IMAGI

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

(incorporated in Bermuda with limited liability)

(stock code: 585)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 year ended 31 December 2012, together with the comparative figures for the nine months ended 31 December 2011, as follows:

FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT

	Notes	**From 1 January 2012 to 31 December 2012** *HK$'000*	From 1 April 2011 to 31 December 2011 *HK$'000* (Restated)
Continuing operations			
Revenue	*3*	**151,182**	110,843
Cost of sales before amortisation of intangible assets	*4*	**(54,567)**	(30,048)
Gross profit before amortisation of intangible assets		**96,615**	80,795
Amortisation of intangible assets	*11*	**(99,910)**	(73,729)
Gross (loss) profit after amortisation of intangible assets		**(3,295)**	7,066
Other income	*5*	**9,403**	8,559
Other gains and losses		**1**	170
Selling expenses		**(19,590)**	(9,403)
Administrative expenses		**(82,220)**	(61,644)
Share of loss of an associate		**(5,553)**	(2,516)
Gain on disposal of interests in an associate and cancellation of related options and liabilities	*13*	**7,687**	–
Finance costs		**–**	(79)
Loss before taxation	*6A*	**(93,567)**	(57,847)
Income tax credit	*7*	**14,429**	7,642
Loss for the year/period from continuing operations		**(79,138)**	(50,205)
Discontinued operation			
Loss for the year/period from discontinued operation	*8*	**(12,429)**	(17,150)
Loss for the year/period		**(91,567)**	(67,355)
Loss per share from continuing and discontinued operations — Basic and diluted	*10*	**(HK$0.009)**	(HK$0.007)
Loss per share from continuing operations — Basic and diluted	*10*	**(HK$0.008)**	(HK$0.005)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	From 1 January 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 December 2011 *HK$'000*
Loss for the year/period	**(91,567)**	(67,355)
Exchange differences arising on translation	**11,978**	17,074
Total comprehensive expenses for the year/period	**(79,589)**	(50,281)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2012 *HK$'000*	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,779**	7,691
Intangible assets	*11*	**841,492**	932,133
Interest in an associate	*12*	**–**	27,086
Derivative financial instrument		**–**	6,798
Deferred tax assets		**2,208**	2,359
		848,479	976,067
Current assets			
Inventories		**–**	797
Trade and other receivables, deposits and prepayments	*14*	**90,968**	76,701
Bank balances and cash		**253,567**	281,341
		344,535	358,839
Current liabilities			
Trade, other payables and liabilities	*15*	**18,280**	35,133
Unearned revenue		**3,101**	12,770
Tax payable		**11,086**	9,532
		32,467	57,435
Net current assets		**312,068**	301,404
Total assets less current liabilities		**1,160,547**	1,277,471
Non-current liabilities			
Other liabilities		**–**	17,972
Deferred tax liabilities		**212,533**	232,678
		212,533	250,650
Net assets		**948,014**	1,026,821
Capital and reserves			
Share capital		**10,020**	10,020
Reserves		**937,994**	1,016,801
Total equity attributable to owners of the Company		**948,014**	1,026,821

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") 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") and Hong Kong Companies Ordinance.

(i) 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 had 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 consolidated financial statements for the prior period cover a nine-month period from 1 April 2011 to 31 December 2011 of the Group and therefore may not be comparable with amounts shown for the current year which cover a twelve-month period from 1 January 2012 to 31 December 2012.

(ii) During the current year, the directors of the Company have decided to discontinue its operation in Hong Kong which was primarily engaged in the Segment A business (as defined in Note 3) and shifted its operation focus to the PRC in order to achieve a better cost control over its operation. As a result of this change, the directors have:

(a) reassessed the functional currency of the Company and certain subsidiaries during the current year 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 year, the Group recognised exchange gain of HK$11,978,000 arising from the translation directly in comprehensive expense.

(b) in the opinion of the directors of the Company, the presentation currency in HK$ remains unchanged as the shares of the Company are listed and traded on the Main Board of the Stock Exchange and the majority of the Company's investors are in Hong Kong.

(c) Segment A business has been discontinued and presented as a discontinued operation in these consolidated financial statements. The results for the nine-month period from 1 April 2011 to 31 December 2011 have been restated and presented separately in the consolidated income statement.

(iii) During the current year, the directors of the Company have also decided to present an income statement and a statement of comprehensive income separately rather than presenting a single statement.

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the nine-month 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 year:

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 year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 7	Financial Instruments: Disclosures-Transfers of Financial Assets

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior periods and/or on the disclosures set out in these 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"), used to regularly review 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 ("TE Group"); and
Segment B:	Licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group.

However, Segment A was discontinued in the current year and details are set out in Note 8.

Segment revenues and results

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

From 1 January 2012 to 31 December 2012

	Continuing operations Segment B *HK$'000*	**Discontinued operation Segment A** *HK$'000*	**Total** *HK$'000*
Revenue			
External sales	**151,182**	**4,031**	**155,213**
Segment results	**(81,049)**	**(12,429)**	**(93,478)**
Reconciling items:			
Unallocated income and administrative expenses, net	**(14,652)**	**–**	**(14,652)**
Share of loss of an associate	**(5,553)**	**–**	**(5,553)**
Gain on disposal of interests in an associate and cancellation of related options and liabilities	**7,687**	**–**	**7,687**
Loss before taxation	**(93,567)**	**(12,429)**	**(105,996)**

From 1 April 2011 to 31 December 2011

	Continuing operations Segment B HK$'000	Discontinued operation Segment A HK$'000	Total HK$'000
Revenue			
External sales	110,843	6,390	117,233
Segment results	(43,942)	(17,150)	(61,092)
Reconciling items:			
Unallocated administrative expenses	(11,310)	–	(11,310)
Share of loss of an associate	(2,516)	–	(2,516)
Finance costs	(79)	–	(79)
Loss before taxation	(57,847)	(17,150)	(74,997)

Other segment information

From 1 January 2012 to 31 December 2012

	Continuing operations Segment B *HK$'000*	Discontinued operation Segment A *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss:			
Additions to non-current assets	**1,662**	**–**	**1,662**
Impairment loss on intangible assets	**–**	**(5,249)**	**(5,249)**
Amortisation of intangible assets	**(99,910)**	**–**	**(99,910)**
Depreciation of property, plant and equipment	**(1,363)**	**(246)**	**(1,609)**
Allowance for doubtful debts	**(3,504)**	**–**	**(3,504)**
Loss on disposal of property, plant and equipment	**(137)**	**(2,449)**	**(2,586)**

From 1 April 2011 to 31 December 2011

	Continuing operations Segment B *HK$'000*	Discontinued operation Segment A *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss:			
Additions to non-current assets	986,295	268	986,563
Impairment loss on intangible assets	–	(5,250)	(5,250)
Amortisation of intangible assets	(73,729)	–	(73,729)
Depreciation of property, plant and equipment (net of amounts capitalised)	(800)	(516)	(1,316)
Allowance for doubtful debts	(4,856)	–	(4,856)
Loss on disposal of property, plant and equipment	(166)	(10)	(176)

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 income, 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. This basis of segment revenue and segment results has been consistently applied for the year/period 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.

4. Cost of Sales Before Amortisation of Intangible Assets

	Continuing operations		Discontinued operation		Consolidated	
	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Royalty fees	**7,358**	16,371	**–**	–	**7,358**	16,371
Production cost for CGI animation pictures	**–**	–	**5,738**	13,540	**5,738**	13,540
Impairment loss on intangible assets *(Note 11)*	**–**	–	**5,249**	5,250	**5,249**	5,250
Impairment loss on inventories	**39**	–	**266**	–	**305**	–
Production cost for licensing and management of cartoon character trademarks by TE Group	**47,170**	13,677	**–**	–	**47,170**	13,677
	54,567	30,048	**11,253**	18,790	**65,820**	48,838

5. Other Income

	Continuing operations		Discontinued operation		Consolidated	
	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**3,224**	123	**–**	2,526	**3,224**	2,649
Compensation for infringement	**3,972**	1,252	**–**	–	**3,972**	1,252
Government award/ subsidies *(note)*	**–**	6,280	**–**	–	**–**	6,280
Others	**2,207**	904	**–**	179	**2,207**	1,083
	9,403	8,559	**–**	2,705	**9,403**	11,264

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 were attached to the award/subsidies. Such government award/subsidies were recognised as other income upon receipt during the period ended 31 December 2011.

6A. Loss Before Taxation

	Continuing operations		Discontinued operation		Consolidated	
	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation has been arrived at after charging and (crediting):						
Directors' emoluments	**10,607**	9,047	**–**	–	**10,607**	9,047
Contribution to retirement benefit scheme	**5,954**	2,346	**154**	393	**6,108**	2,739
Other staff costs (salaries and wages)	**58,351**	31,226	**4,113**	9,640	**62,464**	40,866
Equity-settled share-based payments expenses other than directors	**199**	255	**–**	–	**199**	255
Total staff costs	**75,111**	42,874	**4,267**	10,033	**79,378**	52,907
Less: amounts capitalised	**–**	–	**–**	(320)	**–**	(320)
	75,111	42,874	**4,267**	9,713	**79,378**	52,587
Depreciation of property, plant and equipment	**1,363**	800	**246**	539	**1,609**	1,339
Less: amounts capitalised	**–**	–	**–**	(23)	**–**	(23)
	1,363	800	**246**	516	**1,609**	1,316
Amortisation of intangible assets *(Note 11)*	**99,910**	73,729	**–**	–	**99,910**	73,729
Total depreciation and amortisation	**101,273**	74,529	**246**	516	**101,519**	75,045
Rentals in respect of premises under operating leases	**5,532**	3,185	**857**	1,485	**6,389**	4,670
Less: amounts capitalised	**–**	–	**–**	(17)	**–**	(17)
	5,532	3,185	**857**	1,468	**6,389**	4,653
Auditor's remuneration	**1,200**	3,051	**–**	–	**1,200**	3,051
Allowance for doubtful debts	**3,504**	4,856	**–**	–	**3,504**	4,856

6B. Earnings (Loss) Before Interest, Tax, Depreciation and Amortisation

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

	Continuing operations		**Discontinued operation**		**Consolidated**	
	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
EBITDA (LBITDA)						
Loss before taxation	**(93,567)**	(57,847)	**(12,429)**	(17,150)	**(105,996)**	(74,997)
Adjusted for:						
Interest income	**(3,224)**	(123)	**–**	(2,526)	**(3,224)**	(2,649)
Finance costs	**–**	79	**–**	–	**–**	79
Depreciation and amortisation	**101,273**	74,529	**246**	516	**101,519**	75,045
	4,482	16,638	**(12,183)**	(19,160)	**(7,701)**	(2,522)

7. Income Tax Credit

	Continuing operations		**Discontinued operation**		**Consolidated**	
	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011	**From 1 January 2012 to 31 December 2012**	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
PRC Enterprise Income Tax ("EIT")	**8,859**	10,353	**–**	–	**8,859**	10,353
Withholding tax paid upon dividend received from subsidiaries	**–**	1,405	**–**	–	**–**	1,405
	8,859	11,758	**–**	–	**8,859**	11,758
Under/(over)provision in prior years:						
Current tax	**170**	(36)	**–**	–	**170**	(36)
	9,029	11,722	**–**	–	**9,029**	11,722
Deferred tax:						
Current year/period	**(23,458)**	(17,959)	**–**	–	**(23,458)**	(17,959)
Reversal upon tax paid	**–**	(1,405)	**–**	–	**–**	(1,405)
Total	**(14,429)**	(7,642)	**–**	–	**(14,429)**	(7,642)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the year/period.

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

8. Discontinued Operation

During the year end 31 December 2012, the directors discontinued its operation in Hong Kong which was previously engaged in the Segment A business and shifted the Group's focus to the PRC in order to achieve a better cost control over its operation.

The results for the nine-month period from 1 April 2011 to 31 December 2011 have been restated and presented separately in the consolidated income statement. The results of the Segment A business for both periods from the beginning of the reporting period to the date of cessation of operation, which have been included in the consolidated income statement as discontinued operation, were as follows:

	From 1 January 2012 to 31 December 2012	From 1 April 2011 to 31 December 2011
	HK$'000	*HK$'000*
Revenue	**4,031**	6,390
Cost of sales before amortisation of intangible assets	**(11,253)**	(18,790)
Other income	**–**	2,705
Other losses	**(2,449)**	(24)
Selling expenses	**–**	(11)
Administrative expenses	**(2,758)**	(7,420)
Loss for the year/period	**(12,429)**	(17,150)

9. Dividends

No dividend was paid or proposed during the year ended 31 December 2012 (From 1 April 2011 to 31 December 2011: Nil), nor has any dividend been proposed since the end of the reporting period.

10. Loss Per Share

From continuing and discontinued operations

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 31 December 2012 *HK$'000*	From 1 April 2011 to 31 December 2011 *HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share	**91,567**	67,355
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**10,020,180,720**	9,820,698,257

The computation of diluted loss per share does not assume the exercise of 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 the year/period.

From continuing operations

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

	From 1 January 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 December 2011 *HK$'000*
Loss for the year/period attributable to the owners of the Company	**91,567**	67,355
Less: Loss for the year/period from discontinued operation	**(12,429)**	(17,150)
Loss for the year/period attributable to the owners of the Company from continuing operations	**79,138**	50,205

The denominators used are the same as those detailed above for both the basic and diluted loss per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is 0.12 cents per share (31 December 2011: loss of 0.17 cents per share), based on the loss for the year from the discontinued operation of HK$12,429,000 (31 December 2011: HK$17,150,000) and the denominators detailed above for the basic and diluted loss per share.

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 2011	–	–	–	837,946	837,946
Acquired on acquisition of subsidiaries *(Note 1)*	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
Additions	–	277	–	–	277
Exchange realignment	1,396	2,633	12,558	–	16,587
Eliminated on dissolution of a subsidiary	–	–	–	(15,399)	(15,399)
Derecognised during the year	–	–	–	(457,910)	(457,910)
At 31 December 2012	**130,844**	**229,929**	**657,762**	**330,645**	**1,349,180**
AMORTISATION AND IMPAIRMENT					
At 1 April 2011	–	–	–	827,447	827,447
Charge for the period *(Note 6A)*	9,958	17,292	46,479	–	73,729
Exchange realignment	–	–	1,058	–	1,058
Impairment loss recognised in the period *(Note 4)*	–	–	–	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
Charge for the year *(Note 6A)*	13,272	22,732	63,906	–	99,910
Exchange realignment	255	458	1,633	–	2,346
Impairment loss recognised in the year *(Note 4)*	–	–	–	5,249	5,249
Eliminated on dissolution of a subsidiary	–	–	–	(15,399)	(15,399)
Derecognised during the year	–	–	–	(457,910)	(457,910)
At 31 December 2012	**23,485**	**40,482**	**113,076**	**330,645**	**507,688**
CARRYING VALUE					
At 31 December 2012	**107,359**	**189,447**	**544,686**	**–**	**841,492**
At 31 December 2011	119,490	209,727	597,667	5,249	932,133

notes:

(i) The Consumer Products Agreement has a term of 10 years and will expire on 31 December 2020 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 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 were allocated to the Group's cash-generating unit ("CGU") relating to Segment A (Note 3).

During the year, the Group discontinued its operation of the Segment A business. In the opinion of the directors, the carrying value of the CGI animation pictures was no longer recoverable, and accordingly, an impairment loss of approximately HK$5,249,000 was recognised.

(iv) For the purpose of impairment testing, the Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement are allocated to two separate CGUs relating to Segment B (Note 3) (collectively the "Segment B Intangible Assets").

The recoverable amounts of Consumer Products Agreement and TE Trademarks and Copyrights (Unit A) and JBM Agreement (Unit B) have been determined on the basis of higher of value in use and fair value less costs to sell in each of the reporting period, as follows:

(a) For the period ended 31 December 2011, the value in use of Units A and B were calculated using cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 18% for Unit A and of 16% to 20% for Unit B. The sets of cash flows beyond the five-year period are extrapolated using a growth rate of 3% for both units. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, such estimation is based on the management's expectations for the market development.

(b) For the year ended 31 December 2012, the recoverable amount of Units A and B which have been determined on the basis of fair value less costs to sell is determined by the directors based on the best information available to them.

Accordingly, in the opinion of the directors, taking into account the estimated future cash flows and the estimated fair value less costs to sell, no impairment loss needs to be recognised in respect of the Segment B Intangible Assets for the year/period.

12. Interest in an Associate

	2012	2011
	HK$'000	*HK$'000*
Cost of investment in an associate — unlisted	**29,602**	29,602
Share of accumulated losses	**(8,069)**	(2,516)
Disposal *(Note 13)*	**(21,533)**	–
	–	27,086

As at the end of the reporting period, 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 2012	31 December 2011	
Sino Light Enterprise Limited ("Sino Light")	Limited company	Hong Kong	Ordinary	**–**	20.63%	Retailing and wholesaling of children's apparel

During the year ended 31 December 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 13.

13. 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 other shareholders of Sino Light; (ii) the cancellation of the Sino Light subscription option with carrying value of HK$6,798,000, a put option granted to TE Group, a call option granted to other shareholders of Sino Light 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.

As a result of the above transactions, the Group recognised a gain of HK$7,687,000 in profit or loss, calculated as follows:

	HK$'000
Cash proceeds	9,100
Less: carrying amount of the 20.63% investment on the date of loss of influence over Sino Light *(Note 12)*	(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

14. Trade and Other Receivables, Deposits and Prepayments

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**47,230**	29,291
Less: allowance for doubtful debts	**(8,523)**	(4,917)
	38,707	24,374
Amount due from CPE *(note i)*	**48,775**	45,385
Other receivables, deposits and prepayments *(note ii)*	**3,486**	6,942
	90,968	76,701

notes:

(i) Amount due from CPE included approximately HK$47,169,000 (31 December 2011: HK$43,983,000) related to the JBM Agreement and approximately HK$1,606,000 (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 within one year.

(ii) The amount included approximately HK$112,000, HK$1,670,000 and HK$600,000 (31 December 2011: nil, HK$2,852,000 and nil) that are denominated in EUR, USD and HK$ which are not functional currencies of the relevant group entities.

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 day to 30 days. The aged analysis of the Group's trade receivables (net of allowance) at the end of each reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current	**37,555**	23,065
31–60 days	**–**	1,309
61–90 days	**251**	–
91 days–1 year	**901**	–
	38,707	24,374

15. Trade, Other Payables and Liabilities

	2012	2011
	HK$'000	*HK$'000*
Trade payables *(note i)*	**5,600**	7,830
Other liabilities *(note ii)*	**–**	9,100
Other payables and accruals *(note iii)*	**12,680**	18,203
	18,280	35,133

notes:

(i) Trade payables are aged less than 30 days based on the invoice dates.

(ii) The amount represents the current portion of the other liabilities as at 31 December 2011.

(iii) The amount included approximately HK$241,000, HK$1,210,000 and HK$858,000 (31 December 2011: HK$514,000, HK$1,254,000 and nil) that are denominated in EUR, USD and HK$ which are not functional currencies of the relevant group entities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group continued to aim at building 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*. Partnering with our strategic partner Creative Power Entertaining Limited Liability Company ("CPE") and our global master licensee Disney Enterprises, Inc. ("Disney" or "Master Licensee") and other Disney affiliates, we continued to provide consumers the maximum interaction and memorable experiences in terms of contents across all lines of business and consumer products through merchandise licensing respectively.

Given that China is the most important market for the Group, the management has streamlined our operations and moved key business functions to mainland China. In 2012, the Group closed down the operation for production services on computer graphic imaging ("CGI") animation pictures in Hong Kong and relocated the brand management team to Guangzhou, the PRC.

Consumer Products Licensing

Since 1 January 2011, the Group has worked closely with the Master Licensee 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, can meet our quality standards and commit resources to growing our brands. In 2012, Disney terminated 114 sub-licensees, renewed 20 contracts and signed up 29 new licensees with an aggregate minimum guaranteed licensing fee of HK$180.7 million spanning over three years. 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.

To further boost the sales performance and increase the brand exposure of *Pleasant Goat and Big Big Wolf*, various retail promotions in key accounts' outlets including Toys"R"Us and Walmart were held, especially during "Back to School" and Christmas periods. In addition, during the Chinese New Year holidays period, KFC Kids Meals were bundled with the licensed *Pleasant Goat and Big Big Wolf* Movie V's themed toys.

Disney has also opened up new markets. *Pleasant Goat and Big Big Wolf* consumer products were sold in Singapore and Thailand through local distributors covering a wide range of products including toys, stationery and publications.

Anti-Counterfeit Activities

To further strengthen the intellectual property rights of *Pleasant Goat and Big Big Wolf*, so as to increase the confidence of both consumers and licensees, Disney has launched a revised "Disney Licensed Merchandise" logo, which certifies that the product is licensed by Disney. In addition, the Group also launched two waves of anti-counterfeit campaigns on TV and paper media. In 2012, the Group worked on 172 IP infringement cases in which our intellectual property rights were violated.

E-Commerce

Vancl, one of the biggest online fashion and accessories E-commerce sites in China, introduced "Simple Life" T-shirt in last summer, which continued to be one of the top selling items since then.

Strategic Alliance with CPE

Under the Joint Brand Management Agreement ("JBMA") entered into with our strategic partner, 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. 2012 was another productive and fruitful year for CPE, producing 220 TV episodes of 15 minutes each and two movies, and getting involved in the production of a real action movie in a year, which amounted to a total animation production of over 3,500 minutes.

Movies

Pleasant Goat and Big Big Wolf movie IV "Mission Incredible: Adventure on the Dragon's Trail" (開心闖龍年) ("Movie IV") launched at the beginning of 2012 (immediately prior to the Chinese New Year of Dragon) has recorded a breaking box office success of HK$207 million (RMB168 million). CPE launched another movie "Happy Family: Snowball the Memory Gobbler" (寶貝女兒好媽媽之吃記憶的大雪球) on 30 September 2012 and was involved in the production of a movie by Mr. Cartoon Pictures Industry Co., Ltd based on animation brands owned by the Group, namely "I Love Wolffy" (我愛灰太狼), which was launched on 10 August 2012. "I Love Wolffy" achieved total box office revenue of over HK$90 million (RMB73 million) and "Happy Family" received a lot of applauses among fans and animation commentators. This is a major leap for the Group to be involved in three movie productions in a year.

Pleasant Goat and Big Big Wolf movie V "The Mythical Ark: Adventures in Love & Happiness" (喜氣羊羊過蛇年) ("Movie V") was released on 24 January 2013 and recorded box office of approximately HK$154 million (RMB122 million). During this year's Lunar New Year holiday, blockbusters released in China included "007 Skyfall" and two other Chinese local animation productions, namely "Roco kingdom: the desire of dragon" (洛克王國2聖龍的心願) and "Balala the Fairies" (巴啦啦小魔仙). Among the five *Pleasant Goat and Big Big Wolf* movies ever launched by CPE, Movie V has faced the toughest competition. Analysis of the box office results for Movie V provides food for thought. On one hand, CPE is very pleased that it has consistently maintained its leadership position in the "Top 10 Chart of Local Cartoon Movies in China", in which the top five hits are CPE's movies featuring "*Pleasant Goat and Big Big Wolf*". On the other hand, heightened competition and rapid market changes entail more creativity and better responsiveness to consumer's needs in order to maintain *Pleasant Goat and Big Big Wolf's* leading position in the animation industry.

TV Series Broadcast Performance

CPE continued to be one of the strongest animation producers and distributors of TV episodes in the Greater China region. In 2012, total production of CPE reached 220 episodes, including two series of *Pleasant Goat and Big Big Wolf*, namely *The Athletic Carousel* (競技大聯盟) and *Happy Diary* (開心日記) , and one series of *Happy Family* (寶貝女兒好媽媽), namely *Family of Joy* (快樂的家庭) . TV ratings of *Pleasant Goat and Big Big Wolf: Smart Dodging* (奇思妙想喜羊羊) received the highest ratings amongst 4–14 years old (China nationwide) at 3.30% in the 3rd quarter of 2012, while that of *The Athletic Carousel* was 3.27% in the 4th quarter of 2012.

Publications

188 titles were developed and more than 7.3 million copies of *Pleasant Goat and Big Big Wolf* publications (books and magazines) were sold in 2012.

New publication products were developed, including interactive reading books which intended to enhance the learning pace and explore different talents of kids.

Stage Shows and Carnivals

The third sequel, *Wilie's Cherished Desire* (小灰灰的心願), was launched in April 2012 with 69 shows performed in the year. Together with the first two sequels, a total of 134 shows were performed in 2012.

In Taiwan, Jinho Communication Co., Ltd, our stage show partner, ran 12 *Pleasant Goat and Big Big Wolf* stage shows in 2012 and has undertaken to perform six shows in early 2013.

Overseas Activities

In Taiwan, Weslie and Wolffy of *Pleasant Goat and Big Big Wolf* attended the balloon parade festival "Open Your Dream" (夢時代大汽球遊行) orgainsed by Uni-President Group (統一企業集團) during the Christmas holidays, which attracted over 300,000 visitors.

Buena Vista International, an affiliate of Disney, introduced Movie IV and *The Athletic Carousel* in Disney Channel and Eastern Broadcasting Company's ETTV (東森電視) in Taiwan.

In Hong Kong, CPE entered into a contract with TVB to show *The Athletic Carousel* and *Happy Diary* in TVB Jade, followed by *Smart Dodging* in TVB's paid Kids Channel.

In Singapore, CPE entered into another contract with MediaCorp's Channel 8 to show more *Pleasant Goat and Big Big Wolf* episodes. During the Easter holidays in 2012, MediaCorp partnered with the Group in the Singapore Book Fair 2012 to hold a quiz competition via its TV platform and a prize ceremony in the venue of the book fair.

In Thailand, a new contract was signed with TrueVisions to broadcast *Pleasant Goat and Big Big Wolf* TV episodes. Concurrently, our Meet and Greet mascots were introduced for the first time in Thailand, to create the interactive experience with the local fans.

In Macau, *Pleasant Goat and Big Big Wolf* images were used to decorate a public library named Wong Ieng Kuan Children's Library (黃營均兒童圖書館) located in Areia Preta Urban Park (黑沙環公園). Macau government officials participated in an opening ceremony held on 1 December 2012. This is the first time the images of *Pleasant Goat and Big Big Wolf* were used in the design of a public facility.

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 reporting period covers the twelve months ended 31 December 2012 (the "Year under Review"), whereas for the purposes of this report the comparative period is the nine months ended 31 December 2011 (the "Last Comparative Period").

During 2012, the directors of the Company ("Directors") decided to discontinue its operation in its Chai Wan office which was primarily engaged in the production, broadcasting and licensing of the Group's CGI animation pictures not developed by Toon Express International Limited, its intermediate holding company and its subsidiaries (together "TE Group"), and moved its operation centre to the PRC in order to lower the cost base of the Group and improve the efficiency of the TE Group by its moving closer to CPE. As a result of this change, the Directors presented the previous CGI operation based in Hong Kong as a discontinued operation (the "Discontinued Operation") in the consolidated financial statements of the Group for the year ended 31 December 2012, while licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group were presented as continuing operations (the "Continuing Operations").

Continuing Operations

The Group's revenue for Continuing Operations mainly includes 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 the commercial exploitation of cartoon characters, and other revenue from brand related activities. For the Year under Review, total revenue of the Continuing Operations amounted to HK$151.1 million, representing an increase of HK$40.3 million or 36% compared with the Last Comparative Period, which was primarily attributable to the increase in revenue of HK$43.6 million under the JBMA, offset by a decrease of HK$3.3 million derived from the consumer product licensing business.

In the Year under Review, the Group's revenue from *Pleasant Goat and Big Big Wolf* TV series increased by HK$5.3 million and revenue from movies increased by HK$39.4 million compared with the Last Comparative Period, which consisted of nine months only. In particular, the box office revenue derived from *Pleasant Goat and Big Big Wolf* Movie IV launched in early 2012 set a record among domestically produced animation films, reaching HK$207 million (RMB168 million) in mainland China. The Group recorded revenue of around HK$30 million related to Movie IV, while a majority of the revenue related to *Pleasant Goat and Big Big Wolf* Movie III (which was launched in early 2011) was recognised prior to the Last Comparative Period, which commenced on 1 April 2011.

The cost of sales for the Continuing Operations increased by HK$24.5 million in 2012 compared to that of the Last Comparative Period, which mainly represents an increase of HK$21 million in the cost of sales related to movies, including *Pleasant Goat and Big Big Wolf* Movie IV, "I Love Wolffy" and "Happy Family". In the Last Comparative Period, there was no corresponding recognition of production costs related to *Pleasant Goat and Big Big Wolf* Movie III as such costs and a majority of the related revenue were recognised prior to the Last Comparative Period. As the gross profit margin of movie business is usually lower than that of TV episodes, the gross profit margin (before the amortisation of intangible assets) therefore decreased from 72% to 64%.

The acquisition of TE Group by the Group in April 2011 resulted in certain commercial contracts entered into by TE Group and the trademarks owned by it being recognised as intangible assets, which are subject to amortisation under the accounting policies adopted by the Group. For the Year under Review, the amortisation of intangible assets charged to the income statement and the associated reversal of deferred tax amounted to HK$99.9 million and HK$24.8 million respectively, compared to HK$73.7 million and HK$18.3 million for the Last Comparative Period respectively.

Other income from Continuing Operations for the Year under Review mainly comprised of interest income of HK$3.2 million arising from cash and bank balances and compensation of HK$4.0 million for infringement of our intellectual property rights.

Selling expenses from Continuing Operations increased by HK$10.1 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, reclassification of certain service fees as selling expenses in the Year under Review, and higher marketing expenses to raise awareness of our existing brands in the Greater China area.

As a result of the closure of its Chai Wan office in 2012, the Group incurred retrenchment costs and office reinstatement cost amounting to HK$7.5 million, of which HK$6.0 million was included in administrative expenses of Continuing Operations. Furthermore, some of the managerial staff joined the Group in mid 2011, leading to an increase in staff costs when compared with the Last Comparative Period. Although the increase in administrative expenses was offset in part by the reversal of share option expenses due to staff departure and the reclassification of certain service fees as selling expenses in the Year under Review, an increase in overall administrative expenses of HK$20.6 million was recorded when compared to the Last Comparative Period.

As a result of the decrease in the Group's gross profit margin (before the amortisation of intangible assets) and increase in administrative expenses, the earnings before interest, tax, depreciation and amortisation from Continuing Operations for the Year under Review decreased to approximately HK$4.5 million, compared with HK$16.6 million for the Last Comparative Period. After taking into account, among others, the amortisation of intangible assets and the related reversal of the deferred tax liabilities of HK$75.1 million (2011: HK$55.4 million), loss after tax from the Continuing Operations for the Year under Review amounted to HK$79.1 million, compared with HK$50.2 million for the Last Comparative Period.

Discontinued Operation

In May 2012, an exercise was conducted to streamline the Group's operations which resulted in the closure of its Chai Wan office and a loss of HK$2.4 million from disposal of property, plant and equipment. The streamlining exercise also incurred retrenchment costs and office reinstatement cost amounting to HK$7.5 million, of which HK$6.0 million was included in administrative expenses of Continuing Operations. The Group also recognised impairment loss of HK$5.2 million for intangible assets relating to Discontinued Operation. Consequently, the Group suffered a loss of HK$12.4 million from Discontinued Operation for the Year under Review, compared with a loss of HK$17.2 million in the Last Comparative Period.

The total loss of the Group (comprising both Discontinued Operation and Continuing Operations) for the Year under Review amounted to HK$91.6 million, compared with HK$67.4 million for the Last Comparative Period.

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 for 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 31 December 2012 remained healthy and strong, with bank balance amounting to HK$253.5 million and a current ratio of 10.6.

As at 31 December 2012, the Group had no bank or other borrowings and therefore a zero gearing (expressed as a percentage of total borrowings over total capital).

FUTURE PLANS AND PROSPECTS

To enhance the value and popularity of the key franchising brand *Pleasant Goat and Big Big Wolf*, the Group continues its various strategies to uplift the brand position and penetrate into different age segments.

Contents Development and Distribution

(1) TV Episodes and Movies

CPE plans to produce at least 3,300 minutes of movies and TV episodes in 2013. Two *Pleasant Goat and Big Big Wolf* TV series will be produced and released, one of which will be the first *Pleasant Goat and Big Big Wolf* TV series with duration of 30 minutes per episode, compared to the previous ones of 15 minutes each.

To further increase the brand's awareness outside mainland China, CPE has entered into a new contract with Momo Kids Channel in Taiwan to broadcast the *Happy Diary* series in 2013.

Outside Greater China, *Pleasant Goat and Big Big Wolf* will be introduced into Indonesia and 22 Arabic countries in 2013. The cartoon series will be dubbed in Arabic language.

Apart from traditional TV series production, CPE has scheduled to produce *Pleasant Goat and Big Big Wolf* Mandarin learning series. CPE plans to distribute this Mandarin learning series outside China.

Production of Movies VI and VII has already commenced. Movie VII, which will be shown in 2015, will be our key focus as 2015 is the Year of Goat as well as the *Pleasant Goat and Big Big Wolf* brand's 10th anniversary.

(2) Stage Shows and Carnivals

A newly featured stage show with musical elements will be introduced to China this summer. This 90-minute musical stage show, *Pleasant Goat and Big Big Wolf Amazing Music Tour* (喜羊羊與灰太狼之奇幻音樂之旅), will combine drama, dancing and singing, bringing out all the sound tracks from the *Pleasant Goat and Big Big Wolf* TV series and movies.

To further expand into overseas market, CPE plans to bring the stage shows to Singapore and Thailand.

(3) Publications

"Babies" images of *Pleasant Goat and Big Big Wolf* will be used in infants and pre-school learning materials published by a new licensee in Taiwan.

Licensing and Strategic Marketing Initiatives

(1) Expansion of Core Franchise

After the Chinese New Year promotion event held in Hong Kong Langham Place in early 2012, "Simple Life", the new image of *Pleasant Goat and Big Big Wolf*, has become more popular. Many shopping malls in China have shown their interest in organising similar event in 2013. With the success of its initial launch, the Group will collaborate with Disney to launch fashion events, so as to further expand the brand into the Teens and Young Adults segments.

Disney continues to explore licensing opportunity to uplift the brand status and increase market share. A crossover project with a famous fashion brand in China will be launched this summer on apparels and accessories, as well as contents (being micro film and music).

Leveraging the *Pleasant Goat and Big Big Wolf* brand's solid foundation based on families with children from 4 to 14 years old, the Group is extending its core brand to capture revenue opportunities in adjacent segments including babies, teens and young adults. The Group's key target consumer product categories include food, fashion and home products, toys and stationary. Despite the current disruption in the growth of licensing income caused by the adoption of a strategy to upscale sub-licensees, the Directors believe that the future prospects for the Group's licensing business are promising.

(2) Interactive Media Initiatives

Following the success of "Where's My Water?" launched by Disney Mobile, *Pleasant Goat and Big Big Wolf* will also have its own version of "Where's My XYY?" (abbreviation of Xi Yang Yang, being the Chinese name of Pleasant Goat) developed by Disney Mobile. This will be the first collaboration between a Chinese animation brand and a successful international mobile game.

In view of the importance and long term demand of education in China, the Group plans to extend its business to the education sector. The Group is currently working with a leading educational courseware provider to develop *Pleasant Goat and Big Big Wolf* online learning programs in the Greater China and South East Asia regions. The Group is also evaluating the feasibility of investing in, and/or partnering with experienced companies or organizations to operate, schools or learning centers using the *Pleasant Goat and Big Big Wolf* brand. The Directors believe that this is a sustainable business with stable income.

E-Commerce

To diversify and expand the revenue stream, a flagship store selling consumer products carrying the *Pleasant Goat and Big Big Wolf* brand will be opened in Tmall of Taobao by mid 2013. This is to provide fans and customers an easy shopping experience. By providing sub-licensees with more sales channels, the Directors believe e-commence will bring in more licensing income, as well as enhance the customers' loyalty towards the brand.

In 2012, the Group completed the restructuring of its operations with the termination of the Discontinued Operation. The loss of HK$12.4 million attributable to the Discontinued Operation and the retrenchment costs of HK$6.0 million incurred by the Continuing Operations for the Year under Review will not recur in the future. The Group now is operated under a leaner but more efficient structure. All in all, the Group will focus its resources on extending its target audience to include infants, teens and young adults, increasing its target consumer's brand loyalty, driving distribution, enhancing marketing and ensuring flawless execution to deliver results for stakeholders.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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 31 December 2012, the Company has complied with the code provisions of the Revised CG Code except for the deviation 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") was established on 1 July 2012 with the primarily responsibilities of reviewing the structure, size and composition of the Board, identifying and recommending individuals nominated for directorships and assessing the independence of independent non-executive directors. The Nomination Committee comprises one non-executive Director, Mr. Leung Pak To who serves as the chairman of the committee, and two independent non-executive Directors, Dr. Lam Lee G. and Ms. Wei Wei.

- 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 year ended 31 December 2012, 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 annual results and the consolidated financial statements of the Group for the year ended 31 December 2012.

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

Hong Kong, 25 March 2013

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.