IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 585)

FINAL RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

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 (the "Group") for the nine months ended 31 December 2011, together with the comparative figures for the year ended 31 March 2011, as follows:

FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**1 April 2011 to 31 December 2011** *HK$'000*	1 April 2010 to 31 March 2011 *HK$'000*
Revenue	*4*	**117,233**	8,616
Cost of sales before amortisation of intangible assets	*5*	**(48,838)**	(90,750)
Gross profit (loss) before amortisation of intangible assets		**68,395**	(82,134)
Amortisation of intangible assets	*11*	**(73,729)**	—
Gross loss after amortisation of intangible assets		**(5,334)**	(82,134)
Other income	*6*	**11,264**	1,080
Other gains (losses)		**146**	(980)
Distribution and selling expenses		**(9,414)**	—
Administrative expenses		**(69,064)**	(27,531)
Share of loss of an associate		**(2,516)**	—
Loss on redemption of bridge loans		**—**	(57,091)
Loss on redemption of prints and advertising loan		**—**	(187,078)
Loss on redemption of convertible loan notes		**—**	(257,269)
Loss on dissolution and disposal of subsidiaries		**—**	(66)
Acquisition-related costs		**—**	(11,496)
Finance costs		**(79)**	(3,316)
Loss before tax	*7a*	**(74,997)**	(625,881)
Income tax credit	*8*	**7,642**	2,257
Loss for the period/year		**(67,355)**	(623,624)
Exchange differences arising on translation of foreign operations		**17,074**	(326)
Total comprehensive expenses for the period/year		**(50,281)**	(623,950)
Loss per share Basic and diluted	*10*	**(HK$0.007)**	(HK$0.121)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2011 HK$'000	At 31 March 2011 HK$'000
Non-current assets			
Property, plant and equipment		**7,691**	3,261
Intangible assets	*11*	**932,133**	10,499
Interest in an associate	*12*	**27,086**	—
Derivative financial instruments	*13*	**6,798**	—
Deferred tax assets		**2,359**	—
		976,067	13,760
Current assets			
Inventories		**797**	966
Trade and other receivables, deposits and prepayments	*14*	**76,701**	2,986
Bank balances and cash		**281,341**	167,161
		358,839	171,113
Current liabilities			
Trade, other payables and liabilities	*15*	**35,133**	14,775
Unearned revenue		**12,770**	1,540
Tax payable		**9,532**	—
		57,435	16,315
Net current assets		**301,404**	154,798
Non-current liabilities			
Other liabilities		**17,972**	—
Deferred tax liabilities		**232,678**	—
		250,650	—
Net assets		**1,026,821**	168,558
Capital and reserves			
Share capital		**10,020**	5,725
Reserves		**1,016,801**	162,833
Total equity attributable to owners of the Company		**1,026,821**	168,558

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Companies Ordinance.

As set out in Note 2, on 13 April 2011, the Group completed the Acquisition (as defined in Note 2). Following the Acquisition, the directors of the Company decided to change the reporting period of the Group from 31 March to 31 December in order to bring the annual reporting period end date of the Group in line with that of its major operating subsidiary which operates in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements for the current period cover a nine month period from 1 April 2011 to 31 December 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income and related notes cover a twelve month period from 1 April 2010 to 31 March 2011 and therefore may not be comparable with amounts shown for the current period.

2. SIGNIFICANT TRANSACTIONS DURING THE PERIOD

On 13 April 2011, the Group acquired the entire equity interest in Infoport Management Limited ("Infoport"), a company incorporated in the British Virgin Islands ("BVI") from PGBBW Limited, a company also incorporated in the BVI and unrelated to the Group (the "Acquisition").

The principal activities of Infoport and its subsidiaries including Toon Express International Limited (the "TE Group") are licensing of trademarks and copyrights of cartoon characters, sales of merchandise and management of the commercial exploitation of animation pictures. The Acquisition entitles the Group to well-known brand and cartoon characters across multiple distribution channels in and outside of the PRC. Details of the consideration transferred, the assets acquired and the liabilities assumed, on the date of completion of the Acquisition, are set out below.

	notes	*HK$'000*
Consideration, satisfied by:	*(i)*	
Cash payment		330,000
Consideration shares		423,454
		753,454

	notes	*HK$'000*
Net identifiable assets acquired and liabilities assumed, at fair value:		
Property, plant and equipment		1,969
Deferred tax assets		1,337
Intangible assets	*(ii)*	979,767
Inventories		378
Trade and other receivables	*(iii)*	44,424
Pledged deposits	*(iv)*	11,674
Bank balances and cash		12,226
Trade and other payables and accruals		(18,073)
Unearned revenue		(17,410)
Taxation payable		(6,449)
Bank and other loans	*(iv)*	(10,529)
Deferred tax liabilities		(245,860)
		753,454
Net cash outflow arising on acquisition		
Cash and bank balances acquired		12,226
Cash consideration		(330,000)
		(317,774)

notes:

(i) Pursuant to the Acquisition, the Company paid an initial consideration of HK$753.5 million, comprising the following:

(a) cash payment of HK$330 million; and

(b) Consideration shares representing 1,382,857,143 shares of the Company issued and allotted to the vendor.

The consideration shares are subject to a lock-up undertaking and as such, the fair value of the consideration shares was determined by the directors with reference to an external valuation report prepared by an independent valuation firm, Greater China Appraisal Limited ("Greater China").

The fair value of the consideration shares, taken into consideration the lock-up period, was therefore determined to be HK$423,454,000 at an adjusted price of HK$0.306 per share.

In addition to the above, the Company is also required to pay a contingent earn-out payment in the form of promissory notes ("Earn-out Payment") subject to certain conditions as detailed below.

The Earn-out Payment, being 9.3 times of the excess, if any, of the aggregate consolidated net profit of TE Group for the two financial years ending 31 December 2011 and 2012 over HK$242 million, is subject to a cap of HK$232.5 million.

The promissory notes, if issued, will carry interest at a fixed rate of 1% per annum and mature in 2.5 years from the completion date of the Acquisition. They are payable in one lump sum on maturity together with all accrued interest.

Based on the facts and circumstances at the acquisition date and the review of the financial projection of TE Group, in the opinion of the directors, the Earn-out Payment is unlikely to be payable and accordingly, its fair value as at the date of acquisition is determined at nil value.

(ii) Certain intangible assets were identified as part of the Acquisition. The fair values of these intangible assets were determined by the directors with reference to an external valuation report prepared by Greater China comprise:

(a) intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of TE Group of HK$227,019,000 ("TE Trademarks and Copyrights");

(b) future economic benefits of HK$129,448,000 arising from a consumer products and related use agreement with Disney Enterprises, Inc. to promote and market TE Group's intellectual properties ("Consumer Products Agreement"); and

(c) intellectual properties in the form of trademarks and copyrights of HK$623,300,000 arising from a joint brand management agreement with Creative Power Entertaining Limited Liability Company ("CPE"), a PRC company, through which TE Group participates in the coordination of the commercial exploitation of the animations for television episodes and movies and related characters owned by CPE and TE Group ("JBM Agreement").

The fair values of the intangible assets are arrived at either using the Multi-period excess earnings method or discounted cash flow approach.

(iii) The trade and other receivables acquired with a fair value of HK$44,424,000 have gross contractual amounts of HK$44,424,000. There was no contractual cash flow not expected to be collectible at the acquisition date.

(iv) The deposits were pledged to banks for the bank loans extended to TE Group. Subsequent to the Acquisition, the bank loans were repaid and the pledged deposits were released during the period ended 31 December 2011.

(v) The Acquisition gave rise to acquisition-related costs of HK$11,496,000, which were recognised as an expense in the consolidated statement of comprehensive income for the year ended 31 March 2011.

(vi) Included in the revenue and loss for the period of the Group is approximately HK$110,843,000 and a profit of HK$15,972,000 respectively attributable to the additional business generated by TE Group. Had the Acquisition been completed on 1 April 2011, total group revenue and loss for the period would approximate the revenue and loss for the period as presented in the consolidated statement of comprehensive income.

This pro forma information is for illustration purposes only and is not necessarily an indication of the revenue and results of operations of the Group that the Group actually would have been achieved had the Acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

(vii) The initial accounting for the acquisition of TE Group involves identifying and then determining the fair values to be assigned to the identified assets, liabilities and contingent liabilities and the cost of the business combination, which has been determined by the directors with reference to an external valuation report prepared by Greater China for the purpose of this consolidated financial information.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the consolidated financial statements for the nine months ended 31 December 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011. In addition, as a result of the acquisition of TE Group and investment in an associate (detailed in Note 12), the Group has applied the following significant accounting policies during the current period.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances as of existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amount are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 *Financial Instruments* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The

Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit and loss on a systematic basis over the periods which the Group recognised as expenses the related cost for which the grants are intended to compensate.

Revenue recognition

Royalty income from the licensing of trademarks and copyrights is generally recognised in periods when royalties are reported by licensees about the related product sales.

Application of new and revised HKFRSs effective in the current period

In the current period, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

In prior years, the Group had only one operating segment which is the computer graphic imaging ("CGI") animation pictures. A business carried out by TE Group was newly acquired by the Group in April 2011 (see Note 2). For the purpose of performance assessment and resources allocation, the executive director of the Company, being the chief operating decision maker ("CODM"), regularly reviews the revenue and results of the following two segments:

Segment A: Production, broadcasting and licensing of CGI animation pictures not developed by TE Group; and

Segment B: Licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group.

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	From 1 April 2011 to 31 December 2011			From 1 April 2010 to 31 March 2011
	Segment A	**Segment B**	**Total**	Segment A
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Revenue				
External sales	**6,390**	**110,843**	**117,233**	8,616
Segment results	**(17,150)**	**(43,942)**	**(61,092)**	(89,077)
Reconciling items:				
Unallocated administrative expenses			**(11,310)**	(20,488)
Loss on redemption of bridge loans			**—**	(57,091)
Loss on redemption of prints and advertising loan			**—**	(187,078)
Loss on redemption of convertible loan notes			**—**	(257,269)
Loss on dissolution and disposal of subsidiaries			**—**	(66)
Acquisition-related costs			**—**	(11,496)
Finance costs			**(79)**	(3,316)
Share of loss of an associate			**(2,516)**	—
Loss before tax			**(74,997)**	(625,881)
Amounts included in the measure of segment profit or loss:				
Additions to non-current assets	**268**	**986,295**	**986,563**	12,951
Impairment loss on intangible assets	**(5,250)**	**—**	**(5,250)**	(81,194)
Amortisation of intangible assets	**—**	**(73,729)**	**(73,729)**	—
Depreciation of property, plant and equipment (net of amounts capitalised in inventories (31 March 2011: net of amounts capitalised in inventories and intangibles assets))	**(603)**	**(713)**	**(1,316)**	(535)
Allowance for doubtful debts	**—**	**(4,856)**	**(4,856)**	—
Loss on disposal of property, plant and equipment	**(10)**	**(166)**	**(176)**	(1,217)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent loss attributable to each segment without allocation of certain administrative expenses, finance costs, share of loss of an associate, loss on redemption of bridge loans, loss on redemption of prints and advertising loan, loss on redemption of convertible loan notes, loss on dissolution and disposal of subsidiaries and acquisition-related costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. This basis of segment revenue and segment results has been consistently applied for the period/year presented.

Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the CODM in total for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

5. COST OF SALES BEFORE AMORTISATION OF INTANGIBLE ASSETS

	1 April 2011 to 31 December 2011	1 April 2010 to 31 March 2011
	HK$'000	*HK$'000*
Royalty fees	**16,371**	—
Production cost for CGI animation pictures	**13,540**	9,556
Impairment loss on intangible assets	**5,250**	81,194
Production cost for licensing and management of cartoon character trademarks by TE Group	**13,677**	—
	48,838	90,750

6. OTHER INCOME

	1 April 2011 to 31 December 2011	1 April 2010 to 31 March 2011
	HK$'000	*HK$'000*
Interest income	**2,649**	976
Government award/subsidies *(note)*	**6,280**	—
Compensation received on settlements of legal cases	**1,252**	—
Others	**1,083**	104
	11,264	1,080

note: A PRC entity of the Group was rewarded/granted with several award/subsidies from the PRC local government authority for its outstanding performance and contribution to the development of industry. No conditions are attached to the award/subsidies. The Group recognised such government award/subsidies as other income upon receipt in the current period.

7a. LOSS BEFORE TAX

	1 April 2011 to 31 December 2011 *HK$'000*	1 April 2010 to 31 March 2011 *HK$'000*
Loss before tax has been arrived at after charging and (crediting):		
Directors' emoluments	**9,047**	(6,257)
Contribution to retirement benefit scheme	**2,739**	649
Other staff costs (salaries and wages)	**40,866**	18,872
Equity-settled share-based payments expenses other than directors	**255**	(469)
Total staff costs	**52,907**	12,795
Less: amounts capitalised in inventories (31 March 2011: amounts capitalised in inventories and intangible assets)	**(320)**	(6,380)
	52,587	6,415
Depreciation of property, plant and equipment	**1,339**	798
Less: amounts capitalised in inventories (31 March 2011: amounts capitalised in inventories and intangible assets)	**(23)**	(263)
	1,316	535
Amortisation of intangible assets *(Note 11)*	**73,729**	—
Total depreciation and amortisation	**75,045**	535
Rentals in respect of premises under operating leases	**4,670**	2,019
Less: amounts capitalised in inventories (31 March 2011: amounts capitalised in inventories and intangible assets)	**(17)**	(510)
	4,653	1,509
Auditor's remuneration	**3,051**	2,230

7b. LOSS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

The calculation of the Loss before interest, tax, depreciation and amortisation ("LBITDA") during the period/year is based on the following data:

	1 April 2011 to 31 December 2011 *HK$'000*	1 April 2010 to 31 March 2011 *HK$'000*
LBITDA		
Loss before tax	**(74,997)**	(625,881)
Adjusted for:		
Interest income	**(2,649)**	(976)
Finance costs	**79**	3,316
Depreciation and amortisation	**75,045**	535
	(2,522)	(623,006)

8. INCOME TAX CREDIT

	1 April 2011 to 31 December 2011 *HK$'000*	1 April 2010 to 31 March 2011 *HK$'000*
The credit comprises:		
Current tax:		
PRC Enterprise Income Tax	**10,353**	—
Withholding tax upon dividend received from subsidiaries	**1,405**	—
	11,758	—
Overprovision in prior years:		
Current tax	**(36)**	—
Other jurisdictions	**—**	(1,820)
	11,722	(1,820)
Deferred tax：		
Current period/year	**(17,959)**	(437)
Reversal of tax paid upon dividend received from subsidiaries	**(1,405)**	—
	(19,364)	(437)
Total	**(7,642)**	(2,257)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period/year. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the period/year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

9. DIVIDENDS

No dividend was paid or proposed during the period from 1 April 2011 to 31 December 2011 (1 April 2010 to 31 March 2011: Nil), nor has any dividend been proposed since the end of the reporting period/year.

10. 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:

	1 April 2011 to 31 December 2011	1 April 2010 to 31 March 2011
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share	**67,355**	623,624
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,820,698,257**	5,173,157,446

The computation of diluted loss per share does not assume the exercise of IDG Option and options granted under the incentive share option scheme (1 April 2010 to 31 March 2011: Core Creditor Options, Investor Option and options granted under the incentive share option scheme) since their exercise would result in a decrease in loss per share for the period/year. Therefore, the basic and diluted loss per share is the same.

11. INTANGIBLE ASSETS

	Consumer Products Agreement *HK$'000* *(note (i))*	TE Trademarks and Copyrights *HK$'000* *(note (ii))*	JBM Agreement *HK$'000* *(note (ii))*	CGI animation pictures *HK$'000* *(note (iii))*	Total *HK$'000*
COST					
At 1 April 2010	—	—	—	859,566	859,566
Additions	—	—	—	9,121	9,121
Eliminated on dissolution of a subsidiary	—	—	—	(30,741)	(30,741)
At 31 March 2011	—	—	—	837,946	837,946
Acquired on acquisition of subsidiaries *(Note 2)*	129,448	227,019	623,300	—	979,767
Exchange realignment	—	—	21,904	—	21,904
Eliminated on dissolution of a subsidiary	—	—	—	(33,992)	(33,992)
At 31 December 2011	**129,448**	**227,019**	**645,204**	**803,954**	**1,805,625**
AMORTISATION AND IMPAIRMENT					
At 1 April 2010	—	—	—	776,994	776,994
Impairment loss recognised in the year	—	—	—	81,194	81,194
Eliminated on dissolution of a subsidiary	—	—	—	(30,741)	(30,741)
At 31 March 2011	—	—	—	827,447	827,447
Charge for the period	9,958	17,292	46,479	—	73,729
Exchange realignment	—	—	1,058	—	1,058
Impairment loss recognised in the period	—	—	—	5,250	5,250
Eliminated on dissolution of a subsidiary	—	—	—	(33,992)	(33,992)
At 31 December 2011	**9,958**	**17,292**	**47,537**	**798,705**	**873,492**
CARRYING VALUE					
At 31 December 2011	**119,490**	**209,727**	**597,667**	**5,249**	**932,133**
At 31 March 2011	—	—	—	10,499	10,499

notes:

(i) The Consumer Products Agreement has a term of 10 years but is renewable subject to negotiation by the parties concerned. Accordingly, it is being amortised over the contractual life of the Consumer Products Agreement.

(ii) The TE Trademarks and Copyrights generally have finite legal lives of 10 years but are renewable at minimal cost.

The JBM Agreement can only be terminated by a party when the other party commits a default which is not remedied within a specified period.

Pursuant to the JBM Agreement, TE Group participates in the co-ordination of the commercial exploitation of the animation for television episodes and movies and related characters owned by CPE and TE Group. The Group's results include the revenue derived from the JBM Agreement and the amortisation thereof and other related expenses.

The JBM Agreement's income stream is derived from the underlying trademarks and copyrights, the use of which is contemplated by the JBM Agreement (the "JBM Trademarks and Copyrights").

While the directors consider amortisation for TE Trademarks and Copyrights and the JBM Trademarks and Copyrights, they have taken into account the finite economic lives of these intangible assets with reference to studies of product life cycle, market and competitiveness trends. Accordingly, the TE Trademarks and Copyrights and the JBM Trademarks and Copyrights are being amortised over a period of 6 to 12 years which reflect the directors' best estimates of these assets' economic lives.

(iii) CGI animation pictures and CGI animation pictures in progress are internally generated and stated at production costs incurred to date, including borrowing costs capitalised, less accumulated impairment losses, if any.

For the purpose of impairment testing, CGI animation pictures and CGI animation pictures in progress are allocated to the Group's cash generating unit relating to Segment A (Note 4).

In the opinion of the directors, taking into account of the acquisition and the integration with TE Group, and the projected cash flow forecast in relation to the intangible assets, an impairment loss of approximately HK$5,250,000 was recognised for the CGI animation pictures in progress for the period.

12. INTEREST IN AN ASSOCIATE

	31 December 2011	31 March 2011
	HK$'000	*HK$'000*
Cost of investment in an associate – unlisted	**29,602**	—
Share of loss	**(2,516)**	—
	27,086	—

As at 31 December 2011, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of establishment/ principal place of operation	Class of shares held	Proportion of nominal value of issued capital and voting power held by the Group		Principal activities
				31 December 2011	31 March 2011	
Sino Light Enterprise Limited ("Sino Light")	Limited company	Hong Kong	Ordinary	**20.63%**	—	Retailing and wholesaling of children's apparel

In August 2011, TE Group acquired 20.63% equity interest in Sino Light and an option (the "Sino Light Subscription Option") (the "Sino Light Acquisition"), to be satisfied by TE Group with a cash payment of HK$9.1 million and the provision of certain management services to Sino Light (the "Sino Light Consideration").

Sino Light Subscription Option entitled TE Group to subscribe a further 11.3% equity interest in Sino Light as enlarged by the exercise of Sino Light Subscription Option at a consideration of HK$22.4 million.

The provision of management services, which was detailed in a business support agreement dated 29 August 2011 (the "Business Support Agreement"), had a term of three years commencing from the effective date of the agreement, subject to early termination upon occurrence of certain events.

Upon completion of the subscription, the total consideration of HK$36.4 million is allocated to (i) cost of investment in an associate of HK$29,602,000; and (ii) the Sino Light Subscription Option of HK$6,798,000 (Note 13).

In conjunction with the Sino Light Acquisition and pursuant to the shareholders' agreement entered among TE Group and the other two original shareholders (the "Sino Light Shareholders' Agreement"), the shares held by the shareholders were restricted from transfer, except under certain circumstances including the exercise of the TE Put Options (detailed below) and Other Shareholders' Call Options (detailed below).

Each of the other shareholders of Sino Light (the "Sino Light Original Shareholders") granted an option to TE Group whereby TE Group had the right to require the Sino Light Original Shareholders to purchase its equity interest in Sino Light under certain conditions including the expiry of the a licensing agreement Sino Light entered for business (the "TE Put Options").

TE Group also granted an option to the Sino Light Original Shareholders whereby the Sino Light Original Shareholders had the right to require TE Group to sell its equity interest in Sino Light to them under certain conditions including TE Group ceasing to hold certain of its brands (the "Other Shareholders' Call Options").

Further details of the above three options are set out in Note 13.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	note	31 December 2011 HK$'000	31 March 2011 HK$'000
Sino Light Subscription Option	*(i)*	**6,798**	—

notes:

(i) Sino Light Subscription Option

Pursuant to the Sino Light Subscription Option, TE Group had the right, but not the obligation, to subscribe a further 11.3% interest in Sino Light for HK$22.4 million during the period from the completion of the Sino Light Acquisition to 31 August 2014, subject to certain early termination clauses.

At initial recognition, the fair value of the Sino Light Subscription Option was determined to be HK$6,798,000 by Greater China using the Binominal Option Pricing Model. The following assumptions were used to calculate the fair value of the option.

Exercise price	HK$14,000 per share
Expected life	3.01 year
Expected volatility	50.05%
Expected dividend yield	0%
Risk free interest rate	0.64%
Exercise period	From 29 August 2011 to 31 August 2014

Sino Light does not have a quoted market price in an active market. In the opinion of the directors, the fair value of the option cannot be reliably measured subsequent to initial recognition and is measured at cost less any identified impairment losses at the end of each reporting period.

(ii) TE Put Options and Other Shareholders' Call Options

The exercise prices of both the TE Put Options and Other Shareholders' Call Options were to be determined (a) between the parties concerned; or (b) if the concerned parties were unable to agree on an exercise price, they were to appoint an independent professional business valuer to determine the fair value of the exercise price at date of exercise. In the opinion of the directors, these options had insignificant value.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2011 HK$'000	31 March 2011 HK$'000
Trade receivables *(note i)*	**29,291**	1,194
Less: allowance for doubtful debts	**(4,917)**	—
	24,374	1,194
Amount due from CPE *(note ii)*	**45,385**	—
Other receivables, deposits and prepayments	**6,942**	1,792
	76,701	2,986

notes:

(i) 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 31 December 2011 were aged less than 60 days based on invoice dates.

(ii) Amount due from CPE include approximately HK$43,983,000 is related to the JBM Agreement and approximately HK$1,402,000 is related to non-trade nature transactions. Both amounts are unsecured, non-interest bearing and repayable within one year.

15. TRADE, OTHER PAYABLES AND LIABILITIES

	31 December 2011 *HK$'000*	31 March 2011 *HK$'000*
Trade payables *(note i)*	**7,830**	—
Other liabilities *(note ii)*	**9,100**	—
Other payables and accruals	**18,203**	14,775
	35,133	14,775

notes:

(i) Trade payables are aged less than 3 months based on the invoice date.

(ii) The amount represents the current portion of the other liabilities as at the end of the reporting period.

16. EVENT AFTER THE REPORTING PERIOD

In March 2012, the Group entered into deeds and agreements with various parties whereby (i) the Group disposed of its entire interest in Sino Light (Note 12) to one of the Sino Light Original Shareholders for cash consideration of HK$9.1 million and (ii) the Sino Light Subscription Option of HK$6,798,000, TE Put Options, Other Shareholders' Call Options and Business Support Agreement with an aggregate fair value of approximately HK$27.1 million were terminated as a result of which all relevant parties were released of their rights and obligations arising therefrom. The directors are in the progress of assessing the financial impact of disposing of the entire interest in Sino Light at the report date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

Imagi International Holdings Limited (the "Company" or "Imagi", together with its subsidiaries, the "Group") completed the acquisition of Infoport Management Limited and its operating subsidiaries including Toon Express International Limited ("Toon Express", together the "TE Group") on 13 April 2011. During the nine months ended 31 December 2011, the Group successfully integrated both Imagi and Toon Express' operations. In addition, the Company is deepening its relationship with its strategic partner, Creative Power Entertaining Limited Liability Company ("CPE"), and its master licensee, Disney Enterprises Inc. ("Disney" or "Master Licensee") and other Disney affiliates.

Consumer Products Licensing

Since Disney became the Master Licensee on 1 January 2011 for all existing Toon Express' brands for the following product categories: consumer products, publishing, internet and mobile downloads (excluding video streaming) and home entertainment products, there have been significant benefits for the brand *Pleasant Goat and Big Big Wolf*. Since 1 January 2011, the following achievements have been made:

- The placement of *Kungfu Dragon* in *Pleasant Goat and Big Big Wolf* movie series — "**Mission Incredible: Adventures on the Dragon's Trail**"「開心闖龍年」("Movie 4") to maximize monetization potentials. Disney will share with TE Group the licensing income generated from the sales of *Kungfu Dragon*'s consumer products for a period of three years.

  On the other hand, the appointment of Buena Vista International ("BVI") (a Disney company) to distribute Movie 4 in cinematic channels on a global basis (excluding China and certain selected territories and distribution channels) was beneficial. Movie 4 which was shown in Taiwan for 3 weeks since 20 January 2012, has recorded a very substantial increase in box office results compared to the last movie.

- In the area of new media, TE Group has directly as well as through Disney converted and distributed the content of *Pleasant Goat and Big Big Wolf* for use through different internet platforms and portals. The brand has been signed on with various major internet content providers and portals such as tiancity.com, 4399.com, China Mobile, Nokia's ovi, sohu.com, tencent.com, renren.com, PCCW, etc., for online/mobile games and video on demand, wallpaper, e-commerce, etc.

  A licensing deal has been concluded with 4399.com that will create, host, market and distribute *Pleasant Goat and Big Big Wolf* themed web game, mini-flash games and social game throughout the Greater China region.

- All the licensees under TE Group as at 1 January 2011 were transferred to the Master Licensee under the Consumer Products Agreement. In the twelve months ended 31 December 2011, Disney as the Master Licensee terminated 55 licensing contracts (expired and termination) and achieved the following:

  (1) Renewed 16 contracts and signed up 41 new licensees in aggregate with HK$105.9 million of minimum guaranteed licensing fees over the next 2–3 years

  (2) Developed 2,869 new product designs

- Accelerating the retail presence of *Pleasant Goat and Big Big Wolf*: In December 2011, Disney signed up a confectionary sub licensee who will set up 300 *Pleasant Goat and Big Big Wolf* retail points (both kiosks and stores) by 2014. The sub licensee will be retailing confectionary under the *Pleasant Goat and Big Big Wolf* brand nationwide, in its new standalone shops, key account outlets as well as piggy backing on the sub licensee's existing candy stores. The shop design aims to promote product purchases in a quality environment and at the same time, immerse the kids in the animated world of *Pleasant Goat and Big Big Wolf*. The first shop will be opened in Chengdu in March 2012.

  Promoting closer relationships with sub licensees of Taiwan: To build brand awareness and build sub licensee confidence towards the brand, a *Pleasant Goat and Big Big Wolf* Christmas event was staged in the Greater Taipei area by Toon Express Taiwan. Media value at NT$41 million (equivalent to HK$10.8 million)[1] was generated and more than 10,000 visitors were recorded. The event also aimed to launch the new TV series "Smart Dodging" and give fans a prelude to Movie 4. A *Pleasant Goat and Big Big Wolf* Disney Sub Licensee meeting was organized by Disney in January 2012. The announcement of *Pleasant Goat and Big Big Wolf*'s superb brand awareness performance, being No.2 in the animation sector in Taiwan, earned the applause and commitment from the floor.

  Under the Broadcast Agreement with Disney signed on 15 October 2010, Disney has started broadcasting the *Joys of Seasons* in Taiwan, Hong Kong and the Indian Sub-Continent (in three local Indian dialects) through Disney Channel. The broadcast aims to seed consumer product licensing opportunities and diversify its economic dependency on Mainland China. The Group has started to see the benefits as sub licensees in Thailand and Vietnam have signed contracts with our Master Licensee.

  BVI has also signed new contracts for the broadcast of 100 more TV episodes, Movie 2 — The Adventure of the Lost Totem and Movie 3 — Moon Castle: The Space Adventure. This will further widen and deepen fans' interest towards the *Pleasant Goat and Big Big Wolf* brand in the region.

[1] Media Value equals cost of editorial coverage in traditional media. Media Value is print, electronic and non-traditional news coverage resulting from editorial content generated via press releases, interviews, photos, video and special events. The simplest way to generate raw data is by using the advertising value equivalency (AVE) which involves determining what editorial coverage in traditional media would cost, if it was purchased as paid advertising.

- A *Pleasant Goat and Big Big Wolf* Licensee Survey was commissioned to *The Nielsen Company* in the 3rd quarter of 2011 to gauge satisfaction level of sub licensees (lapsed and current) towards TE Group and Disney. Amongst the 102 licensees responded, satisfaction level was high. Two key areas which increased focus is required are; increase in communication of marketing information and increase in protection of intellectual property rights of *Pleasant Goat and Big Big Wolf*.

Anti-Counterfeit Activities

To follow up the Licensee Survey, TE Group has stepped up efforts in protecting intellectual property rights of *Pleasant Goat and Big Big Wolf*. Apart from carrying the "Disney Licensed Merchandise" logo and the anti-counterfeit holograms by our sub licensees on the licensed products, TE Group launched a TV campaign since 1 November 2011 to start official communications and educate consumers. In 2011, TE Group worked on 358 IP infringement cases which violated our intellectual property rights.

Expansion of Core Franchise

To diversify and expand revenue stream and widen brand interest by expanding target core consumer base beyond 4–8 years old, TE Group is working on the following segments and developing images respectively for licensed products:

- **Babies**
- **Pink Category**
- **Freedom n Power**
- **Avant Garde — Happy Simple Life**

Baby Pleasant Goat and Big Big Wolf: Sub licensees can now develop baby products and expand target consumer group to include new mothers with infants and pre school kids.

Pink Category: This category is designed to appeal to female fans of *Pleasant Goat and Big Big Wolf*. Female fans include female kids, teenagers and young adults who like the "cute and feminine" images of Tibbie in particular.

Freedom n Power: Appeal to boys with values specific to them at their age bracket (9–13 years of age), e.g. free will, energy, excitement, etc.

Avant Garde Range: Target at both male and female teens and young adults who are 14 years old or above and grown up with *Pleasant Goat and Big Big Wolf*. This line extension has images of a more mature and playful *Pleasant Goat and Big Big Wolf*. To launch the Avant Garde range, a Lunar New Year exhibition which lasted for 23 days was held in Hong Kong in conjunction with an upmarket shopping mall, Langham Place. The exhibition attracted more than 9.2 million visitors.

Strategic Alliance with Creative Power Entertaining

- *Pleasant Goat and Big Big Wolf* Movie 4 "**Mission Incredible: Adventures on the Dragon's Trail**" 「開心闖龍年」 achieved another record breaking performance in China with box office receipts exceeding HK$203 million (RMB$165 million). The first three movie series for *Pleasant Goat and Big Big Wolf* have recorded box office receipts of HK$98 million, HK$147 million and HK$180 million respectively.

  During this year's Lunar New Year holiday, blockbusters which were released in China included "The Great Magician", "Sherlock Holmes: A Game Of Shadows", and another Chinese local animation production "The Monkey King". These films have recorded box offices of HK$145 million, HK$103 million and HK$35 million respectively up to 15 January 2012. The robust performance of "Movie 4" in this highly competitive market truly demonstrates the strong popularity and support of the public for the *Pleasant Goat and Big Big Wolf* cartoon brand which was able to compete against non-animation and live action movies. In addition, TE Group and its business partners have committed to extend the movie franchise for *Pleasant Goat and Big Big Wolf* for at least another 2 movies in the next 3 years. The annual movie launch allows TE Group to significantly elevate its brand awareness and boost its consumer product and licensing business, managed through its global master licensee, Disney. TE Group is also considering the possibility to produce a *Pleasant Goat and Big Big Wolf* movie in stereoscopic 3D.

- TE Group is now working on Movie 5 which will be slated for release in early 2013. Working with Disney and 4399.com, a major internet based game which will be loosely based on Movie 5's storyline will be launched to deepen brand integration.

- To cater towards the growing fan base amongst teenagers and young adults, a romantic live action movie with *Pleasant Goat and Big Big Wolf* animation involvement is under production. Targeted to be released in 2013/14, this movie is unique to our fans who will be able to enjoy the interaction between animated characters and live actors and actresses.

  As part of TE Group's brand diversification strategy, a full feature cinematic movie based on the *Happy Family* brand is scheduled for release in 2012/13. *Happy Family* is one of the original brands previously developed by TE Group and will be rejuvenated and launched in its movie debut. This will be supported by the launch of at least 40 new television episodes to be shown in China. The re-launch of *Happy Family* will also allow TE Group to further expand its consumer product licensing business which is managed through Disney.

TV Series Broadcast Performance

- In terms of TV episode production, CPE continues to build the strongest pipeline of media content in the Greater China region. In 2011, a total of 162 television episodes were produced, of which *Pleasant Goat and Big Big Wolf* had 2 new seasons, being *Smart Dodging and Happy Happy Bang Bang* with 60 and 100 episodes respectively. To date, *Pleasant Goat and Big Big Wolf* has had 850 TV episodes in its library with 60 television station coverage, reaching 93% of its targets who are 4–14 years old.

- In terms of broadcast performance in China, *Pleasant Goat and Big Big Wolf* achieved the following in 2011:
    - Airtime reached 1,500,552 minutes, averaging out to be 74.75 minutes of airtime per day in each of the 55 cities monitored by The Nielsen Company.
    - 3+Reach was 78% for 39 cities monitored. 3+Reach means three (3) or more minutes of continuous viewing by audiences aged between four and fourteen years, with a frequency of three or more times per month.
    - TV ratings of *Pleasant Goat and Big Big Wolf*: *Happy Happy Bang Bang* amongst 4–14 years old (China nationwide) was at 1.49% in the 4th quarter of 2011, as compared to 1.12% for the previous quarter.
    - *Pleasant Goat and Big Big Wolf*'s audience profile (China): In terms of total viewership, the core 4–14 age group increased from 43.3% for the period from January to June 2011, to 46% for the period from July to December 2011.

Stage Shows and Carnivals

Stage shows and carnivals continue to be powerful platforms to drive brand awareness and generate revenue. CPE completed 111 stage shows and 9 carnivals in 2011.

In Taiwan, Jinho Dissemination Co, Ltd has been signed up to run 28–30 *Pleasant Goat and Big Big Wolf* stage shows in 2012.

For the mobile carnival licensing to Mactus Pte Ltd, 3 trial events were carried out in the 3rd quarter of 2011 to test the ticketing and token sales system for the full launch of *Pleasant Goat and Big Big Wolf* carnivals in China in 2012, which will commence in the 2nd quarter of 2012 for a period of 3 years.

Publications

120 titles were developed and more than 7.2 million copies of *Pleasant Goat and Big Big Wolf* publications (books and magazines) were sold. Ten baby styleguides have been developed to support the business development needs.

In line with the rapid changes in technology, TE Group intends to upgrade the publications and bringing them to the internet and smartphone era and integrate our internet strategy with the merchandizing business.

Overseas Activities

TE Group is expanding its brand activities beyond Mainland China. With the opening of the Taipei branch office in March 2011, TE Group has commenced its marketing activities to support *Pleasant Goat and Big Big Wolf*. In December 2011, a Christmas Event was held in the Miramar Entertainment Park of Dazhi, Taipei which attracted more than 10,000 visitors and generated a media value of NT$41 million (equivalent to HK$10.8 million). All future marketing activities will be geared towards complementing the growth of the consumer products licensing opportunities.

In Taiwan, momo Kids Channel, one of the leading cable televisions for children's programming, has signed *Smart Dodging* and *Happy Happy Bang Bang* for a period of 3 years. Classic TV series of *Pleasant Goat and Big Big Wolf* and *Joys of Seasons* have constituted 7.5 million seconds of momo's total broadcast time since October 2008. Lately, due to its increasing appeal of the brand to kids, momo has been showing the *Pleasant Goat and Big Big Wolf* cartoons for 3 hours with 12 episodes every day.

In Singapore, Mediacorp's Channel 8 has been showing stronger interests in *Pleasant Goat and Big Big Wolf* cartoon. Three licenses with a total of 208 TV episodes have been signed with latest TV series broadcasted since 14 January 2012. Riding on the strong interest of Singaporeans to learn Mandarin, TE Group is working with various government agencies to make the learning of Mandarin fun through *Pleasant Goat and Big Big Wolf*.

FINANCIAL REVIEW

Review of Results

The Group

Financially, the acquisition of TE Group in April 2011 has brought certain fundamental changes to the Group. On 22 September 2011, the Board resolved to change the financial year end date of the Company from 31 March to 31 December so as to align with that of its new principal operating subsidiary which is a PRC company. Accordingly, the current reporting period covers a period of nine months from 1 April 2011 to 31 December 2011 (the "Period under Review") whilst the comparative period is last financial year from 1 April 2010 to 31 March 2011.

Starting from April 2011, the principal components of Group's revenue are licensing income and income arising from the Joint Brand Management Agreement ("JBMA") entered into between TE Group and CPE on commercial exploitation of cartoon characters. The aggregate of these two items accounted for HK$110.8 million or 94.5% of the total revenue of the Group in the Period under Review. Compared with last financial year, revenue of the Group for the Period under Review surged by HK$108.6 million or 12.6 times.

Correspondingly, the nature of the cost of sales of the Group has also been transformed and now is mainly comprised of staff cost incurred for the production of TV episodes, movies and other related products and royalty fee expenses. Cost of sales (excluding the impairment loss provision made for the Group's historical animation products amounted to HK$5.3 million for the Period under Review and HK$81.2 million for the last reporting year) for the Period under Review increased by HK$34.0 million to HK$43.6 million when compared with last financial year. With the newly acquired business, the Group is now on the right track and recorded a gross margin of 58.3% in the Period under Review.

Being part of the acquisition of TE Group, certain commercial contracts entered into by TE Group and the trademarks owned by it have to be recognized as intangible assets, which are subject to amortization under the accounting policies adopted by the Group. During the Period under Review, the amortization of intangible assets charged to the income statement and the associated reversal of deferred tax amounted to HK$73.7 million and HK$18.3 million respectively.

Likewise, other components of the income statement, namely other gains, distribution and selling expenses and administrative expenses also reflect the inclusion of TE Group and thus substantially increased when compared with last financial year. More details regarding TE Group's performance are discussed in the section below.

In the last financial year, the Group recognized various losses on redemption of loans with an aggregate amount of HK$501.4 million, which were accounting losses, arose from the restructuring program to revive the Group in May 2010. There were also acquisition-related costs amounting to HK$11.5 million relating to the acquisition of TE Group in the Period under Review. Both of these items were one-off expenditure and not recurring.

The Group reported a loss after tax of HK$67.4 million for the Period under Review, being a decrease of HK$556.3 million or 89.2% when compared with last financial year. In view of the fact that the amortization of the intangible assets recognized upon acquisition of TE Group is an accounting loss without any effect on operating performance and cash flow, EBITDA (earnings before interest, taxes, depreciation and amortization) or LBITDA (loss before interest, taxes, depreciation and amortization) provides a better assessment of the Group's performance. In the Period under Review, the LBITDA is HK$2.5 million whilst the LBITDA for the last financial year was HK$623.0 million.

TE Group

For the Period under Review, TE Group's total revenue was HK$110.8 million, representing an increase of HK$11.7 million or 12% as compared with the same nine-month period in 2010. The increase was primarily attributed to increased income derived from TE Group's licensing business. Cost of sales increased mainly due to Disney's share of licensing royalties, based on the Consumer Products and Related Use Agreement ("CPA") signed on 30 August 2010. The effective date of this agreement was 1 January 2011. The gross profit margin decreased from 74% in the nine-month period ended 31 December 2010 to 73% for the Period under Review.

TE Group's operating expenses for the Period under Review increased by 51% compared to the prior period. This was mainly due to the increase in overall headcounts (including new functional departments), setting up of overseas units in Taiwan and Singapore, renovation costs and rental costs of the new office, launch of new *Pleasant Goat and Big Big Wolf* brand extension, rejuvenation of *Happy Family* and higher marketing expenses to build brand awareness for our existing and new brands in the Greater China area.

Material Acquisition of Subsidiaries

The acquisition of TE Group (the "Acquisition") was approved by the shareholders of the Company on 12 April 2011 and was completed on 13 April 2011. As the initial consideration of the Acquisition, cash consideration of HK$330 million was paid and 1,382,857,143 new shares of HK$0.001 each of the Company (the "Shares") were issued upon the completion. Depending on the financial performance of TE Group in the financial years ended 31 December 2011 and ending 31 December 2012, a further amount of up to HK$232.5 million may be payable in October 2013 as earn-out payment. Further details of the Acquisition and the determination of the earn-out payment were set out in the circular of the Company dated 23 March 2011.

Based on the actual performance of TE Group in the year ended 31 December 2011, the Directors believe that it is unlikely that the TE Group will achieve the performance target of an aggregate net profit of HK$242 million (after tax) for the year ended 31 December 2011 (being HK$85 million) and the year ending 31 December 2012 (being HK$157 million). As such, the condition, amongst others, for the earn-out payment in the form of Promissory Note in connection with the Acquisition is unlikely to be met.

The Shares issued as part of the consideration of the Acquisition were valued at HK$423.5 million for accounting purpose. Together with the cash consideration of HK$330 million, an amount of HK$753.5 million was recorded as the initial consideration of the Acquisition paid on 13 April 2011. In exchange of this HK$753.5 million, the Group recognized (i), based on the completion accounts of TE Group, the fair value of the assets and liabilities of TE Group as at 13 April 2011 amounting to HK$17.6 million; (ii) the aggregate fair value of three intangible assets identified in the Acquisition, namely the trademarks and copyrights owned by TE Group, the CPA with Disney and the underlying assets of the JBMA with CPE, amounting to HK$979.8 million; and (iii) the associated deferred tax liabilities of the three intangible assets totalling HK$243.9 million. According to the prevailing accounting policies adopted by the Group, the three intangible assets are subject to amortization based on their respective contract lives and estimated economic lives ranging from 6 to 12 years.

During the Period under Review, the amortization of these three intangible assets charged to the income statement as cost of sales and the corresponding deferred tax liabilities credited amounted to approximately HK$73.7 million and HK$18.3 million respectively.

Acquisition and Disposal of An Associated Company

As a brand manager, it is always TE Group's strategy to explore new initiatives to promote its brand and assist its licensees in commercial exploitation. Hence, on 13 July 2011, Toon Express International Limited ("TEIL"), a member of TE Group, entered into an agreement to subscribe for a 20.63% equity interest in Sino Light Enterprise Limited ("SLE"), which was then a new business aiming to engage in the design, manufacture, sales and distribution through its retail network of children's apparel under the *Pleasant Goat and Big Big Wolf* brand.

The aggregate consideration was HK$36.4 million, of which HK$9.1 million was satisfied by cash and HK$27.3 million was satisfied by way of provision of certain business support services procured by TE Group which allowed SLE to tap TE Group's experience in brand management business. The transaction was completed and SLE became an associated company of the Group on 29 August 2011.

In the past six months, SLE has built up a retail chain and, as at the end of February 2012, it had over ten stores in Mainland China. All parties involved have concluded that it is the appropriate time for SLE to operate on its own under management of Disney, the master licensee of TE Group and, therefore, on 2 March 2012, TEIL entered into an agreement with another shareholder of SLE pursuant to which TEIL disposed of all its equity interest in SLE on 14 March 2012 at a consideration of HK$9.1 million. Since then, SLE has ceased to be an associated company of the Group and TE Group's obligation of providing business support services was also terminated.

Liquidity and Financial Resources

During the Period under Review, the Company raised approximately HK$483 million in aggregate from the placing of 1,282,816,000 new Shares at a consideration of HK$0.28 per Share on 13 April 2011 and the issue of 1,629,600,000 new Shares pursuant to the exercise of the options granted in May 2010 at an adjusted exercise price of HK$0.076 per Share. The funds so raised were applied to settle the cash consideration of HK$330 million under the Acquisition and as working capital of the Group. Surplus cash with no immediate use has been placed on short-term deposits with licensed banks to earn interest income.

The liquidity and financial position of the Group as at 31 December 2011 remained healthy and strong, with bank balance amounting to HK$281.3 million and a current ratio of 6.2.

As at 31 December 2011, 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

As at 31 December 2011, the Company had in issue 10,020,180,720 Shares and an outstanding option to subscribe for 50,000,000 Shares at an exercise price of HK$0.35 per Share which will expire on 31 December 2013. Details of the share options granted under the share option scheme of the Company are set out under the heading "Share Options" in the Directors' Report.

Charges on Assets

As at 31 December 2011, the Group's entire rights in its second feature film, *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 recognized form of voluntary liquidation in California. The carrying value of *Astro Boy* in the book of accounts of the Group as at 31 December 2011 was nil.

FURURE PLANS AND PROSPECTS

The Group's prospects remain good with the continued strong popularity of *Pleasant Goat and Big Big Wolf* brand. There are increasing media products, quality and presentation improvement of stage shows and carnivals, new image development to broaden and deepen licensing opportunities, major big brand events in progress, breakthrough in movie production, birth of i-xyy.com, new mobile app for marketing initiative targeted at retail, online language learning program to capture the education segment; last but not least, the brand is gearing up to expand overseas with South East Asia as the starting point.

Licensing and Strategic Marketing Initiatives

A Portfolio of Trusted Brands

(1) TV and Movie

CPE has scheduled to produce 220 TV episodes; to be split between *Pleasant Goat and Big Big Wolf*, and *Happy Family*.

CPE will soon commence production for the live action and animation *Pleasant Goat and Big Big Wolf* full feature movie targeted at teenagers and young adults for release in late 2013/14.

Planning and production for *Pleasant Goat and Big Big Wolf* Movies 5 to 7, which will be released between 2013 and 2015 have started. TE Group has planned for major commercial co-operation with sub licensees in the form of product placement and other non-Customer Product licensing co-operation opportunities in Movie 5. To deepen brand integration, maximize licensing opportunities and boost awareness of the *Pleasant Goat and Big Big Wolf* movie, TE Group has licensed 4399.com to design, create and market a web game for Movie 5 release. The Group believes that building interactivities between web-game and the movie is a good way to achieve synergy. It has been proven that game and animation movie can promote each other, especially via game portals like 4399.com which targets at 5–18 years old kids. We are also planting Zentrix[2] characters into Movie 5 as a first step to gauge consumer interest and potentials of revitalizing the Zentrix brand.

In terms of production technology, TE Group is considering the possibility to produce a *Pleasant Goat and Big Big Wolf* movie in stereoscopic 3D in line with prevailing international standards.

As an effort to diversify the portfolio, CPE will be producing a full feature movie for Happy Family. At least 40 new TV episodes will be produced to support the launch. Both the movie and television episodes will be released in the 2nd half of 2012.

The efficient modus operandi of CPE will allow CPE to produce an average of 1.5 movies per year and at significantly lower cost as compared to other production studios.

(2) Stage Shows and Carnivals

For 2012, the planning directions will be on new content development and geographical expansion.

For stage show, the plan is to launch the 3rd sequel of *Pleasant Goat and Big Big Wolf* stage show "Wilie's Cherished Desire" in the 2nd quarter in China to hike up the interest level. A total of 138 stage shows have been signed up so far for the year.

[2] Completed by Imagi in 2002, *Zentrix* aired in France, Germany, the UK, Japan and Hong Kong and went on to win awards at festivals and competitions on three continents, including a Gold Camera at the US International Film & Video Festival in Los Angeles.

For Taiwan, 28–30 stage shows will be organized by Jinho Dissemination Co, Ltd. between June to August throughout the island to support the brand and new TV series "Smart Dodging" which is to be launched in momo Kids Channel.

In addition to the *Pleasant Goat and Big Big Wolf* Mobile Carnivals to be organized by Mactus, CPE is revved up to stage indoor smaller scale carnivals for shopping mall co-operations and corporate bookings. This new round of carnivals is designed to be interactive to give participants different sensual experience. Kids are encouraged to experiment, interact and discover. On the commercial side, discussions with few major sub licensees are in progress. Six carnivals have been confirmed.

Expansion of Core Franchise

A focus group research has been conducted in Guangzhou, Shanghai and Beijing in early March this year to test the appeal of the different new images of *Pleasant Goat and Big Big Wolf* amongst an expanded group of target consumers: infant, mothers, children aged 8–13 and above 13. Research information will be shared with Disney and sub licensees to boost the latter's interest to adopt the new images on their products, as well as recruitment of new licensees.

In addition to working on existing intellectual properties, the Group is developing new intellectual properties and new characters for online and mobile gaming. There is a game development project in the pipeline for the US and China launch. The first game is scheduled to be released in the 2nd/3rd quarter of 2012. If the brand is able to achieve consumer traction, it will allow the Group to consider a full blown exploitation in TV series, movie and consumer products licensing opportunities.

Building Big Brand Image

To create a more impactful promotional experience, *Pleasant Goat and Big Big Wolf* will be engaged in various big scale activities in various key regions in China. We are currently exploring with a major China city subway to extend the exposure of the brand beyond traditional advertising media and blend the brand into people's daily lives. A "discovery" approach to the users of the subway will be deployed in the event execution, with an ultimate objective to make *Pleasant Goat and Big Big Wolf* the "talk of the town".

Interactive Media Initiatives

As TE Group rolls out the new *Pleasant Goat and Big Big Wolf* brand extensions, revenue is expected to grow. In addition, TE Group is moving significantly in the Internet and mobile environment (in addition to traditional channels in which our brands have already gained a significant presence through TE Group and the Master Licensee). TE Group has successfully transformed itself from an animation company to a brand management company based on TE Group's own intellectual property rights. This is significantly different from the past when the Group obtained licensing rights from 3rd party brand owners. The Group now channels its resources to developing its own brands.

Our products are very suitable for Internet and mobile platforms. We are reviewing our options to maximize the benefits to be derived from internet and mobile platforms to stay ahead of competition. TE Group's existing entire database of 1,082 television episodes, 4 movies and numerous publications can all be digitized and commercialized in the Internet and mobile environment. In addition, TE Group is exploring with major partners on other aspects of its e-strategy. The Group has started a mobile game app department in its Chai Wan production studio to launch new brands and to support existing brands. With the rapidly emergence of Stereoscopic 3D devices in the marketplace, the Stereoscopic 3D capability of the Chai Wan production studio will be able to capitalize on this rapidly growing trend as more consumer devices are launched.

Nowadays, people live online. According to The Nielsen Company, China boasts more than 457 million internet users which represent only 34.3% of the total population. Users of social networking sites (SNS) increased by 19.5% from 2009–2010. *Pleasant Goat and Big Big Wolf* has lately launched i-xyy.com which is a social networking forum allowing discussion and interaction among fans of *Pleasant Goat and Big Big Wolf*. There is an additional function to allow redirection to other brand sites for games, video, updated news, mom and kids information, publication, e-commerce and free downloads. This is a good way to connect the fans and the brand, making Customer Relationship Management a reality, where i-xyy.com can send out updates about the brand and its activities to fans who are interested and enable fans to give quick feedback.

The rapid emergence of smartphone technology is transforming consumers' shopping experience. We are now exploring ways as to how *Pleasant Goat and Big Big Wolf* can work with manufacturers in a retail environment via a multi-channel communications approach to strengthen brand interest, purchase satisfaction, and long-term loyalty, and at the same time consumers' disposition towards our cartoon brand. Such a mobile app can be used in most of our licensed products for marketing initiatives.

Education Initiatives

The huge TV library content of *Pleasant Goat and Big Big Wolf* and its appeal amongst kids would facilitate the development and acceptance by parents of the brand in the education arena. We are currently developing *Pleasant Goat and Big Big Wolf* Online Language Learning programs for primary school students in Greater China and South East Asia regions.

Anti-Counterfeit Activities

Second wave of the TV campaign will be launched in early April with the following communication message; "only genuine *Pleasant Goat and Big Big Wolf* licensed consumer products which carry a holographic device can guarantee you product quality".

Overseas Expansion

(1) Taiwan

The potential of *Pleasant Goat and Big Big Wolf* is rapidly emerging as the broadcast of the television episodes in the past few years is now starting to turn into merchandising benefits. There is a strong commitment from both TE Group and Disney to develop the brand for Taiwan market. The surge of Movie 4 box office results by more than 100% from Movie 3 is a key indicator of brand appeal and awareness.

momo Kids Channel has been showing the "Smart Dodging" TV series since January 2012 and has scheduled "Happy Happy Bang Bang' in June 2012 for viewing. In addition, the Group is discussing with a major Taiwanese telecommunication company and free-to-air TV channels to bring the cartoon to a bigger audience.

For the next brand event in the marketing activity calendar, TE Group will be working with Carrefour to stage the "*Pleasant Goat and Big Big Wolf* Children's Day Roadshow" in early April 2012. Apart from festive celebration, other objectives include promoting the new TV series "Happy Happy Bang Bang" as well as recruiting female fans for the Pink Category launch event in July/August. By working with Carrefour, we can pull together our sub licensees to promote the exposure of their licensed products and sales offtake.

With commitment and investment from both TE Group and Disney, Taiwan will soon become another major market for the brand to monetize.

(2) Singapore

Singapore is the key market in the Group's South East Asia expansion plan. Mediacorp's Channel 8 has been broadcasting *Pleasant Goat and Big Big Wolf* cartoon since late 2010. Its interest level towards the brand is on the rise. It has now doubled its library of the *Pleasant Goat and Big Big Wolf* TV series.

TE Group is also working with various Singapore government agencies to create a platform — *Fun Learning Mandarin* — to encourage the appreciation of the Mandarin language and the Chinese culture in a fun and interactive way using *Pleasant Goat and Big Big Wolf* as the ambassador of the whole initiative. A "Mandarin Storytelling Competition" will be hosted in summer, covering all the primary and secondary schools of Singapore.

Going forward, TE Group expects to achieve operational profitability, before the annual amortization of intangible assets (and the reversal of the corresponding deferred tax liabilities). Arising from the acquisition of TE Group and based on the current accounting treatment, the amortization of intangible assets (after reversal of the corresponding deferred tax liabilities) amounts to approximately HK$74 million per annum. The amortization of intangible assets is an accounting treatment and will not affect the Group's future cash flow and liquidity.

GENERAL INFORMATION

Corporate Governance Practices

During the nine months ended 31 December 2011, 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 Rules Governing the Listing of Securities on the Stock Exchange, except for the deviation from Code A.4.1 of the CG Code that none of the non-executive Directors is appointed for a specific term. However, 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 the CG Code.

Purchase, Sale or Redemption of Securities

During the nine months ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Review of the Results

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the final results and the consolidated financial statements of the Group for the nine months ended 31 December 2011.

By order of the Board
Imagi International Holdings Limited
Soh Szu Wei
Executive Director & Chief Executive Officer

Hong Kong, 29 March 2012

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