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 JUNE 2012

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to present the condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012, together with the comparative figures for the six months ended 30 September 2011, as follows:

FINANCIAL INFORMATION
CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**From 1 January 2012 to 30 June 2012** *HK$'000* **(unaudited)**	From 1 April 2011 to 30 September 2011 *HK$'000* (unaudited)
Revenue	*3*	**78,608**	70,839
Cost of sales before amortisation of intangible assets		**(37,152)**	(27,209)
Gross profit before amortisation of intangible assets		**41,456**	43,630
Amortisation of intangible assets		**(49,801)**	(50,327)
Gross loss after amortisation of intangible assets		**(8,345)**	(6,697)
Other income	*4*	**8,454**	2,770
Other (losses) gains		**(2,759)**	2,053
Selling expenses		**(10,193)**	(2,293)
Administrative expenses		**(45,842)**	(46,753)
Share of loss of an associate		**(5,553)**	(701)
Gain on disposal of interests in an associate and cancellation of related options and liabilities	*11*	**7,687**	–
Finance costs		**–**	(79)
Loss before tax	*5A*	**(56,551)**	(51,700)
Income tax credit	*6*	**3,750**	4,991
Loss for the period		**(52,801)**	(46,709)
Loss per share			
Basic and diluted	*8*	**(HK$0.005)**	(HK$0.005)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	From 1 January 2012 to 30 June 2012	From 1 April 2011 to 30 September 2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(52,801)**	(46,709)
Exchange differences arising on translation	**(1,352)**	12,950
Total comprehensive expense for the period	**(54,153)**	(33,759)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2012 *HK$'000* (unaudited)	At 31 December 2011 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**4,752**	7,691
Intangible assets	*9*	**875,117**	932,133
Interest in an associate	*10*	**–**	27,086
Derivative financial instrument		**–**	6,798
Deferred tax assets		**966**	2,359
		880,835	976,067
Current assets			
Inventories		**40**	797
Trade and other receivables, deposits and prepayments	*12*	**80,170**	76,701
Bank balances and cash		**263,101**	281,341
		343,311	358,839
Current liabilities			
Trade, other payables and liabilities	*13*	**14,225**	35,133
Unearned revenue		**4,116**	12,770
Tax payable		**13,521**	9,532
		31,862	57,435
Net current assets		**311,449**	301,404
Total assets less current liabilities		**1,192,284**	1,277,471
Non-current liabilities			
Other liabilities		**–**	17,972
Deferred tax liabilities		**220,534**	232,678
		220,534	250,650
Net assets		**971,750**	1,026,821
Capital and reserves			
Share capital		**10,020**	10,020
Reserves		**961,730**	1,016,801
Total equity attributable to owners of the Company		**971,750**	1,026,821

NOTES

1. Basis of Preparation

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

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"). Given the significance of the Acquisition to the Group, the directors of the Company have henceforth reconsidered the Group's financial reporting procedures and have determined that the reporting period of the Group be changed 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 subsidiaries which operate in the People's Republic of China ("PRC"). Accordingly, the condensed consolidated financial statements for the current period cover a six month period from 1 January 2012 to 30 June 2012. The corresponding comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover a six month period from 1 April 2011 to 30 September 2011 and therefore may not be comparable with amounts shown for the current period.

During the current interim period, the directors of the Group has decided to scale down its operation in Hong Kong and shifted its operation focus to the PRC in order to achieve a better cost control over its operation. The directors reassessed the functional currency of the Company and certain subsidiaries during the current interim period and changed the functional currency of the Company and the relevant subsidiaries from Hong Kong Dollars ("HK$") to Renminbi ("RMB") as RMB better reflects the underlying transactions, events and conditions that are relevant to the Company and the relevant subsidiaries, which is the currency of the primary economic environment in which the Group's major operating subsidiaries and the relevant subsidiaries operate. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*. At the date of the change, all items were translated into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as historical cost. Exchange differences arising from the translation from functional currency to presentation currency of the group's entities were recognised in comprehensive income. During the six months ended 30 June 2012, the Group recognised exchange losses of HK$1,352,000 arising from the translation directly in comprehensive expense.

In the opinion of the directors of the Company, the presentation currency remained unchanged as HK$ to present more relevant information as the shares of the Company have been listed and traded on the Main Board of the Stock Exchange and the majority of the investors of the Company are in Hong Kong and to provide investors a better comparison with the Group's business competitors.

During the current interim period, the directors of the Company have decided to present an income statement and a statement of comprehensive income separately rather than presenting in a single statement. The Group's condensed consolidated income statement is presented immediately precede the condensed consolidated statement of comprehensive income.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the period from 1 April 2011 to 31 December 2011.

In addition, the Group has applied the following accounting policy for change in functional currency during the current interim period:

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions that are relevant to the entity, such effect is accounted for prospectively at the date of change, the entity translates all items into the new functional currency using the prevailing exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognised in comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets.*

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Revenue and Segment Information

For the purpose of performance assessment and resources allocation, the executive directors 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 the Group's computer graphic imaging ("CGI") animation pictures not developed by Infoport and its subsidiaries (the "TE Group"); and

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

From 1 January 2012 to 30 June 2012

	Segment A *HK$'000* **(unaudited)**	**Segment B** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Revenue			
External sales	**4,318**	**74,290**	**78,608**
Segment results	**(17,292)**	**(36,683)**	**(53,975)**
Reconciling items:			
Unallocated administrative expenses			**(4,710)**
Share of loss of an associate			**(5,553)**
Gain on disposal of interests in an associate and cancellation of related options and liabilities			**7,687**
Loss before tax			**(56,551)**
Amounts included in the measure of segment profit or loss:			
Impairment loss on intangible assets	**5,249**	**–**	**5,249**
Amortisation of intangible assets	**–**	**49,801**	**49,801**
Depreciation of property, plant and equipment	**299**	**606**	**905**

From 1 April 2011 to 30 September 2011

	Segment A *HK$'000* (unaudited)	Segment B *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Revenue			
External sales	4,192	66,647	70,839
Segment results	(7,311)	(38,824)	(46,135)
Reconciling items:			
Unallocated administrative expenses			(4,785)
Share of loss of an associate			(701)
Finance costs			(79)
Loss before tax			(51,700)
Amounts included in the measure of segment profit or loss:			
Amortisation of intangible assets	–	50,327	50,327
Depreciation of property, plant and equipment (net of amounts capitalised)	248	375	623

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 and gain on disposal of interests in an associate and cancellation of related options and liabilities. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. The basis of segment revenue and segment results has been consistently applied for the period presented.

4. Other Income

	From 1 January 2012 to 30 June 2012	From 1 April 2011 to 30 September 2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**1,856**	1,646
Government award/subsidies *(note)*	**4,676**	–
Compensation received on settlements of legal cases	**1,276**	1,124
Others	**646**	–
	8,454	2,770

note: These related to several award/subsidies from the PRC local government authority for outstanding performance and contribution to the development of the new media industry. No conditions are attached to the award/subsidies. Such government award/subsidies recognised as other income upon receipt in the current period.

5A. Loss Before Tax

	From 1 January 2012 to 30 June 2012	From 1 April 2011 to 30 September 2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	**905**	789
Less: amounts capitalised in inventories	**–**	(166)
	905	623
Amortisation of intangible assets (Note 9)	**49,801**	50,327
Total depreciation and amortisation	**50,706**	50,950
Impairment loss (reversed) recognised in respect of trade receivables	**(607)**	2,441
Allowance recognised in respect of inventories	**490**	–

5B. Loss Before Interest, Tax, Depreciation and Amortisation

The calculation of the loss before interest, tax, depreciation and amortisation ("LBITDA") for the period is based on the following data:

	From 1 January 2012 to 30 June 2012 *HK$'000* **(unaudited)**	From 1 April 2011 to 30 September 2011 *HK$'000* (unaudited)
LBITDA		
Loss before tax	**(56,551)**	(51,700)
Adjusted for:		
Interest income	**(1,856)**	(1,656)
Finance costs	**–**	79
Depreciation and amortisation	**50,706**	50,950
	(7,701)	(2,327)

6. Income Tax Credit

	From 1 January 2012 to 30 June 2012 *HK$'000* **(unaudited)**	From 1 April 2011 to 30 September 2011 *HK$'000* (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**6,304**	7,684
Withholding tax paid upon dividend received from a subsidiary	**–**	1,400
	6,304	9,084
Underprovision in prior years	**169**	–
	6,473	9,084
Deferred tax		
Current period	**(10,223)**	(12,675)
Reversal upon tax paid	**–**	(1,400)
	(10,223)	(14,075)
	(3,750)	(4,991)

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

The Group's PRC subsidiary is subject to PRC EIT at the statutory rate of 25%.

7. Dividends

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

	From 1 January 2012 to 30 June 2012 (unaudited)	From 1 April 2011 to 30 September 2011 (unaudited)
Loss for the purposes of basic and diluted loss per share	**HK$52,801,000**	HK$46,709,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**10,020,180,720**	9,720,411,990

The computation of diluted loss per share does not assume the exercise of the options granted under the incentive share option scheme and other outstanding options since their exercise would result in a decrease in loss per share for both periods. Therefore, the basic and diluted loss per share are the same.

9. 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 January 2012 (audited)	129,448	227,019	645,204	803,954	1,805,625
Eliminated on dissolution of a subsidiary	–	–	–	(11,912)	(11,912)
Exchange realignment	(1,042)	(1,652)	303	–	(2,391)
At 30 June 2012 (unaudited)	**128,406**	**225,367**	**645,507**	**792,042**	**1,791,322**
AMORTISATION AND IMPAIRMENT					
At 1 January 2012 (audited)	9,958	17,292	47,537	798,705	873,492
Impairment loss recognised in the period	–	–	–	5,249	5,249
Charge for the period	6,617	11,322	31,862	–	49,801
Eliminated on dissolution of a subsidiary	–	–	–	(11,912)	(11,912)
Exchange realignment	(113)	(177)	(135)	–	(425)
At 30 June 2012 (unaudited)	**16,462**	**28,437**	**79,264**	**792,042**	**916,205**
CARRYING VALUE					
At 30 June 2012 (unaudited)	**111,944**	**196,930**	**566,243**	**–**	**875,117**
At 31 December 2011 (audited)	119,490	209,727	597,667	5,249	932,133

notes:

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

The joint brand management agreement with Creative Power Entertaining Limited Liability Company ("CPE") ("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 were 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 of production, broadcasting and licensing of CGI animation pictures not developed by TE Group.

The Group has decided to scale down its operation of the production, broadcasting and licensing of CGI animation pictures during the current interim period, in the opinion of the directors, the future cash flow is less than the aggregate recoverable amount of the CGI animation pictures, an impairment loss of approximately HK$5,249,000 was recognised on the remaining carrying value of CGI animation pictures.

10. Interest in an Associate

	30 June 2012 HK$'000 (unaudited)	31 December 2011 *HK$'000* (audited)
Cost of investment in an associate – unlisted	**29,602**	29,602
Share of accumulated losses	**(8,069)**	(2,516)
Disposal (Note 11)	**(21,533)**	–
	–	27,086

The Group had interest in the following associate at the end of each of the reporting periods:

Name of entity	Form of business structure	Place of establishment/ principal place of operation	Class of share held	Proportion of nominal value of issued capital and voting power held by the Group 30 June 2012	31 December 2011	Principal activities
Sino Light Enterprise Limited ("Sino Light")	Limited company	Hong Kong	Ordinary	**–**	20.63%	Retailing and wholesaling of children's apparel

During the six months ended 30 June 2012, the Group's entire interest in Sino Light was disposed and the related options and liabilities were cancelled. Details of which are set out in Note 11.

11. Disposal of Interests in an Associate and Cancellation of Related Options and Liabilities

On 2 March 2012, the Group entered into deeds and agreements with various parties which involved (i) the transfer of its entire interest in Sino Light to one of the Sino Light Original Shareholders; (ii) the cancellation of the Sino Light Subscription Option with carrying value of HK$6,798,000, TE Put Options, Other Shareholders' Call Options and (iii) the cancellation of Business Support Agreement with carrying value of approximately HK$26.9 million as a result of which all relevant parties were released of their rights and obligations arising therefrom. The Group received a net consideration of HK$9.1 million in relation to the aforesaid arrangement. The disposal was completed on 14 March 2012.

This transaction has resulted in the Group recognising a gain of HK$7,687,000 in profit or loss, calculated as follows:

	HK$'000 **(unaudited)**
Cash proceeds	**9,100**
Less: carrying amount of the 20.63% investment on the date of loss of influence over Sino Light (Note 10)	**(21,533)**
carrying amount of Sino Light Subscription Option	**(6,798)**
Add: carrying amount of management services obligations under the Business Support Agreement	**26,918**
Gain recognised in profit or loss	**7,687**

12. Trade and Other Receivables, Deposits and Prepayments

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Trade receivables *(note i)*	**36,332**	29,291
Less: allowance for doubtful debts	**(4,310)**	(4,917)
	32,022	24,374
Amount due from CPE *(note ii)*	**45,545**	45,385
Other receivables, deposits and prepayments	**2,603**	6,942
	80,170	76,701

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 30 June 2012 were aged less than 60 days based on invoice dates.

(ii) Amount due from CPE included approximately HK$44,942,000 (31 December 2011: HK$43,983,000) related to the JBM Agreement and approximately HK$603,000 (31 December 2011: HK$1,402,000) related to non-trade nature transactions. At the end of the reporting period, both amounts were aged less than one year and were unsecured, non-interest bearing and repayable on demand.

13. Trade, Other Payables and Liabilities

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Trade payables *(note i)*	**4,930**	7,830
Other liabilities *(note ii)*	**–**	9,100
Other payables and accruals	**9,295**	18,203
	14,225	35,133

notes:

(i) Trade payables were aged less than 3 months based on the invoice dates.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group has been under new management since the appointment of Mr. Steven Yung as the deputy chairman and chief executive officer of the Company became effective on 1 April 2012. We aim to build a world class media and entertainment company by unlocking significant values of the Number 1 cartoon characters in China, namely the ***Pleasant Goat and Big Big Wolf***, through the provision of innovative products and quality services relating to these iconic cultural assets.

Given that China is the most important market for the Group, the new management has streamlined our operations and moved our key business functions to mainland China. This strategic move has brought our team much closer to our key partners and target consumers. This integration effort has created a more efficient organization and developed a stronger corporate culture.

Under the Joint Brand Management Agreement ("JBMA") entered into with our strategic partner, Creative Power Entertaining Limited Liability Company ("CPE"), we have worked closely with CPE to extend the reach of the ***Pleasant Goat and Big Big Wolf*** brand by offering a range of products and services via CPE's multimedia platform including movies, TV episodes, live shows, mobile carnivals and new media contents. We are pleased to report that ***Pleasant Goat and Big Big Wolf*** Movie 4 has recorded a breaking box office success of RMB168 million (equivalent to HK$207 million). In addition, we have been involved in the production of two additional movies based on animation brands owned by the Group, namely ***I Love Wolffy***, which was launched on 10 August 2012, and ***Happy Family: Snowball the Memory Gobbler***, which will be shown in the last quarter of 2012. This is a major leap for the Group to be involved in three movie productions in a year.

Since 1 January 2011, the Group has worked closely with its global master licensee, Disney Enterprises, Inc ("Disney"), under the Consumer Products and Related Use Agreement ("CPA") to upgrade the quality of our sub-licensees with a view to attracting and retaining those who are passionate with our brands and commit resources to growing our brands. 2012 is a year of transition for the Group's consumer product licensing business. During the six months ended 30 June 2012, 47 sub-licensees were terminated, 17 were renewed and 7 new sub-licensees were added. This is in line with Disney's policy to get reliable and reputable sub-licensees, so as to ensure the consumer products using the Group's brands are of high quality. On 5 June 2012, Disney held a National Licensees Conference exclusively for the ***Pleasant Goat and Big Big Wolf*** brand and brought together all our existing sub-licensees and potential sub-licensees with a view to rallying and mobilizing them and sharing our vision for the ***Pleasant Goat and Big Big Wolf*** brand. New and innovative growth ideas were also shared with the participants. This conference was the first of its kind for the ***Pleasant Goat and Big Big Wolf*** brand.

In the second quarter of 2012, the Group closed down the operation for production services on CGI animation pictures in Hong Kong and relocated the brand management team to Guangzhou, resulting in an one-off cost of HK$10.5 million incurred in the Period under Review. As a result of this restructuring exercise, we expect to achieve significant cost savings in the second half of 2012 and beyond.

FINANCIAL REVIEW

Review of Results

As the financial year of the Group was changed from 31 March to 31 December effectively after the year ended 31 March 2011, the current interim reporting period covers the six months ended 30 June 2012 (the "Period under Review"), whereas for the purposes of this announcement the comparative period is the last interim period for the six months ended 30 September 2011 (the "Last Comparative Period").

During the Period under Review, Toon Express International Limited, its intermediate holding company (namely Infoport Management Limited) and its subsidiaries (together "TE Group") accounted for most of the Group's revenue, the components of which were licensing income based on the CPA signed with Disney on 30 August 2010, income arising from the JBMA entered into between TE Group and CPE on commercial exploitation of cartoon characters, and other revenue from brand related activities, being HK$27.6 million, HK$44.3 million and HK$2.4 million respectively for the Period under Review. The aggregate of these components, amounting to HK$74.3 million, represents 94.5% of the total revenue of the Group in the Period under Review, compared with HK$66.6 million or 94.1% of the total revenue of the Last Comparative Period. Total revenue of the Group for the Period under Review amounted to HK$78.6 million, representing an increase of HK$7.8 million or 11.0% compared with the Last Comparative Period. The increment was primarily attributed to the increased revenue of HK$4.9 million derived from the consumer product licensing business and HK$2.8 million under the JBMA.

In 2012, revenue per episode of the ***Pleasant Goat and Big Big Wolf*** TV series remains steady compared with the rates prevailing in 2011, whereas in Taiwan and Singapore, the respective average rates were higher than that prevailing in 2011. In mainland China, the rates represent a significant premium over the average rate of our competitors' contents. In 2012, the box office revenue derived from ***Pleasant Goat and Big Big Wolf*** Movie 4 also set a record among domestically produced animation films, reaching RMB168 million in mainland China. Comparatively, the box office revenues for Movies 2 and 3 were RMB128 million and RMB143 million respectively.

The cost of sales increased by HK$9.9 million or 36.4%, when compared with the Last Comparative Period. The increase in cost of sales is mainly attributed to the impairment loss on the remaining carrying value of a CGI animation picture in progress, namely ***Cat Tale***, of HK$5.2 million and the recognition of the production costs of HK$9.5 million relating to the ***Pleasant Goat and Big Big Wolf*** Movie 4 in the Period under Review under the JBMA, but offset in part by the decrease in the share of royalties by Disney of HK$4.3 million. The gross profit margin (before the amortization of intangible assets) has therefore decreased from 61.6% to 52.7%. After the acquisition of TE Group by the Company in April 2011, the directors of the Company (the "Directors") have decided to focus on the Greater China market and, in particular, to allocate most of the Group's resources to support the growth of TE

Group's business. Thus, the Directors have decided to terminate the production of CGI animation pictures in Hong Kong commenced before the change in control of the Company which occurred in May 2010. As at 30 June 2012, the CGI animation pictures in progress had no more carrying value in the Group's book of accounts. The decrease in the share of royalties by Disney is due to a change in the accounting treatment for the share of royalties arising from the new licensing contracts (the "New Licensing Contracts") entered into by Disney with the sub-licensees since it became the global master licensee of TE Group's brands on 1 January 2011. For the old licensing contracts which had been entered into between TE Group and the sub-licensees prior to 1 January 2011, TE Group has been responsible for the collection of the licensing royalties directly from the sub-licensees and paid Disney a share of the royalties which has been recorded in the Group's accounts as cost of sales, whereas for the New Licensing Contracts, Disney has been responsible for the collection of the licensing royalties from the sub-licensees and paid TE Group its share of the royalties. Thus, for the New Licensing Contracts, only TE Group's portion of the royalties received from Disney has been recorded in the Group's accounts, without any cost of sales. In the Last Comparative Period, there was no corresponding recognition of the production costs relating to the ***Pleasant Goat and Big Big Wolf*** Movie 3 and only a small portion of the related revenue was recognized because such costs and a majority of the related revenue were recognized prior to the Last Comparative Period, which commenced from 1 April 2011.

Other income increased by HK$5.7 million when compared with the Last Comparative Period. This is due to the timing of the receipt of government grant. In 2011, the government grant was received in the fourth quarter, while in 2012 the grant was received in the second quarter.

During May 2012, an exercise was conducted to streamline the Group's operation which resulted in the closure of its Chai Wan office. This led to a loss of HK$2.4 million from disposal of property, plant and equipment. During the Period under Review, RMB appreciated steadily against HK$, resulting in an exchange loss of HK$0.4 million. Other losses, comprising the loss on disposal of property, plant and equipment and exchange effect, amounted to HK$2.8 million in the Period under Review. In the Last Comparative Period, there was an exchange gain amounting to HK$2.0 million.

The streamlining exercise also incurred retrenchment costs and office reinstatement cost amounting to HK$7.5 million, which were included in administrative expenses. However, the increase in administrative expenses was offset in part by the reversal of share option expenses due to staff departure, a reduction in bad debt provisions and the reclassification of certain service fees as selling expenses in the Period under Review. These have resulted in a decrease in overall administrative expenses of HK$0.9 million when compared to the Last Comparative Period.

Selling expenses rose by HK$7.9 million to HK$10.2 million due to increased marketing and promotion activities to support the brand extension program of ***Pleasant Goat and Big Big Wolf*** and the rejuvenation of the ***Happy Family*** brand, the reclassification of service fees mentioned above and higher marketing expenses to raise awareness of our existing brands in the Greater China area.

The loss before interest, tax, depreciation and amortization for the Period under Review amounted to HK$7.7 million, compared with HK$2.3 million for the Last Comparative Period. After taking into account, among others, the amortization of intangible assets and the related reversal of the deferred tax liabilities of HK$37.4 million (2011: HK$37.8 million), loss for the Period under Review amounted to HK$52.8 million, compared with HK$46.7 million for the Last Comparative Period.

During the Period under Review, the Group decided to change its functional currency from HK$ to RMB to provide a more reliable and relevant financial information about the Group companies. There was a strong appreciation of RMB against HK$ in Last Comparative Period resulting in an exchange gain of HK$12.9 million arising on translation of non-monetary items which are denominated in RMB, before the change of functional currency was adopted. However, during the Period under Review, as RMB has become relatively stable and less sensitive to the effect of translation, therefore an exchange loss arising on translation of HK$1.3 million was resulted.

Disposal of an Associate

To focus on our core activities, 2012 also saw the disposal of our associated company, Sino Light Enterprise Limited ("SLE"). On 14 March 2012, Toon Express International Limited, a member of TE Group, sold its 20.63% equity interest in SLE and cancelled the related share options and liabilities. TE Group's share of loss from SLE was HK$5.6 million during the period from 1 January 2012 to 14 March 2012. The sale and cancellation resulted in a gain of HK$7.7 million.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 30 June 2012 remained healthy and strong, with bank balance amounting to HK$263.1 million and a current ratio of 10.8.

As at 30 June 2012, the Group had no bank or other borrowings and therefore a zero gearing (expressed as a percentage of total borrowings over total capital).

Capital Structure

As at 30 June 2012, the Company had in issue 10,020,180,720 shares of HK$0.001 each ("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.

Charges of Assets

As at 30 June 2012, 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 30 June 2012 was nil.

PROSPECTS

The Group's vision is to become a world class media and entertainment company engaged in the provision of innovative products and services to unlock significant values attaching to its iconic cultural assets indigenous to China.

Our business model integrates three critical success factors as follows:

(1) Partnering with CPE, we bring out the best of our market leading cartoon characters via CPE's multimedia platform including movies, TV episodes, live shows, mobile carnivals and new media contents.

To leverage the consecutive success of ***Pleasant Goat and Big Big Wolf*** movies during the last four Chinese New Years, a new movie ***I Love Wolffy***, which was produced by Mr. Cartoon Pictures Industry Co. Ltd. ("Mr. Cartoon") under license from CPE, was launched on 10 August 2012. Based on the information provided by Mr. Cartoon, as of 26 August, box office revenue of ***I Love Wolffy*** has already exceeded RMB70 million. This is the first summer movie based on an animation character (namely the ***Big Big Wolf 灰太狼***) from the ***Pleasant Goat and Big Big Wolf*** brand. It demonstrates the power of our brand in the highly competitive summer season. In addition to the economic benefit attributable to CPE under the licensing agreement entered into with Mr. Cartoon, the increased awareness of ***Big Big Wolf 灰太狼*** will further solidify the popularity of the ***Pleasant Goat and Big Big Wolf*** brand. In this year, an additional movie based on another animation brand owned by CPE, ***Happy Family***, will be launched in October, being another high box office period of the year in China. This movie, together with the launch of a new ***Happy Family*** TV series in the last quarter of this year, is expected to rejuvenate the brand. These efforts are part of the Group's strategy to become a multi-brand entertainment group.

With the support from leading national, regional and local television networks, one new TV series of ***Pleasant Goat and Big Big Wolf*** was launched in June and another series is expected to be launched in the last quarter of this year in order to extend the positive momentum of the ***Pleasant Goat and Big Big Wolf*** brand.

(2) Partnering with our master licensee for consumer products, Disney, we continue to upgrade the quality of our sub-licensees with a focus on those who are passionate about our franchise and have the necessary resources to grow with us. Disney has assisted TE Group to upgrade the quality of its sub-licensees by reviewing their credit worthiness, reputation and quality of their products. These processes have taken longer time than TE Group originally expected and most of the new or renewed licensing contracts only came into effect in 2012. However, we believe that this partnership will have positive impact on our brands' value and bring increased economic benefit in the future.

Core growth categories include apparels, toys, food, health and beauty products. Key consumer segments are kids and families, teens and young adults.

(3) Partnering with our movie partners and Disney, we work closely with leading cinema chains, supermarket chains and toys retail chains via trade marketing campaigns to capitalize on the strength of the ***Pleasant Goat and Big Big Wolf*** brand and to increase consumer traffic for participating retailers and cinema chains.

Given the continued success of the ***Pleasant Goat and Big Big Wolf*** brand, the multi-channel distribution platform of our strategic partner, CPE, the creativity of the CPE's indigenous production team and Disney's global resources and merchandising expertise, we are well positioned to benefit from the rapidly growing consumer market in China. The efforts made pursuant to the three-pronged strategy mentioned above, together with the streamlining exercise conducted during the Period under Review, have placed the Group squarely on the path to operational profitability before the annual amortization of intangible assets (and the reversal of the corresponding deferred tax liabilities).

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company commits to maintain high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has made various amendments to the Code on Corporate Governance Practices (the "Former CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and renamed it the Corporate Governance Code and Corporate Governance Report (the "Revised CG Code"). The Revised CG Code took effect on 1 April 2012.

The Company has complied with the code provisions of the Former CG Code during the period from 1 January 2012 to 31 March 2012 except for the deviation from Code A.4.1 of the Former CG Code that none of the non-executive Directors was appointed for a specific term. However, on 30 March 2012, each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years commencing from 1 April 2012.

During the period from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the Revised CG Code except for the deviations described below.

- The Company did not have a nomination committee as set out in Code A.5 of the Revised CG Code during the period from 1 April 2012 to 30 June 2012 as more time was required to finalise the composition. However, the nomination committee of the Company (the "Nomination Committee") has been established with effect from 1 July 2012 with the primarily responsibilities of reviewing the structure, size and composition of the Board, identifying and recommending individuals nominated for directorships. The members of the Nomination Committee comprise one non-executive Director, namely Mr. Leung Pak To who serves as the chairman of the committee, and two independent non-executive Directors, namely Dr. Lam Lee G. and Ms. Wei Wei. Specific written terms of reference which deal clearly with the authority and duties of the Nomination Committee has also been established and published on the websites of the Stock Exchange and the Company.

- Code A.6.7 of the Revised CG Code provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Dr. Lam Lee G. and Mr. Lim Chin Leong, the independent non-executive Directors, and Mr. Yang Fei, the non-executive Director, were unable to attend the annual general meeting of the Company held on 11 June 2012 due to their respective overseas engagements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

By order of the Board
Imagi International Holdings Limited
Yung Tse Kwong, Steven
Executive Director

Hong Kong, 29 August 2012

As at the date of this announcement, the Board comprises Mr. Leung Pak To as the Chairman and non-executive director; Mr. Yung Tse Kwong, Steven as the executive director; Ms. Ma Wai Man, Catherine and Mr. Yang Fei (Mr. Lian Meng as his alternate) 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.