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

(incorporated in Bermuda with limited liability)

(stock code: 585)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 as follows:

FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**4,459**	404
Cost of sales		**(3,384)**	(3)
Gross profit		**1,075**	401
Other income		**496**	1,024
Other gains and losses		**(1,588)**	1,287
Distribution and selling expenses		**–**	(101,624)
Administrative expenses		**(17,960)**	(50,634)
Other expenses		**–**	(22,697)
Impairment loss recognised in respect of computer graphic imaging ("CGI") animation pictures		**–**	(396,178)
Impairment loss on goodwill		**–**	(3,228)
Loss on redemption of bridge loans	*10*	**(57,091)**	(150,560)
Loss on redemption of prints and advertising loan	*11*	**(187,078)**	–
Loss on redemption of convertible loan notes	*12*	**(257,269)**	(5,332)
Loss on disposal of subsidiaries		**(66)**	–
Finance costs		**(3,316)**	(482)
Loss before tax	*5*	**(522,797)**	(728,023)
Income tax credit	*6*	**2,203**	2,377
Loss for the period		**(520,594)**	(725,646)
Other comprehensive income (expenses) representing exchange differences arising on translation of foreign operations		**357**	(300)
Total comprehensive expenses for the period		**(520,237)**	(725,946)
			(restated)
Loss per share			
– basic and diluted	*8*	**(HK$0.112)**	(HK$0.727)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2010 HK$'000 (unaudited)	At 31 March 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**3,132**	1,446
CGI animation pictures		**88,415**	82,572
		91,547	84,018
Current assets			
Inventories		**529**	–
Trade and other receivables, deposits and prepayments	*9*	**1,625**	1,264
Bank balances and cash		**168,481**	2,368
		170,635	3,632
Current liabilities			
Other payables and accruals		**6,106**	36,435
Unearned revenue		**266**	–
Tax payable		**–**	1,788
Bridge loans	*10*	**–**	36,000
Prints and advertising loan	*11*	**–**	78,000
Convertible loan notes	*12*	**–**	34,403
		6,372	186,626
Net current assets (liabilities)		**164,263**	(182,994)
Total assets less current liabilities		**255,810**	(98,976)
Non-current liabilities			
Convertible loan notes	*12*	**–**	59,597
Deferred tax		**–**	6,270
		–	65,867
Net assets (liabilities)		**255,810**	(164,843)
Capital and reserves			
Share capital		**5,516**	360,152
Reserves		**250,294**	(524,995)
Total equity attributable to owners of the Company		**255,810**	(164,843)

NOTES:

1. BASIS OF PREPARATION

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

2. SIGNIFICANT TRANSACTIONS DURING THE PERIOD

A series of significant transactions in relation to the restructuring of the Group's debts and equity were completed during the current period:

(a) On 10 February 2010, the Company, Idea Talent Limited (the "Investor"), a then independent third party to the Group, and the then core creditors to 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 their rights or remedies or take or commence any legal proceedings or accelerate or demand repayment of any principal or interest owing to them (the "Standstill") and, subject to fulfillment of certain conditions, to accept full settlement of their relevant debts as at 10 February 2010 in the manner as set out below:

		To be settled by		
Relevant debts	**Amount**	**Cash**	**Number of conversion shares of HK$0.001 each**	**Number of share options**
	HK$	*HK$*		
Trophy US Bridge Loan (as defined in note 10)	19,983,160	6,312,033	71,491,100	63,900,000
P&A Loans (as defined in note 11)	89,125,000	29,035,351	328,859,200	129,600,000
CN Aug 2009 (as defined in note 12)	132,000,000	34,402,615	389,649,700	206,500,000
	241,108,160	69,749,999	790,000,000	400,000,000

The exercise price of the share options is HK$0.08 per Adjusted Share (as defined below).

(b) On 10 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 Adjusted 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 the issuance of the Adjusted Shares under the Share Subscription and Top-up Subscription, the Investor shall beneficially own approximately 52.5% of the then enlarged issued share capital of the Company.

In conjunction with the above arrangements, the Company has also granted an option to the Investor to subscribe for a total of 1,500,000,000 Adjusted Shares at an exercise price of HK$0.08 per Adjusted Share within a period of 12 months, but in no event that the exercise of this option will result in the public float of the Company's shares falling below 25% (the "Investor Option").

(c) On 17 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 of HK$0.001 each (the "Right Shares") at a subscription price of HK$0.07 per Rights Share (the "2010 Rights Issue"), 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 to be approximately HK$95.9 million.

(d) On 17 February 2010, the Company also announced that it proposed to effect a capital reorganisation pursuant to which (a) every ten issued and unissued shares of par value HK$0.10 each in the Company (the "Unadjusted Shares") were to be consolidated into one consolidated share of par value HK$1.00 each; (b) 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"); (c) the authorised share capital of the Company was to be restored back to HK$1,000,000,000 by the creation of such number of additional Adjusted Shares as was to be necessary; and (d) the credit standing at the share premium account of the Company was to be cancelled and together with the credit arising from the capital reduction were to be transferred to offset the accumulated losses of the Company as permitted by the Company Act 1981 of Bermuda and the bye-laws of the Company (the "Capital Reorganisation").

The Capital Reorganisation were approved by shareholders of the Company in a special general meeting held on 16 April 2010.

Details of the above transactions were set out in the Company's circular dated 24 March 2010. All the conditions precedent to these transactions were fulfilled by 11 May 2010 and accordingly,

(i) on 10 May 2010, a total of 1,440,607,352 Rights Shares were issued pursuant to the 2010 Rights Issue, raising gross proceeds of approximately HK$100.8 million, before expenses. The proceeds have been applied in settling the Group's outstanding financial obligations and as working capital of the Group;

(ii) on 11 May 2010, the relevant debts contemplated in the Intercreditors' Agreement were settled in the manner as described above;

(iii) on 11 May 2010, a total of 2,863,000,000 Adjusted Shares, comprising 1,880,000,000 Adjusted Shares under the Share Subscription and 983,000,000 Adjusted Shares under the Top-up Subscription, were issued to the Investor, representing approximately 52.5% of the enlarged issued share capital of the Company following the completion of the 2010 Rights Issue, the Share Subscription, the Intercreditors' Agreement and the Top-up Subscription. The Investor then became the controlling shareholder of the Company. In addition, the Company granted the Investor Option to the Investor on the same date.

3. PRINCIPAL 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 31 March 2010, except as described below.

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 HKFRSs") issued by HKICPA.

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

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

4. REVENUE AND SEGMENT INFORMATION

The management of the Group regularly reviews revenue as set out below in respect of the Group's CGI animation pictures and the consolidated loss for the period for the purpose of performance assessment and making 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.

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Revenue from broadcasting CGI animation pictures	**3,194**	–
Production service income from CGI animation pictures	**955**	–
Income from licensing ancillary rights of CGI animation pictures	**310**	404
	4,459	404

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**373**	11,098
Less: amounts capitalised in CGI animation pictures	**(202)**	(10,348)
	171	750
Impairment loss recognised in respect of trade receivables	**2,512**	–
Prints and advertising expenses (included in distribution and selling expenses)	**–**	95,665

6. INCOME TAX CREDIT

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
(Over) underprovision in prior years in other jurisdictions	**(1,766)**	19
Deferred tax	**(437)**	(2,396)
	(2,203)	(2,377)

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

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

7. DIVIDENDS

No dividend was paid, declared and proposed during the reported period. The directors have not recommended the payment of any interim dividend for both periods.

8. 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:

	Six months ended 30 September 2010	2009
Loss for the period attributable to owners of the Company	**(HK$520,594,000)**	(HK$725,646,000)
Number of shares *(note)*:		(restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**4,632,424,530**	998,345,933

The computation of diluted loss per share does not assume the exercise of share options (six months ended 30 September 2009: 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: The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the period ended 30 September 2009 have been retrospectively adjusted for the effect of Capital Reorganisation and the bonus element in connection with the 2010 Rights Issue completed in current period.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2010 *HK$'000*	At 31 March 2010 *HK$'000*
Trade receivables *(note)*	**43**	–
Other receivables, deposits and prepayment	**1,582**	1,264
	1,625	1,264

note: The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 day to 90 days. The trade receivables at 30 September 2010 were aged less than 30 days based on the invoice date.

10. BRIDGE LOANS

The Company was granted bridge loans by various parties, details of which are as follows:

Lenders	Maximum loan facilities $'000	Balance at 1 April 2010 $'000	Drawndown during the period $'000	Settlement through Intercreditors' Agreement $'000	Other settlement $'000	Balance at 30 September 2010 $'000	Fixed interest rate	Maturity date
Trophy Fund	HK$19,500 (US$2,500)	HK$19,500 (US$2,500)	–	HK$19,500	–	–	10% per annum	12 February 2010 *(note)*
Trophy Fund	HK$3,500	HK$3,500	–	–	HK$3,500	–	20% per annum	Repayable on demand
Idea Talent Limited	HK$20,000	HK$13,000	HK$7,000	–	HK$20,000	–	20% per annum	10 June 2010
	HK$43,000	HK$36,000	HK$7,000	HK$19,500	HK$23,500	–		

note: The amount was subject to the Standstill under the Intercreditors' Agreement as detailed in Note 2(a).

On 10 February 2010, the principal sum of US$2,500,000 and accrued interest thereon of US$78,472 due to Trophy Fund, amounting to HK$19,983,000 in aggregate (the "Trophy US Bridge Loan"), were included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, the Trophy US Bridge Loan, together with additional accrued interest of US$63,194 (of which US$27,778 (approximately HK$217,000) was charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010) for the period between 10 February 2010 and 11 May 2010, amounting to US$2,641,666 (approximately HK$20,605,000) in aggregate, was settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle the Trophy US Bridge Loan together with the additional accrued interest was approximately HK$77,696,000, comprising cash of HK$6,312,033, conversion shares of approximately HK$40,035,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and share options of approximately HK$31,349,000 based on the fair value of the share options granted on 11 May 2010 of HK$0.491 per share option.

The excess of the fair value of the consideration to settle the Trophy US Bridge Loan and additional accrued interest, over their carrying value, amounting to approximately HK$57,091,000, was recognised by the Group as a redemption loss of bridge loans and charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010.

11. PRINTS AND ADVERTISING LOAN

On 10 February 2010, the principal sum of a prints and advertising loan amounting to US$10 million and the accrued fixed arrangement fee thereon of US$1.5 million, amounting to HK$89,125,000 (as translated to HK$ on 10 February 2010) in aggregate (the "P&A Loans"), were included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, the P&A Loans of HK$89,700,000 (as translated to HK$ on 11 May 2010) were settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle the P&A Loans was approximately HK$276,778,000, comprising cash of HK$29,035,351, conversion shares of approximately HK$184,161,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and share options of approximately HK$63,582,000 based on the fair value of the share options granted on 11 May 2010 of HK$0.491 per share option.

The excess of the fair value of the consideration to settle the P&A Loans over the carrying value, amounting to approximately HK$187,078,000, was recognised by the Group as a redemption loss of the P&A Loans and charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010.

12. CONVERTIBLE LOAN NOTES

On 10 February 2010, the principal sum of a convertible loan note issued on 19 August 2009 of HK$132,000,000 (the "CN Aug 2009") was included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, CN Aug 2009 was settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle CN Aug 2009 was approximately HK$353,916,000, comprising cash of HK$34,402,615, conversion shares of approximately HK$218,204,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and share options of HK$101,309,000 based on the fair value of the share options granted on 11 May 2010 of HK$0.491 per share option.

The excess of the fair value of the consideration to settle CN Aug 2009 over the carrying value of the liability portion of CN Aug 2009 of HK$90,853,000, and an additional interest accrual for the period between 10 February 2010 and 11 May 2010 of approximately HK$5,794,000 (of which approximately HK$2,647,000 was charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010), amounting to approximately HK$257,269,000, was recognised by the Group as a redemption loss of convertible loan note and charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group successfully completed a drastic financial restructuring and operational rationalisation programme ("Restructuring and Rationalisation Programme") in May 2010. Notwithstanding the business disruptions caused by the rationalisation measures, our Studio, which has a team of dedicated and talented staff, remained industrious during the period under review.

The Group continues its principal operations in the production, distribution and marketing of computer graphic imaging ("CGI") animation pictures; licensing of ancillary rights of CGI animation pictures; and the provision of creative and design to integration services in all CGI products, inclusive of special CGI effects and stereoscopic 3D features.

Stereoscopic 3D CGI Animation Pictures

Our Studio is working on the production of *Gatchaman* and *Cat Tale*. These two feature films are in different stages of production. *Gatchaman*, being produced by our local talent, is qualified under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") as a domestic film produced in mainland China and a certificate has been granted by the Trade and Industry Department of Hong Kong. This qualification allows our *Gatchaman* to be imported for distribution in mainland China on a quota-free basis, subject to vetting and approval by the relevant authority in mainland China.

Licensing of Ancillary Rights of CGI Animation Pictures

Coupling with the remake rights of classic anime CGI property which the Group has acquired, the Group has constructed a platform to license ancillary rights of CGI animation pictures since the release of *TMNT*, being our first CGI animation film. Revenue generated from licensing activities, though relatively small compared to box office receipts, was an important contributor to the Group's income when no feature film was released during the period under review.

CGI and Visual Effects Production

iDream Production Limited ("iDream"), a wholly-owned subsidiary of the Company, has been engaged in a number of CGI productions for advertising agencies, game developers, music studios and charitable organisations. Its clients have high regard for both the state-of-art technique developed by iDream and its enchanting CGI products.

During the period under review, iDream was invited to participate in the production of several animation pictures. iDream is in the final stage of negotiations to produce a 70-minute CGI animation television film for an international television network. The network is targeting to complete this project in the third quarter of 2011.

iDream has continued its technology research and development in producing high quality entertainment. It has been possessed of the know-how to convert live action movies into stereoscopic 3D pictures and is applying this new technology to its productions.

FINANCIAL REVIEW

Review of Results

The Group has invested heavily in the production and marketing of *Astro Boy*, but the box office performance was very disappointing when the film was released in late 2009. Consequently, the Group was in dire need of help. The directors of the Company ("Directors") are pleased to report that as a result of the successful implementation of the Restructuring and Rationalisation Programme in the early part of the period under review, the Group has been completely turned around from the distressed situation brought about by its investment in *Astro Boy*. The financial and accounting effects of the Restructuring and Rationalisation Programme have now been fully reflected in the book of accounts of the Group.

Following the completion of the Restructuring and Rationalisation Programme, the Group has broadened its revenue sources. Currently, other than producing its own feature films, the Group is also engaged in the provision of CGI animation services to the commercial sector, covering advertising agents and game developers and so on. These services generated an income of approximately HK$1.0 million in the six months ended 30 September 2010. Together with the remaining broadcasting and licensing income derived from *Astro Boy* and the ancillary rights, the Group recorded a total revenue of HK$4.5 million in the review period, representing a surge of 10 times when compared with the last corresponding period.

The Restructuring and Rationalisation Programme also involved a consolidation of the Group's resources, which entailed the closure of the Group's studio in the United States and the streamlining of the one in Hong Kong. Consequently, the Group's administrative expenses were substantially reduced from HK$50.6 million in the last corresponding period to HK$18.0 million in the review period.

Furthermore, certain items of expenditure incurred in the last corresponding period relating to the launch of *Astro Boy* no longer recurred in the review period. These items include distribution and selling expenses, impairment loss recognised in respect of CGI animation pictures and impairment loss on goodwill.

The most salient items in the income statement of the Group for the six months ended 30 September 2010 are the losses on redemption ("Redemption") of prints and advertising loans, a bridge loan and convertible loan notes which in aggregate amounted to HK$501.4 million and contributed to 96.3% of the loss of the Group for the six-month period. As part of the Restructuring and Rationalisation Programme, the Redemption was fully settled by a combination of cash, new shares of HK$0.001 each of the Company (the "Shares") and options to subscribe for new Shares (details of which are set out in Note 2(a)). According to the current accounting standards applicable to the Group, the new Shares issued and the options granted by the Company had to be accounted for using their respective fair values which in turn were based on the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited on the date of issue or grant (as the case may be) of the new Shares and the options ("Reference Date"), being 11 May 2010. Since the closing price of the Shares on the Reference Date was exceedingly high (being HK$0.56 per Share as compared to the issue price of such new Shares of HK$0.07 per Share and the exercise price of such options of HK$0.08 per Share), the accounting fair values of the securities issued or granted by the Company were inflated, and the resulting accounting losses due to the Redemption (being the difference between the book value of the liabilities settled and the aggregate amount of the cash paid and the fair values of the securities issued or granted) were extraordinary large. However, it should be noted that such accounting losses were technical in nature and had no impact whatsoever on the cash flow, the financial and liquidity position or the net asset value of the Group.

Loss for the six-month period ended 30 September 2010 amounted to HK$520.6 million, representing a decrease of 28.3% compared to the loss of HK$725.6 million for the last corresponding period. Excluding the accounting losses due to the Redemption, the loss for the period under review was HK$19.2 million, representing a decrease of 96.6% compared to the loss of HK$569.8 million prepared on the same basis for the last corresponding period.

Liquidity and Financial Resources

During the period under review, the Company raised approximately HK$301 million in aggregate from the financial restructuring exercise completed in May 2010 and the exercise by an optionholder of its options to subscribe for Shares in June 2010 (details of which are set out in Note 2). The funds so raised were applied as to HK$69.7million to settle the Redemption; as to HK$33.2 million to settle other outstanding liabilities of the Group; as to HK$29.6 million as working capital of the Group and the remaining balance of HK$168.5 million, being surplus cash with no immediate use, has been placed on short term deposits with licensed banks in Hong Kong to earn interest income.

The financial and liquidity position of the Group as at 30 September 2010 remained healthy and strong, with bank balances amounting to HK$168.5 million and a current ratio of 26.8.

After repaying its core creditors and other liabilities in May 2010, the Group has become debt-free. As at 30 September 2010, the Group had no bank or other borrowings and therefore had a zero gearing (expressed as a percentage of total borrowings over total capital).

Capital Structure

The Company ceased to have any debt capital in May 2010 after the Redemption. As at 30 September 2010, the Company had in issue 5,515,707,577 Shares and outstanding options granted in May 2010 to subscribe for 1,838,800,000 Shares at an exercise price of HK$0.08 per Share.

Charge on Assets

As at 30 September 2010, the Group's all rights in *Astro Boy* (except for the exploitation rights throughout the territories of China, Hong Kong and Japan) were pledged as collateral to secure a loan granted to a former subsidiary of the Company in the United States for funding the launch of *Astro Boy* in October 2009. This former subsidiary is currently under a procedure called Assignment for the Benefit of Creditor, which is a recognised form of voluntary liquidation in California. The carrying value of *Astro Boy* in the book of accounts of the Group as at 30 September 2010 was nil.

PROSPECTS

The new management, led by the Group's chairman, Mr. Francis Leung Pak To, believes that the Group needs to rapidly undergo vast expansion in order to regain critical mass and capture the market leadership status in the animation, media and entertainment industry, with particular focus on the Greater China market, and indeed, growth by judicious mergers and acquisitions with transformational impacts is considered to be in the best interest of the Group and its shareholders. To this end, and with its balance sheet and financial health having been restored, the Group has been actively seeking mergers and acquisitions opportunities in the mainland China, and certain sizeable acquisition opportunities have been identified. The Directors believe that each of these opportunities has great potentials and is expected to be earnings and value accretive in both short-term and long term. Whilst no definitive arrangement has been entered into, the Directors are pleased to report that satisfactory progress has been made. Further announcement on this will be made if and when appropriate.

In the meantime, the Directors desire to reduce the Group's exposure to the production of high-budget CGI animation pictures. The Group will not invest in any new high-budget CGI animation pictures unless and until it has teamed up with a strategic partner who has strong distribution capabilities in the Group's major target markets and it is satisfied that strong measures have been put into place to limit and control cost over-run risk and execution risk. The Restructuring and Rationalization Programme has substantially streamlined the Group. It is expected that barring unforeseen circumstances, the Group's administrative expenses for the second half of this year will be significantly lower than that for the first half. The Directors believe that the Group is well placed to implement the growth strategy by mergers and acquisitions in the fast growing media industry in the mainland China.

CORPORATE GOVERNANCE

During the six months ended 30 September 2010, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the deviations described below.

On 1 April 2010, the Company had only one executive Director, Mr. Phoon Chiong Kit, and one independent non-executive Director, Mr. Ng See Yuen, and therefore failed to comply with:

(a) Rule 3.10 of the Listing Rules which set out that the minimum number of independent non-executive directors is three and that at least one of them must have appropriate professional qualification;

(b) Rule 3.21 of the Listing Rules which requires that the audit committee must comprise a minimum of three members;

(c) Code A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual; and

(d) Code B.1.1 of the CG Code in respect of the composition of the remuneration committee.

Subsequent to 1 April 2010, the Board and its committees have the made following changes and henceforth the Company has fulfilled the requirements under the above-mentioned Listing Rules and CG Codes:

(a) both Mr. Phoon and Mr. Ng resigned as Directors in May 2010;

(b) on 11 May 2010, Mr. Chan Yuk Sang and Dr. Lam Lee G. were appointed as independent non-executive Directors and members of the audit committee of the Company;

(c) Mr. Leung Pak To was appointed as chairman of the Company and non-executive Director on 18 May 2010;

(d) Ms. Ma Wai Man, Catherine was appointed as an executive Director on 1 July 2010 and since then, has also taken up the function of chief executive officer. Mr. Cheng Yuk Wo, who possesses accounting professional qualifications, was appointed as an independent non-executive Director and a member of the audit committee on 1 July 2010; and

(e) by a resolution passed by the Directors on 6 July 2010, the remuneration committee of the Company was reorganised. 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. were appointed as members.

Furthermore, none of the non-executive Directors was appointed for a specific fixed term which deviates from Code A.4.1 of the CG 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 and every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures have been in place to ensure the corporate governance practices of the Company are no less exacting than those in the CG Code.

GENERAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2010.

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

Hong Kong, 30 November 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.