG animation picture, the Group is required to raise an additional minimum sum of approximately HK$447 million (of which HK$252 million is expected to be utilised within the next 12 months) for it to complete a major CG animation picture in progress to its revenue-generating stage.

In order to minimise funding risks, the group would be seeking project or equity financing to finance the ongoing and new projects. The directors are actively pursuing various funding options to meet the Group's cash flow requirements including issuance of new equity and loan capital, inviting financing partners and borrowings. The directors are of the opinion that the Group will be able to raise sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the balance sheet date and to complete the CG animation pictures in progress. Accordingly, the interim financial information has been prepared on a going concern basis and the Group's non-current assets are stated in the condensed consolidated statement of financial position in accordance with the Group's normal accounting policies.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that 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 2009. In addition, the Group has applied the following significant accounting policies for advertising and promotional activities and derecognition of financial liabilities during the current interim period.

Prepaid expenditures on advertising and promotional activities

Prepaid expenditures on advertising and promotional activities are recognised as an asset when payment for goods or services have been made in advance of the Group's obtaining a right to access the goods or receiving the services. Prepaid expenditures are expensed to the condensed consolidated statement of comprehensive income when the Group has the right to access the goods or when it receives the services.

Derecognition of financial liabilities

When an existing financial liability's terms are modified and such modification results in the discounted present value of the cash flows under the new terms including any fees paid net of any fees received is at least 10 per cent different from the discounted present values of the remaining cash flows of the original financial liability, it is accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability or equity instrument or compound instrument with the difference, being the carrying amount of the financial liability extinguished and the fair value of the financial liability or equity instrument or compound instrument issued, recognises in the condensed consolidated statement of comprehensive income.

2. Principal Accounting Policies

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

Hong Kong Financial Reporting Standards ("HKFRS") 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14, "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segment by locations of assets. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3).

2. Principal Accounting Policies – continued

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKAS 24 (Revised)	Related Party Disclosure[6]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopers[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]

1 Effective for annual periods beginning on or after 1st July 2009
2 Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate
3 Effective for annual periods beginning on or after 1st February 2010
4 Effective for annual periods ending on or after 1st January 2010
5 Effective for annual periods ending on or after 1st January 2013
6 Effective for annual periods ending on or after 1st January 2011

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group ownership interest in a subsidiary.

The directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of assets. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

3. Segment Information – continued

In prior year, primary segment information was analysed on the basis of geographical segments by location of assets, i.e., the United States of America (the "US"), Hong Kong, and others. Information reported to the chief operating decision maker, being the Chief Executive Director of the Company, for the purpose of resource allocation and performance assessment focus on CG animation pictures' performance in different geographical markets, which resulted the inclusion of Hong Kong in the Greater China Region and the separation of Japan and Europe from the previous others segment under HKAS 14. The Group's reportable segments under HKFRS 8 are therefore as follows:

1. US;
2. Greater China Region – including Hong Kong;
3. Japan; and
4. Europe

Six months period ended 30th September 2009

	US	**Greater China Region**	**Japan**	**Europe**	**Eliminations**	**Consolidated**
	HK$'000	HK$'000 (note)	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
External sales	366	38	–	–	–	404
Inter-segment sales	–	86,434	–	–	(86,434)	–
Total	366	86,472	–	–	(86,434)	404
Segment loss	(107,397)	(430,999)	(185)	(1,241)		(539,822)
Bank interest income						11
Central administration costs						(31,838)
Loss on redemption of bridge loans						(150,560)
Loss on redemption of convertible loan note						(5,332)
Finance costs						(482)
Loss before tax						(728,023)

note: The impairment losses recognised in respect of CG animation pictures and goodwill of approximately HK$396,178,000 and HK$3,228,000 respectively are included in the Greater China Region segment as it is where the subsidiary holds the CG animation pictures and the subsidiary from which the goodwill arises.

3. Segment Information – continued

Six months period ended 30th September 2008

	US HK$'000	Greater China Region HK$'000	Japan HK$'000	Europe HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue						
External sales	1,561	–	–	–	–	1,561
Inter-segment sales	–	96,093	–	–	(96,093)	–
Total	1,561	96,093	–	–	(96,093)	1,561
Segment loss	(7,892)	(9,029)	(129)	(338)		(17,388)
Bank interest income						545
Central administration costs						(5,048)
Finance costs						(54)
Loss before tax						(21,945)

Segment loss represents the loss incurred by each segment without allocation of bank interest income, central administration cost, loss on redemption of bridge loans, loss on redemption of convertible loan note, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segments:

	30th September 2009 HK$'000	31st March 2009 HK$'000
US	**164,517**	34,858
Greater China Region	**547,985**	799,973
Japan	**52**	229
Europe	**5,965**	159
Total segment assets	**718,519**	835,219

4. Loss before Tax

	Six months ended 30th September	
	2009	2008
	HK$'000	HK$'000
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**11,098**	13,234
Less: amounts capitalised in CG animation pictures	**(10,348)**	(12,483)
	750	751
Amortisation of CG animation pictures (included in cost of sales)	**–**	2,286
Prints and advertising expenses (included in distribution and selling expenses)	**95,665**	–

5. Income Tax Credit

	Six months ended 30th September	
	2009	2008
	HK$'000	HK$'000
Under(over)provision in prior years in other jurisdictions	**19**	(124)
Deferred tax	**(2,396)**	–
	(2,377)	(124)

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. Dividend

No dividend was paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

7. Loss Per Share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30th September	
	2009	2008
Loss for the period attributable to owners of the Company	**(HK$725,646,000)**	(HK$21,821,000)
Number of shares (note):		(restated)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,393,198,052**	1,810,329,783

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

note: The weighted average of ordinary shares for the purpose of calculating basic loss per share for the period ended 30th September 2008 have been retrospectively adjusted for the effect of rights issue completed in current period.

8. Trade and Other Receivables, Deposits and Prepayments

	30th September 2009 HK$'000	31st March 2009 HK$'000
Trade receivables over 60 days (note i)	**133**	201
Prepayment to Summit (note ii)	**137,218**	4,680
Other receivables, deposits and prepayment	**15,187**	6,054
	152,538	10,935

notes:

(i) The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 days to 90 days. The trade receivable at the end of the reporting period were aged over 60 days.

(ii) The amount represents prepayment to Summit Entertainment, LLC ("Summit"), the film distributor who performs promotion activities in connection with the launch of the Group's Astro Boy.

9. Capital Commitments

At the end of reporting period, the Group had the following commitments for capital expenditure in respect of CG animation pictures and property, plant and equipment:

	30th September 2009 HK$'000	31st March 2009 HK$'000
Capital expenditure in respect of CG animation pictures authorised but not contracted for	**–**	35,690
Capital expenditure in respect of CG animation pictures and property, plant and equipment contracted for but not provided in the condensed consolidated statements of financial position	**5,552**	5,645

EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION BY THE EXTERNAL AUDITORS

Basis for disclaimer of conclusion

As set out in note 1 to the condensed consolidated financial statements, at 30th September 2009, the Group had net current liabilities of approximately HK$20 million and it incurred net losses for the six months to that date of approximately HK$726 million. Based on the financial projections prepared by the Company's management, taking into account the estimated net cash proceeds from the Group's recent worldwide launch of a computer graphic ("CG") animation picture, the Group is required to raise an additional minimum sum of approximately HK$447 million (of which HK$252 million is expected to be utilised within the next 12 months) for it to complete a major CG animation picture in progress to its revenue-generating stage. In order to minimise funding risks, the Group would be seeking project or equity financing to finance the ongoing and new projects. The directors are also actively pursuing various funding options to meet the Group's cash flow requirements including issuance of new equity and loan capital, inviting financing partners and borrowings.

As set out in note 10 to the condensed consolidated financial statements, the Group has performed an impairment review of the major CG animation picture in progress based on the film's projected future box office and other cash flows and on the assumptions that the Group will be able to raise the necessary funding to finance the production to completion.

However, in the absence of evidence that the Group will be successful in raising the necessary funding as and when it is required, we consider that there is a material uncertainty as to whether the Group will have the necessary financial resources to complete the major CG animation picture in progress, the carrying value of which at 30th September 2009 is approximately HK$419 million, and thereby realise this asset in the normal course of business. In case of a failure to obtain the necessary funding as and when it is required, the Group may not be able to recover the carrying value of this asset and an impairment loss will need to be recognised.

In view of the extent and potential impact of the significant uncertainties described above, we disclaim our conclusion in these respects.

Disclaimer of conclusion

Because of the significance of the matter described in the basis for disclaimer of conclusion paragraphs, we are unable to and do not express any conclusion as to whether the interim financial information for the six months ended 30th September 2009 is prepared, in all material respects, in accordance with HKAS 34.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2009, the Group reported a turnover of HK$0.4 million, representing a decrease of approximately 74% as compared to HK$1.6 million for the same period of last year. The decrease in turnover is due to the fact that new CG films are under production for the period under review and no new CG film was released to generate revenue during the period. Loss attributable to shareholders for the six months ended 30th September 2009 was HK$726 million, substantially increased as compared to HK$22 million for the same period of last year. The loss for the period included an impairment loss recognized in respect of CG animation pictures of HK$396 million and the prints and advertising expenses of HK$96 million. The loss on redemption of convertible loan note of HK$5 million and the loss on redemption of bridge loans of HK$151 million during the period were recognised in the condensed consolidated statement of comprehensive income.

Corporate

Major corporate events that took place since 1st April 2009 include the following:

Share placement

On 29th July 2009, the Company completed a share placement of 230,000,000 shares at a price of HK$0.441 each with Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan") acting as our placing agent. The placement raised net proceeds of approximately HK$98 million.

Rights Issue

In August 2009, the Company completed the Rights Issue exercise by issuing 432,738,463 Rights Shares at the Subscription Price of HK$0.25 per Rights Share payable in full on acceptance, on the basis of one Rights Share for every four Shares in issue on the Record Date. With the over-subscription of the Rights Shares, a total of 1,997 valid acceptances and applications in respect of 6,198,061,082 Rights Shares, representing approximately 1,432.29% of the total number of Rights Shares available under the Rights Issue, had been received. The Rights Issue circular was issued on 14th July 2009 and is fully underwritten by Guotai Junan and raising net proceeds of HK$100 million.

Bridge loan conversion and The new Winnington Convertible Note

Concurrently with the closing of the Rights Issue, the Company also completed Bridge Loan Conversion and the issue of the New Winnington Convertible Note at the conversion price of HK$0.30. These transactions were approved by the shareholders at the SGM on 30th July 2009 and became effective on 19th August 2009. Pursuant to the Bridge Loan Conversion, a total of 1,204,476,068 new Shares were issued to the Bridge Lenders, comprising 963,726,718, 194,499,189 and 46,250,161 new Shares to each of (i) the lenders to Evertop, (ii) Asia CGI Investment Limited and (iii) Mehta-Imagi LLC, respectively.

Prints and Advertising ("P&A") financing

As part of the marketing support for the launch of *Astro Boy*, the Company is required to raise P&A Financing to cover the P&A expenses related to the distribution and promotion of the film, ahead of its release in North America. On 27th August 2009 the Company was granted a P&A loan of US$16.6 million (equivalent to approximately HK$129.5 million) by a specialised US P&A Fund ("P&A Financier"). The loan was drawn down in a number of tranches. In addition, on 9th September 2009, the Company also obtained a Letter of Credit from a bank for US$10 million issued in favour of Summit Entertainment, LLC ("Summit"), our primary distributor in order to enable Summit to make various media bookings on behalf of the Company. The issuance of the Letter of Credit was backed by a cash collateral provided to the bank by Fortunate City Investment Limited ("FCI").

CG Animation Pictures

Astro Boy

The Company completed the production of its feature film *Astro Boy* in September 2009 and the film was released on 23rd October 2009 in North America in more than 3,200 screens and other markets. Whilst the initial box office performance in certain markets has been disappointing, the film is particularly well received in China where the film obtained a co-production status. In addition, the film is yet to open in certain markets.

Gatchaman

The Company is working on its next feature film project *Gatchaman*. Like *Astro Boy* is based on a classic Japanese anime property. Gatchaman will be delivered in 100% Stereoscopic 3D.

Other projects

The Company is also exploring various other CG projects – a number of them are tailored for China, a market that is set for significant growth in the coming years.

Outlook

Following the completion of its last feature film, the Company has recently taken steps to reposition its cost base by trimming costs in its Hong Kong and Los Angeles studios. This would enable the company to improve its operational efficiencies and increase its flexibility in the range of projects it will take on. The Company currently has at least 5 different projects in various stages of development. With its proven ability to produce world-class CGI animation films, the Company is excited about its future prospects, and in particular, about its growth potential in China. There are also plans in place to further reduce production cost by expanding the production in China. This plan will eventually allow the Company to gain further advantage over its competition by maintaining the animation quality of its feature films while lowering the production costs overall.

Liquidity and Financial Resources

As at 30th September 2009, the Group's cash deposits and bank balances amounted to approximately HK$28.6 million (31st March 2009: HK$3.8 million). At as the period end date, the Group's current ratio is 0.90 (31st March 2009: 0.05) and a gearing ratio, measured as total debts over total assets, is 38.9% (31st March 2009: 32.6%).

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.

Pledge of Assets

As part of the P&A Loan as noted above, the Group has pledged the rights in, and income derived from *Astro Boy* (other than China, Japan and Hong Kong) to the P&A Financier. In addition, the cash collateral provided by FCI was also secured on the income from *Astro Boy* in China, Japan and Hong Kong.

Contingent Liabilities

At 30th September 2009, the Group had no significant contingent liabilities.

Human Resources

As at 30th September 2009, the Group employed over 450 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. 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.

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 2009.

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. Ms. Ting Chuk Kwan was appointed as a Non-executive Director on 8th May 2009 and was re-designated as an Independent Non-executive Director and appointed as Chairman of the Audit Committee on 5th June 2009. Following Ms. Ting's appointment as an Executive Director and Acting Chief Executive Officer on 23rd September 2009, she stepped down as the chairman of the Audit Committee. Ms. Ting resigned on 1st November 2009. Mr. Oh Kok Chi was appointed as chairman of the Audit Committee on 23rd September 2009. Mr. Paul Steven Serfaty was appointed as a member of the Audit Committee on 23rd September 2009 and has retired as a Non-executive Director at the Annual General Meeting on 17th November 2009 by withdrawing from seeking re-election as a Director and ceased to be a member of the Audit Committee. Currently, members of Audit Committee comprises of Mr. Oh Kok Chi, as chairman of the Audit Committee and Mr. Ng See Yuen.

The said condensed consolidated financial statements for the period covered by this interim report 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 Equity" 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period ended 30th September 2009, except the following deviations.

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

Following the retirement of Mr. Paul Steven Serfaty on 17th November 2009 as a Non-executive Director and a member of Audit Committee and the retirement of Mr. Richard Arthur Witts on 17 November 2009 as Independent Non-executive Director, the chairman of the Company and a member of Remuneration Committee, the Company then had two Independent Non-executive Directors and Audit Committee members which fell 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. Currently, members of the Audit Committee are Mr. Oh Kok Chi (chairman of the Committee) and Mr. Ng See Yuen.

The Company then had two remuneration committee members following resignation of Mr. Richard Arthur Witts, 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. Currently members of Remuneration Committee comprises of Mr. Phoon Chiong Kit and Mr. Oh Kok Chi.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the period ended 30th September 2009.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30th September 2009 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.

On behalf of the Board
Mr. Phoon Chiong Kit
Deputy Chairman and Chief Executive Officer

Hong Kong, 17 December 2009

As at the date of this announcement, the board of directors of the Company comprises:

Executive Director:
Mr. Phoon Chiong Kit

Non-executive Director:
Mr. William Montgomerie Courtauld

Independent Non-executive Directors:
Mr. Ng See Yuen and Mr. Oh Kok Chi