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

(incorporated in Bermuda with limited liability)

(stock code: 585)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2010

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31st March 2010 (with comparative figures for the year ended 31st March 2009) as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31st March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
			(restated)
Revenue	*3*	**107,123**	3,613
Cost of sales	*4*	**(883,499)**	(90,879)
Gross loss		**(776,376)**	(87,266)
Other income		**1,295**	1,260
Other gains and losses		**(506)**	(602)
Prints and advertising expenses		**(282,200)**	(11,780)
Administrative expenses		**(86,713)**	(51,516)
Other expenses		**(64,103)**	–
Impairment loss on goodwill		**(3,228)**	–
Loss on redemption of bridge loans		**(150,560)**	–
Loss on re-measurement of liability component of convertible loan notes	*12*	**–**	(34,490)
Loss on redemption on convertible loan notes	*12*	**(5,332)**	–
Gain on deconsolidation of subsidiaries		**55,354**	–
Finance costs	*5*	**(55,542)**	(99)
Loss before tax	*6*	**(1,367,911)**	(184,493)
Income tax credit	*7*	**825**	7,066
Loss for the year		**(1,367,086)**	(177,427)
Exchange differences arising on translation of foreign operations		**2,497**	(38)
Total comprehensive expenses for the year		**(1,364,589)**	(177,465)
Loss per share – basic and diluted	*9*	**(HK$1.035)**	(HK$0.229)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31st March** **2010** ***HK$'000***	2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,446**	71,392
Computer graphic ("CG") animation pictures	*10*	**82,572**	738,647
Goodwill		**–**	3,228
Long term rental deposits	*11*	**–**	11,017
Club debentures		**–**	2,510
		84,018	826,794
Current assets			
Trade and other receivables, deposits and prepayments	*11*	**1,264**	10,935
Tax recoverable		**–**	10
Bank balances and cash		**2,368**	3,808
		3,632	14,753
Current liabilities			
Other payables and accruals		**36,435**	39,286
Unearned revenue		**–**	5,090
Tax payable		**1,788**	338
Bridge loans		**36,000**	93,600
Prints and advertising loan		**78,000**	–
Convertible loan notes	*12*	**34,403**	132,000
Obligations under finance lease – due within one year		**–**	693
		186,626	271,007
Net current liabilities		**(182,994)**	(256,254)
Total assets less current liabilities		**(98,976)**	570,540
Non-current liabilities			
Obligations under finance lease – due after one year		**–**	1,341
Convertible loan notes	*12*	**59,597**	–
Deferred tax		**6,270**	2,396
		65,867	3,737
Net (liabilities) assets		**(164,843)**	566,803
Capital and reserves			
Share capital		**360,152**	172,875
Reserves		**(524,995)**	393,928
Total equity attributable to owners of the Company		**(164,843)**	566,803

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Companies Ordinance.

The Group incurred a net loss of HK$1,367 million for the year ended 31st March 2010 and, as of that date, it had net current liabilities and net liabilities of HK$183 million and HK$165 million, respectively. These conditions indicate the existence of a fundamental uncertainty as at 31st March 2010 which may cast doubt on the Group's ability to continue as a going concern. In order to address this fundamental uncertainty, the directors have been actively pursuing various financing activities as set out below to improve the Group's financial position and to meet in full the Group's financial obligations as they fall due.

(a) On 10th February 2010, the Company, Idea Talent Limited (the "Investor"), a then independent third party to the Group, and the core creditors of the Group, comprising Goodyear Group Limited, Trophy LV Master Fund, Trophy Fund and Fortunate City Investment Limited (the "Core Creditors"), entered into an agreement (the "Intercreditors' Agreement") pursuant to which the Core Creditors agreed not to exercise or enforce any of its rights or remedies or take or commence any legal proceedings or accelerate or demand repayment of any principal or interest owing to them and, subject to fulfilment of certain conditions, to accept full settlement of their relevant debts as at 10th February 2010 in the manner as set out below:

		To be settled by		
Relevant debts	**Amount**	**Cash**	**Number of conversion shares**	**Number of option shares**
	HK$	*HK$*		
CN Aug 2009 (as defined in Note 12)	132,000,000	34,402,615	389,649,700	206,500,000
Trophy Fund US bridge loan	19,983,160	6,312,033	71,491,100	63,900,000
Prints and advertising loan	89,125,000	29,035,351	328,859,200	129,600,000
	241,108,160	69,749,999	790,000,000	400,000,000

The conversion shares were to be issued at HK$0.07 per Adjusted Share (as defined below) upon conversion and the option shares were to be issued at an exercise price of HK$0.08 per Adjusted Share.

(b) On 10th February 2010, the Company and the Investor entered into a share subscription agreement pursuant to which the Investor agreed, subject to fulfillment of certain conditions, to subscribe for 1,880,000,000 Adjusted Shares at a subscription price of HK$0.07 per Adjusted Share for a total amount of HK$131,600,000 (the "Share Subscription").

In addition to the aforementioned subscription and depending on the amount of shares that the Investor might acquire by virtue of its participation in the 2010 Rights Issue (as defined below), pursuant to the share subscription agreement, the Investor could at its option further subscribe for up to a maximum of 988,000,000 top-up shares (the "Top-up Subscription") within a period of 45 days from completion of the Share Subscription at a subscription price of HK$0.07 per Adjusted Share such that immediately after issuance thereof, the Investor shall beneficially own approximately 52.5% of the then enlarged issued share capital of the Company.

(c) On 17th February 2010, the Company announced that it proposed to raise approximately HK$100.8 million, before expenses, by issuing not less than 1,440,607,352 rights shares (the "2010 Rights Issue") at a subscription price of HK$0.07 per rights share, on the basis of four rights shares for every Adjusted Share in issue, subject to fulfillment of certain conditions.

The net proceeds of the 2010 Rights Issue were approximately HK$95.9 million. The 2010 Rights Issue was fully underwritten by Get Nice Securities Limited. The Company intends to use the net proceeds principally to settle outstanding financial obligations and as working capital of the Group.

Details of the above transactions are set out in the Company's circular dated 24th March 2010. The completions of the above transactions were subject to fulfillment of certain conditions, some of which were not yet fulfilled as of 31st March 2010, including:

(i) the approval by the Company's shareholders of the Intercreditors' Agreement, the Share Subscription, the Top-up Subscription, the 2010 Rights Issue and the Capital Reorganisation (as defined below) in a special general meeting (the "SGM"); and

(ii) the completion of the capital reorganisation pursuant to which every ten issued and unissued shares of par value HK$0.10 each in the Company were to be consolidated into one consolidated share of par value HK$1.00 each; and the par value of the each consolidated share was then to be reduced from HK$1.00 to HK$0.001 by the cancellation of HK$0.999 of the par value, resulting in a new par value of HK$0.001 for each adjusted share (the "Adjusted Share") (the "Capital Reorganisation").

The SGM was held on 16th April 2010 and all the contemplated transactions were approved.

The Company announced that all conditions precedent to completion of the 2010 Rights Issue were fulfilled on 10th May 2010 and on 11th May 2010, the conditions precedent to both Intercreditors' Agreement and Share Subscription were also fulfilled. As such, these transactions were completed on the respective dates. Accordingly,

(i) the relevant debts contemplated in the Intercreditors' Agreements were settled in the manner as described above;

(ii) an aggregate of 2,863,000,000 Adjusted Shares, comprising 1,880,000,000 subscription shares and 983,000,000 top-up shares, were issued and allotted to the Investor, representing approximately 52.5% of the enlarged issued shares of the Company following the completion of the 2010 Rights Issue, the Share Subscription, the Intercreditors' Agreement and the Top-up Subscription. The Investor thereby became the controlling shareholder of the Company;

(iii) a total of 1,440,607,352 Adjusted Shares were issued pursuant to the 2010 Rights Issue, raising gross proceeds of approximately HK$100.8 million, before expenses.

After the completion of the above transactions, the Group's net assets have been increased by approximately HK$437 million, despite the fact that accounting losses are expected to be recognised and included by the Group in the consolidated statement of comprehensive income for the financial year ending 31st March 2011 in respect of the Intercreditors' Agreement, Share Subscription and Top-up Subscription, representing the following:

(i) the difference between the carrying amounts of the relevant debts of the Intercreditors' Agreement and the fair value of the consideration paid by the Group as detailed in Note 1(a), and

(ii) the financial effect of Share Subscription and Top-up Subscription.

The Group is still in the process of assessing both the fair value of the consideration paid by the Group in settlement of the relevant debts under the Intercreditors' Agreement and the financial effect of the Share Subscription and the Top-up Subscription. The accounting losses, which have no impact on the Group's cash flow and net assets, are expected to be significant to the consolidated statement of comprehensive income for the year ending 31st March 2011.

Given that the above financing measures were successfully completed in May 2010, the directors are of the opinion that the Group will have sufficient resources to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("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
Hong Kong Financial Reporting Standard ("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
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation ("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 amendment to HKFRS 5 that is effective for annual periods beginning 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 the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Adoption of new and revised HKFRSs effective in the year

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 3).

Change in presentation of consolidated statement of comprehensive income

In current year, the directors of the Company decided to change the classification of impairment loss on CG animation pictures in the consolidated statement of comprehensive income by presenting the impairment loss on CG animation pictures as part of the Group's costs of sales instead of a separate line in the consolidated statement of comprehensive income to better reflect the Group's costs incurred in generating its revenue. The reclassification has no effect on the results of the Group for 2009.

The effect of change in presentation for the prior year by line items presented in the consolidated statement of comprehensive income is as follows:

	Year ended 31st March 2009 *HK$'000*
Increase in costs of sales	87,090
Decrease in impairment loss on CG animation pictures	(87,090)
Change in loss for the year	–

No consolidated statement of financial position as at 1st April 2009 has been presented as the reclassification disclosed above had no effect on the financial position of the Group in the consolidated statement of financial position in respect of the end of the previous financial 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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 and 1st January 2010 as appropriate
3 Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate
4 Effective for annual periods beginning on or after 1st January 2010
5 Effective for annual periods beginning on or after 1st February 2010
6 Effective for annual periods beginning on or after 1st July 2010
7 Effective for annual periods beginning on or after 1st January 2011
8 Effective for annual periods beginning on or after 1st January 2013

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

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND 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. In the past, the Group's primary reporting format was geographical segments by location of assets i.e., the United States of America (the "US"), Hong Kong and others. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The management of the Group regularly reviews revenue as set out below in respect of the Group's CG animation pictures and the consolidated loss for the year for the purpose of performance assessment and marking decision about resources allocation. As no other discrete financial information is available for the assessment of performance of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue analysis in respect of the Group's CG animation pictures is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue from broadcasting CG animation pictures	**102,300**	388
Production service income from CG animation pictures	**1,378**	803
Income from licensing ancillary rights of CG animation pictures	**3,445**	2,422
	107,123	3,613

Entity-wide disclosures

Geographical information

(a) Revenue from external customers

The following is an analysis of the Group's revenue by geographical market based on the location of customers irrespective of the origin of the goods and services:

	Revenue by geographical market	
	2010	2009
	HK$'000	*HK$'000*
US	**43,626**	3,225
People's Republic of China (the "PRC")	**13,160**	–
Hong Kong	**1,935**	–
Japan *(note)*	**–**	–
Others	**48,402**	388
	107,123	3,613

note: According to the distribution arrangement made with a distributor in respect of the release of *Astro Boy* in Japan, the distributor is responsible for broadcasting and distribution costs and such broadcasting and distribution costs are to be recovered by the distributor from box office receipts in accordance with the arrangement. Revenue is recognised based on net box office receipts reported by the distributor and the Group is not required to reimburse the distributor any shortfall between the box office receipts and the broadcasting and distribution costs. Because the broadcasting and distribution costs to be recovered by the distributor exceeded the related box office receipts in Japan, no net revenue in respect of the release of *Astro Boy* in Japan is recognised for the year ended 31st March 2010.

The Group had no revenue arising from Japan for the year ended 31st March 2009.

(b) Non-current assets

The following is an analysis of the carrying amounts of non-current assets based on the geographical locations of the assets:

	Carrying amount of non-current assets	
	2010	2009
	HK$'000	*HK$'000*
US	**–**	30,418
Hong Kong	**84,018**	796,287
Japan	**–**	89
	84,018	826,794

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Revenue	
	2010	2009
	HK$'000	*HK$'000*
Customer A *(note 1)*	**39,162**	–
Customer B *(note 1)*	**13,160**	–
Customer C *(note 2)*	**–**	2,400

note:

1. There was no revenue from customers A and B in 2009.

2. There was no revenue from customer C in 2010.

4. COST OF SALES

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Amortisation of CG animation pictures	**44,675**	3,639
Impairment loss on CG animation pictures	**838,824**	87,090
Others	**–**	150
	883,499	90,879

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest wholly repayable within five years on:		
– obligations under finance leases	**75**	149
– bridge loans and prints and advertising loan	**33,948**	2,049
Effective interest expense on convertible loan notes (Note 12)	**13,256**	14,415
Arrangement fees incurred in connection with:		
– prints and advertising loan due to Endgame Funding, LLC	**12,480**	–
– prints and advertising loan due to Fortunate City Investment Limited	**11,700**	–
	71,459	16,613
Less: amounts capitalised in CG animation pictures	**(15,917)**	(16,514)
	55,542	99

Effective interest expense on the bridge loans granted in 2009 and convertible loan notes issued on 30th January 2008 were fully capitalised as they were specific borrowings used for the production of CG animation pictures. Upon the completion of *Astro Boy*, no further finance costs were capitalised.

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 24.51% (2009: 5.80%) per annum to expenditure on qualifying assets.

6. LOSS BEFORE TAX

	2010 HK$'000	2009 HK$'000
Loss before tax has been arrived at after charging and (crediting):		
Directors' emoluments	**13,685**	9,595
Contribution to retirement benefit scheme	**3,118**	3,411
Other staff costs	**190,187**	249,338
Equity-settled share-based payments expenses other than directors	**14,467**	26,788
Total staff costs *(note)*	**221,457**	289,132
Less: amounts capitalised in CG animation pictures	**(139,904)**	(264,849)
	81,553	24,283
Depreciation of property, plant and equipment	**17,594**	25,756
Less: amounts capitalised in CG animation pictures	**(15,497)**	(24,350)
	2,097	1,406
Rentals in respect of premises under operating leases	**27,987**	22,609
Less: amounts capitalised in CG animation pictures	**(24,119)**	(20,716)
	3,868	1,893
Auditor's remuneration	**1,620**	1,600
Allowance for trade and other receivables	**1,072**	–
Loss on impairment and disposal of club debentures	**850**	411
Loss on disposal of property, plant and equipment	**1,019**	109
Net foreign exchange (gain) losses	**(1,363)**	82

note: Approximately HK$46 million (2009: nil) was included in other expenses in the consolidated statement of comprehensive income.

7. INCOME TAX CREDIT

	2010 HK$'000	2009 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**–**	–
Other jurisdictions		
– current tax	**2,647**	103
– overprovision in the prior years	**(487)**	(113)
	2,160	(10)
Deferred tax		
– current year	**(2,985)**	(12,013)
– reversal of deferred tax asset previously recognised *(note)*	**–**	4,957
	(2,985)	(7,056)
Total	**(825)**	(7,066)

note: The reversal of deferred tax asset was due to a decrease in tax losses available for offset against deferred tax liabilities upon finalisation of tax losses by Inland Revenue Department in a prior year.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

8. DIVIDENDS

The directors have not recommended the payment of a dividend for any of the two years ended 31st March 2009 and 2010.

9. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**1,367,086**	177,427
Number of shares *(note)*:		
		(restated)
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**1,320,418,963**	774,920,773

The computation of diluted loss per share does not assume the exercise of share options and the conversion of convertible loan notes since their exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

note: For the year ended 31st March 2010, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share has been retrospectively adjusted for the effect of the Capital Reorganisation and the bonus element in connection with the 2010 Rights Issue completed in April 2010 and May 2010 respectively.

For the year ended 31st March 2009, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share has been retrospectively adjusted for the effect of the bonus element in connection with the rights issue completed on 19th August 2009 (the "2009 Rights Issue"), and the Capital Reorganisation and the bonus element in connection with 2010 Rights Issue completed in April 2010 and May 2010 respectively.

10. CG ANIMATION PICTURES

	Completed CG animation picture *HK$'000*	CG animation pictures in progress *HK$'000*	Total *HK$'000*
COST			
At 1st April 2008	399,054	503,166	902,220
Additions	260	365,359	365,619
At 31st March 2009	399,314	868,525	1,267,839
Additions	–	227,424	227,424
Transfer	440,853	(440,853)	–
Eliminated on deconsolidation of subsidiaries	(568,545)	(67,152)	(635,697)
At 31st March 2010	**271,622**	**587,944**	**859,566**
AMORTISATION AND IMPAIRMENT			
At 1st April 2008	395,675	42,788	438,463
Provided for the year	3,639	–	3,639
Impairment loss recognised	–	87,090	87,090
At 31st March 2009	399,314	129,878	529,192
Provided for the year	44,675	–	44,675
Impairment loss recognised	396,178	442,646	838,824
Eliminated on deconsolidation of subsidiaries	(568,545)	(67,152)	(635,697)
At 31st March 2010	**271,622**	**505,372**	**776,994**
CARRYING VALUE			
At 31st March 2010	**–**	**82,572**	**82,572**
At 31st March 2009	–	738,647	738,647

Completed CG animation pictures and CG animation pictures in progress are internally generated.

Completed CG animation pictures are amortised based on the proportion of actual income earned during the year to the estimated total income expected to be generated from the relevant CG animation pictures.

CG animation pictures in progress are stated at production costs incurred to date, including borrowing costs capitalised, less accumulated impairment losses, if any.

The Group's CG animation pictures mainly consist of a completed CG animation picture, *Astro Boy*, and another major CG animation picture in progress.

As part of their review of the Group's consolidated financial statements for the reporting period, the directors have conducted an impairment review of both the Group's completed and in progress CG animation pictures.

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

	2010	2009
	HK$'000	*HK$'000*
Long term rental deposits	**–**	11,017
Trade receivables	**–**	201
Other receivables, deposits and prepayments	**1,264**	10,734
	1,264	21,952
Shown as		
– non-current	**–**	11,017
– current	**1,264**	10,935
	1,264	21,952

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 trade receivable at 31st March 2009 was aged over one year based on the invoice date at the end of the reporting period.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory credit history. Credit limits attributed to customers are reviewed regularly.

12. CONVERTIBLE LOAN NOTES

The Company issued convertible loan note with a principal amounts of HK$132,000,000 on 30th January 2008 ("CN Jan 2008"). CN Jan 2008 was denominated in Hong Kong dollars with zero coupon rate.

CN Jan 2008 was convertible by the holder into shares of the Company at a conversion price of HK$1.768 per share during the period from the 90th day after its issue to the 15th day prior to its maturity which is 29th January 2011. Unless previously converted or early redeemed, CN Jan 2008 would be redeemed at its principal sum of HK$132,000,000 upon maturity.

During the year ended 31st March 2009, the Group pledged assets of the Group in favour of its bridge loan lenders and hence breached certain covenants contained in CN Jan 2008, as a result of which the holder of CN Jan 2008 was entitled to exercise its early redemption right. The carrying amount of CN Jan 2008 was re-measured at its redemption amount of HK$132,000,000, resulting in a loss on re-measurement of approximately HK$34,490,000. Accordingly, the convertible loan note was classified as current liabilities in the consolidated statement of financial position as at 31st March 2009.

On 15th May 2009, the Company and the holders of CN Jan 2008 entered into another agreement whereby, subject to, inter-alia, completion of the 2009 Rights Issue and the contemporaneous completion of the bridge loans conversion, CN Jan 2008 would be redeemed by the issue of a new convertible loan note (the "CN Exchange").

On 19th August 2009, upon the completion of the 2009 Rights Issue and bridge loans conversion, the Company effected the CN Exchange by the issue of a new zero coupon convertible loan note (the "CN Aug 2009") with the same principal amount.

CN Aug 2009 was convertible by the holder thereof into shares of the Company at a conversion price of HK$0.30 per share during the period from the 90th day after its issue to the 15th day prior to its maturity which was 18th August 2011. Unless converted, CN Aug 2009 would be redeemed at its principal sum of HK$132,000,000 upon maturity. However, upon occurrence of certain events including (i) a delisting of the Company's shares on the Stock Exchange, (ii) a change in control in the Company (as defined in the CN Aug 2009 agreement) or (iii) a pledge of the Group's assets on other liabilities, the holders of CN Aug 2009 could early exercise their redemption right by issuing early redemption notices.

The effect of the CN Exchange represents the extinguishment of CN Jan 2008 having a carrying amount of HK$132,000,000 by the issue of CN Aug 2009 having a fair value of approximately HK$137,332,000 comprising liability portion of approximately HK$80,744,000 and equity portion of approximately HK$56,588,000. The difference of approximately HK$5,332,000 between CN Jan 2008 and CN Aug 2009 on the date of the CN Exchange was charged to the consolidated statement of comprehensive income.

The fair value of the entire CN Aug 2009 was calculated using Binomial Option Pricing model while the fair value of the liability portion of CN Aug 2009 was calculated based on the present value of the contractually determined stream of future cash flows discounted at 24.8%, being the effective interest rate of CN Aug 2009.

On 10th February 2010, the Company and holders of CN Aug 2009 entered into the Intercreditors' Agreement, pursuant to which the holders have agreed, subject to the completion of the Share Subscription and the 2010 Rights Issue, to settle CN Aug 2009 in its principal amount of HK$132 million with a combination of (i) cash, (ii) conversion shares; and (iii) option shares (Note 1(a)).

On 11th May 2010, the conditions precedent to the completion of the Intercreditors' Agreement were fulfilled and CN Aug 2009 was settled in the manner as described above. Accordingly, the cash settlement of approximately HK$34,403,000, which became falling due on 11th May 2010, is classified as current liabilities in the consolidated statement of financial position.

The movement of the liability portions for the year is set out below:

	CN Jan 2008 *HK$'000*	**CN Aug 2009** ***HK$'000***	Total *HK$'000*
At 1st April 2008	83,095	**–**	83,095
Interest charged and capitalised in CG animation pictures	14,415	**–**	14,415
Loss on re-measurement of liability component	34,490	**–**	34,490
At 31st March 2009	132,000	**–**	132,000
Redemption during the year	(132,000)	**–**	(132,000)
Issue during the year	–	**80,744**	80,744
Interest charged	–	**13,256**	13,256
At 31st March 2010	–	**94,000**	94,000

UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES OF THE GROUP

As set out in note 1 to the financial information for the year ended 31st March 2010 (the "Basis of Preparation"), the 2010 Rights Issue, the Intercreditors' Agreement, the Share Subscription and the Top-up Subscription (all as defined in the Basis of Preparation and are collectively referred to as the "Transactions") were completed in May 2010. The following unaudited pro forma statement of consolidated assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") is prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Transactions on the Group's consolidated assets and liabilities as if the Transactions had been completed on 31st March 2010.

The Unaudited Pro Forma Financial Information has been prepared for illustration purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following completion of the Transactions.

The Unaudited Pro Forma Financial Information is prepared based on the Group's audited consolidated statement of financial position as at 31st March 2010, as extracted from the published results announcement and the adjustments described below.

	Consolidated assets and liabilities as at 31st March 2010 (audited) *HK$ '000* *(note i)*	Settlement of debts upon completion of the Intercreditors' Agreement *HK$ '000* *(note ii)*	Proceeds from the Share Subscription *HK$ '000* *(note iii)*	Proceeds from the Top-up Subscription *HK$ '000* *(note iii)*	Estimated net proceeds from the 2010 Rights Issue *HK$ '000* *(note iv)*	Unaudited pro forma consolidated assets and liabilities *HK$ '000*
Non-current assets						
Property, plant and equipment	1,446					1,446
CG animation pictures	82,572					82,572
	84,018					84,018
Current assets						
Trade and other receivables, deposits and prepayments	1,264					1,264
Bank balances and cash	2,368	(69,750)	131,600	68,810	95,950	228,978
	3,632					230,242
Current liabilities						
Other payables and accruals	36,435	(12,583)				23,852
Tax payable	1,788					1,788
Bridge loans	36,000	(19,500)				16,500
Prints and advertising loan	78,000	(78,000)				–
Convertible loan notes	34,403	(34,403)				–
	186,626					42,140
Net current (liabilities) assets	(182,994)					188,102
Total assets less current liabilities	(98,976)					272,120
Non-current liabilities						
Convertible loan notes	59,597	(59,597)				–
Deferred tax	6,270	(6,270)				–
	65,867					–
Net (liabilities) assets	(164,843)					272,120

Notes:

i. The audited consolidated assets and liabilities of the Group as at 31st March 2010 is extracted from the consolidated statement of financial position of the Group as at 31st March 2010 as set out on page 2 of this results announcement.

ii. Pursuant to the Intercreditors' Agreement completed on 11th May 2010, the total amount due to the Core Creditors (as defined in the Basis of Preparation) of approximately HK$204.08 million was settled through a combination of cash payment of approximately HK$69.75 million, the issue of 790,000,000 Adjusted Shares (as defined in the Basis of Preparation) and the grant of options to subscribe for 400,000,000 Adjusted Shares. Upon settlement of the convertible loan notes, the related deferred tax is also reversed.

iii. Pursuant to the Share Subscription and the Top-up Subscription, 1,880,000,000 Adjusted Shares and 983,000,000 Adjusted Shares were issued at a subscription price of HK$0.07 per Adjusted Share on 11th May 2010. Accordingly, the Company raised proceeds of HK$131.60 million and HK$68.81 million from the Share Subscription and the Top-up Subscription respectively.

iv. The estimated net proceeds of the 2010 Rights Issue comprising 1,440,607,352 rights shares at a subscription price HK$0.07 per Adjusted Share, after deduction of the estimated related expenses of approximately HK$4.89 million, were approximately HK$95.95 million.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES OF THE GROUP

To the directors of Imagi International Holdings Limited

We report on the unaudited pro forma statement of consolidated assets and liabilities ("Unaudited Pro Forma Financial Information") of Imagi International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in the Company's annual results announcement for the year ended 31st March 2010 (the "Results Announcement") which has been prepared by the directors of the Company for illustration purpose only, to provide information about how the completion of the Intercreditors' Agreement, the Share Subscription, the Top-up Subscription and the 2010 Rights Issue (all as defined in the Basis of Preparation) might have affected the financial information presented, for inclusion in the Results Announcement. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes thereto.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st March 2010 or at any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 21st July 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the production, distribution and marketing of computer graphic imaging ("CGI") animated motion pictures with both licensed classic anime properties and original designs. Our Studio is a full service project management and production house in respect of CGI animation pictures, special CG effects and stereoscopic 3D features. Our Studio provides creative services in character designs to integration services in all CGI products ranging from animated films, visual effects in commercials, music videos, television programs to CGI games.

The production studio in Hong Kong has been revamped to enhance its efficiency and productivity. It resumed normal operations in May 2010.

Stereoscopic 3D CG Animation Pictures

Classic Anime Property – Remakes

Astro Boy

Astro Boy is our second theatrical feature film and was released in October 2009. Video for *Astro Boy* was released in the US in March 2010. The unique technical know-how and quality displayed by our Studio in *Astro Boy* was highly acknowledged in the international CG animation industry. In February 2010, *Astro Boy* received the "The Ten Best 2009 Movies for Families" Award at the Moveiguide® Awards.

Consistent with the Group's strategy in bringing the best quality animation into theatres, the Group is planning to produce *Astro Boy* motion picture in stereoscopic 3D version.

Gatchaman

The origin of the movie *Gatchaman* is a TV series in Japan named *Science Ninja Team Gatchaman*, which was one of the longest running anime franchises and pioneering Japanese anime franchises to gain international popularity.

Gatchaman, the upcoming motion picture in stereoscopic 3D, is scheduled for release in 2012. The story reel of the film has been completed and attracted encouraging views from interested distributors and advocates of *Gatchaman*. Our Studio is deploying talents and significant resources in making *Gatchaman* with remarkable stereoscopic 3D quality.

New Anime Property – Original Designs

Cat Tale

Cat Tale is a full-length CG animated film being created, designed, developed and produced by our Studio. It tells a heart-warming adventurous story of "Rover", a kitten which was delivered to and was raised by canine parents by accident. *Cat Tale* has a number of lovely and funny characters. Rover and his friends, in their exciting journey, discovered the never-revealed cat community and the myth of its prosperity. *Cat Tale* is in its early production stage. Our Studio will soon release the story reel of *Cat Tale* and invite viewing by interested distributors.

CGI and Visual Effects Production

iDream Production Limited ("iDream"), the Group's CGI visual effects production company, has gradually established its foothold in the market of visual effects production for some of the world's biggest events, leading brand names and most acclaimed agencies and studios. iDream created the visual effects in the promotional movie for Hong Kong 2009 East Asian Games, TV commercial for McDonald's in the US region, and stereoscopic 3D promotion trailer for Panasonic 3D Home Theatres launched in March 2010.

FINANCIAL REVIEW

Review of Results

In October 2009, the Group released its second feature film, *Astro Boy*, which generated revenue source (net box office receipts) and incurred distribution expenses (prints and advertising expenses) that were dissimilar to the Group's norm both in nature and magnitude. For the year ended 31st March 2010, the Group reported revenue of HK$107.1 million, representing an increase of HK$103.5 million or 28.6 times when compared to that of last year whilst the prints and advertising expenses amounting to HK$282.2 million, representing a surge of HK$270.4 million.

The sales performance of *Astro Boy* was very disappointing. Its sales revenue attributable to the Group could hardly cover its production costs and distribution expenses. In preparing the Group's consolidated financial statements for the year ended 31st March 2010, the directors of the Company have conducted an impairment review of both the Group's completed and in progress CG animation pictures. In view of the unsatisfactory performance of *Astro Boy* and for the sake of prudence, the directors decided to write off the entire carrying value of *Astro Boy* in the Group's book of accounts and recognised a substantial impairment loss on the carrying value of *Gatchaman*, being a feature film in progress. Impairment loss was also recognised on other smaller projects. As a result, the total impairment loss on the Group's completed and in progress CG animation pictures for the year ended 31st March 2010 amounting to approximately HK$838.8 million, making up 94.9% of the cost of sales for the year.

The dismal result of *Astro Boy* also badly affected the Group's cash flow. With a view to preserving the Group's resources and attracting new investors, the Group significantly cut down its workforce and withdrew funding support for its production houses in the United States and Hong Kong in January 2010 and February 2010 respectively. These moves resulted in a considerable amount of severance payments, production downtime and fixed costs that could not be capitalised. Reflected in the income statement was a significant increase in administrative expenses of HK$35.2 million or 68.3%, and other expenses amounting to HK$64.1 million were also incurred. On the other hand, since the discontinued production houses were loss making, the deconsolidation of subsidiaries resulted in a gain of HK$55.4 million.

The Group had committed various financial arrangements during the year under review in order to fund the production and promotion of *Astro Boy*. Bridge loans raised in February 2009 were converted into shares of the Company on 19th August 2009. Since the conversion price of HK$0.175 per share was lower than the closing price of HK$0.30 per share as at the conversion date, the Company recognised a loss of HK$150.6 million on redemption of bridge loans. In addition, as the proceeds from the loans raised in the year under review have been used for the promotion of *Astro Boy* and for general working capital, the related arrangement fees and interest expenses could not be capitalised. Consequently, finance costs increased by 560 times to HK$55.5 million compared to that of last year.

In sum, the poor performance of *Astro Boy* led to unusually huge amounts of impairment loss on the carrying value of the Group's completed and in progress CG animation pictures, prints and advertising expenses, other expenses, interest expenses and other financing costs. As a result, the Group recorded a loss of HK$1,367.1 million for the year ended 31st March 2010.

Liquidity and Financial Resources

As at 31st March 2010, the Group's bank balances and cash amounted to HK$2.4 million whilst the current ratio was 0.02. The depleted cash position was basically caused by the disappointing performance of *Astro Boy*. As a result of the poor cash flow from the release of *Astro Boy*, many of the Group's financial obligations incurred to fund the production and promotion of *Astro Boy* were not met and remained outstanding as at 31st March 2010. For the same reason, the gearing ratio, measured as total debts over total assets, was at a disapproving figure of 288.1% as at 31st March 2010. Nevertheless, upon the completion of the financial restructuring (details of which are set out in the circular of the Company dated 24th March 2010) in May 2010, the Group has become debt-free and resumed a healthy cash position with strong liquidity.

Capital Structure

As at 31st March 2010, the Company had in issue 3,601,518,384 ordinary shares of HK$0.10 each (the "Shares") and convertible notes in principal amount of HK$132.0 million convertible into 440,000,000 Shares at a conversion price of HK0.30 per Share (the "CNs").

Other than the exercise of certain share options granted under the share option scheme of the Company, the share capital of the Company had the following changes during the year under review:

1. Pursuant to the general mandate granted by the Shareholders in the 2008 annual general meeting and a placing agreement dated 15th June 2009, the Company allotted and issued 230,000,000 Shares at a placing price of HK$0.441 per Share to not less than six independent individual, institutional or professional investors (the "Placing").

   The placing price of HK$0.441 per Share represented a discount of approximately 19.82% to the closing price of HK$0.55 per Share on 15th June 2009, being the date of the placing agreement. The net placing price, after deducting the relevant expenses, was approximately HK$0.43 per Share and the aggregate nominal value of the Shares issued was HK$23.0 million.

The net proceeds from the Placing of approximately HK$97.9 million were fully utilised for general working capital and to fund film projects.

2. A rights issue, on the basis of one rights Share for every four Shares held on 28th July 2009, became unconditional on 19th August 2009. Accordingly, 432,738,463 Shares were issued and net proceeds of approximately HK$100.4 million were raised to finance the production and marketing of *Astro Boy*.

3. On 19th August 2009, the Company converted the bridge loans and related interests into 1,204,476,068 new Shares at a conversion price of HK$0.175 per Share.

Subsequent to the year-end date, as part of the financial restructuring to keep the long-term viability of the Group, the capital of the Company has undergone the following changes:

4. On 19th April 2010, a capital reorganisation was effected which included (i) share consolidation of every ten Shares into one consolidated share of HK$1.00 each; (ii) capital reduction of the par value of each issued consolidated share from HK$1.00 to HK$0.001 (the "Adjusted Shares") by the cancellation of HK$0.999 of the paid-up capital on each consolidated share; and (iii) cancellation of the entire balance in the share premium account of the Company.

5. A rights issue on the basis of four rights shares for every Adjusted Share approved by the Shareholders on 16th April 2010 became unconditional on 10th May 2010. Accordingly 1,440,607,352 Adjusted Shares were issued and net proceeds of approximately HK$95.9 million were raised to settle outstanding loans of the Group.

6. As part of the settlement scheme entered into with the Group's major creditors, on 11th May 2010, (i) the liabilities and obligations under the CNs were fully released and discharged; (ii) 790,000,000 Adjusted Shares were allotted and issued as fully paid; and (iii) options to subscribe for 400,000,000 Adjusted Shares at a price of HK$0.08 per Adjusted Share were granted, pursuant to which 61,200,000 Adjusted Shares were issued on 3rd June 2010.

7. On 11th May 2010, 2,863,000,000 Adjusted Shares were issued to Idea Talent Limited, the new controlling shareholder of the Company, at a subscription price of HK$0.07 per Adjusted Share. Net proceeds of approximately HK$200.4 million were raised to settle outstanding loans and to finance the working capital of the Group.

Charges on Assets

As at 31st March 2010, the properties of the Company and certain of its subsidiaries, including *Astro Boy* and the revenue to be generated from *Astro Boy*, were pledged to secure the prints and advertising facility granted by Fortunate City Investment Limited and the loan granted by Endgame Funding, LLC.

Exposure to Exchange Rates

During the year, most of the Group's business transactions, assets and liabilities were denominated in Hong Kong dollars, United States dollars, Euros and Japanese Yen. Presently, the Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce the currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures to minimise any adverse impact that may be caused by such fluctuation.

Contingent Liabilities

As at 31st March 2010, the Group had no significant contingent liabilities.

PROSPECTS

The Group has suffered severely in the aftermath of the global financial crisis in 2008 and its financial results for the year ended 31st March 2010 were adversely affected by the ill-prepared launch of *Astro Boy*. The directors of the Company have taken drastic steps to revamp both the operation and financial structure of the Group. Consequently, the Group has restored its financial health and become a much leaner but more focused entity. Although accounting losses are expected to be recognised and included in the consolidated statement of comprehensive income for the year ending 31st March 2011 in respect of the Intercreditors' Agreement, the Share Subscription and the Top-up Subscription all completed in May 2010 (as stated under note 1 to the financial information above), these losses are technical in nature and have no impact on the Group's cash flow and net assets. The Group is now in a very liquid position and is well placed to start a new chapter. The directors are glad that the financial year ended 31st March 2010 is behind us and are confident that except for the accounting losses mentioned above, the major items contributing to the heavy loss of last year will not recur in this year.

In the ensuing year, the Group intends to focus its resources on higher value-added activities including production of stereoscopic 3D animation movies, creation and marketing of original design properties and other CGI related businesses. Imagi, being an animation studio with a first-class production team based in Hong Kong, is well placed to capture the vast opportunities which may arise in the rapidly growing animation industry in mainland China. Guided by the "Plan to Revitalise China's Culture Industry" policy of the Chinese government, the animation industry in mainland China is expected to expand exponentially in the years to come. The Group is in the process of reviewing a number of projects in the media and entertainment industry. Announcements will be made if and when appropriate.

Imagi has continued to contribute to the local society despite its financial hardship in the past year. Imagi has fully committed to provide support for educating youngsters in computer animation programs organised by SkyHigh Creative Partners – a Hong Kong Jockey Club's initiative for innovative minds, by providing software, hardware and teaching staff since its launch in 2008. With a mission to serve our society, Imagi will continue its dedicated efforts to co-operate with various organisations to help our young generation develop their creativity and succeed in the CGI industry, and in life in general.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31st March 2010 except for the deviations from Code A.2.1, Code A.4.1 and Code B.1.1 of the CG Code.

Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Richard Arthur Witts was the Chairman of the Company until his retirement on 17th November 2009. Since then, the role of the Chairman was assumed by Mr. Phoon Chiong Kit, the then Deputy Chairman. Responsibilities of chief executive officer were vested with Mr. Douglas Esse Glen and Mr. William Montgomerie Courtauld after Mr. Glen's resignation on 8th May 2009. On 23rd September 2009, Ms. Ting Chuk Kwan was nominated as the Acting Chief Executive Officer to replace Mr. Courtauld. Following the resignation of Ms. Ting on 1st November 2009, Mr. Phoon was appointed as the Chief Executive Officer. Consequently, roles of chairman and chief executive officer were performed by the same individual from 17th November 2009 onwards which deviated from the requirement stipulated under Code A.2.1 of the Code.

Mr. Phoon left the Company on 18th May 2010 and Mr. Leung Pak To was appointed as the Chairman of the Company to lead the Board on the same day. On 1st July 2010, Ms. Ma Wai Man, Catherine was appointed as an executive Director and took up the function of chief executive officer.

None of the non-executive Directors of the Company was appointed for any specific fixed term which deviates from Code A.4.1 of the Code. In accordance with the bye-laws of the Company, one-third of the Directors for the time being 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 have been taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

Members of the remuneration committee of the Company (the "Remuneration Committee") comprised of Mr. Richard Arthur Witts, Mr. Phoon Chiong Kit and Mr. Oh Kok Chi. Since the retirement of Mr. Witts on 17th November 2009, the Company failed to meet the requirement in relation to the composition of the remuneration committee under Code B.1.1 of the Code. Mr. Oh and Mr. Phoon resigned as Directors on 1st January 2010 and 18th May 2010 respectively. The Board reorganised its Remuneration Committee on 6th July 2010. Ms. Ma Wai Man, Catherine was nominated as the chairman of the Remuneration Committee and Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo and Dr. Lam Lee G., all of whom are independent non-executive Directors, were appointed as members of the Remuneration Committee.

Review of the Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31st March 2010.

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

Hong Kong, 21st July 2010

As at the date of this announcement, the Board comprises Mr. Leung Pak To as the Chairman and non-executive director; Ms. Ma Wai Man, Catherine as the executive director; and Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo and Dr. Lam Lee G. as the independent non-executive directors.