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 2013

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures for the six months ended 30 June 2012, as follows:

FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue		**59,233**	74,290
Cost of sales before amortisation of intangible assets		**(17,473)**	(25,899)
Gross profit before amortisation of intangible assets		**41,760**	48,391
Amortisation of intangible assets	10	**(50,869)**	(49,801)
Gross loss after amortisation of intangible assets		**(9,109)**	(1,410)
Other income	4	**5,110**	8,741
Other gains and losses		**(2,401)**	(311)
Selling expenses		**(7,089)**	(10,193)
Administrative expenses		**(37,700)**	(43,083)
Impairment loss on intangible assets	10	**(205,012)**	–
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 taxation		**(256,201)**	(44,122)
Income tax credit	6	**62,032**	3,750
Loss for the period from continuing operations	5A	**(194,169)**	(40,372)
Discontinued operation			
Loss for the period from discontinued operation	7	**–**	(12,429)
Loss for the period		**(194,169)**	(52,801)
Loss per share from continuing and discontinued operations			
Basic and diluted	9	**(HK$0.019)**	(HK$0.005)
Loss per share from continuing operations			
Basic and diluted	9	**(HK$0.019)**	(HK$0.004)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(194,169)**	(52,801)
Other comprehensive income:		
Exchange differences on translation that will not be reclassified to profit or loss	**8,471**	(1,352)
Total comprehensive expenses for the period	**(185,698)**	(54,153)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At	At
		30 June	31 December
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**2,074**	4,779
Intangible assets	*10*	**595,694**	841,492
Deferred tax assets		**2,108**	2,208
		599,876	848,479
Current assets			
Trade and other receivables, deposits and prepayments	*11*	**94,010**	90,968
Bank balances and cash		**242,216**	253,567
		336,226	344,535
Current liabilities			
Trade, other payables and liabilities	*12*	**15,328**	18,280
Unearned revenue		**3,119**	3,101
Tax payable		**2,840**	11,086
		21,287	32,467
Net current assets		**314,939**	312,068
Total assets less current liabilities		**914,815**	1,160,547
Non-current liability			
Deferred tax liabilities		**151,330**	212,533
Net assets		**763,485**	948,014
Capital and reserves			
Share capital		**10,020**	10,020
Reserves		**753,465**	937,994
Total equity attributable to owners of the Company		**763,485**	948,014

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 (the "Listing Rules").

During the year ended 31 December 2012, 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 People's Republic of China ("PRC") in order to achieve a better cost control over its operation. Segment A business had been discontinued and presented as a discontinued operation in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012. Accordingly, in preparing the condensed consolidated financial statements for the six months ended 30 June 2013, the comparative figures of the condensed consolidated statement of profit or loss have been restated to reflect the presentation of Segment A business as a discontinued operation.

2. Principal Accounting Policies

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

Except for described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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 new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. Revenue and Segment Information

The Group had two operating segments in prior periods:

Segment A: Production, broadcasting and licensing of the Group's computer graphic imaging ("CGI") animation pictures not developed by Toon Express Hong Kong Limited, its intermediate holding company 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.

For the purpose of performance assessment and resources allocation, the executive directors of the Company, being the chief operating decision maker ("CODM"), regularly review the revenue and results of the segment. Segment results in prior period represent loss attributable to each segment without allocation of certain income, administrative expenses, share of loss of an associate and gain on disposal of interests in an associate and cancellation of related options and liabilities. After Segment A was discontinued during the year ended 31 December 2012 as disclosed in Note 7, the Group has been operating with only one reportable and operating segment. CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before taxation as the segment result commencing in the beginning of the current period. Accordingly, no further segment information has been presented in the current and prior interim periods.

4. Other Income — Continuing Operations

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**841**	1,856
Government award/subsidies *(Note)*	**–**	4,676
Compensation for infringement	**3,513**	1,276
Others	**756**	933
	5,110	8,741

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 in prior periods.

5A. Loss For The Period From Continuing Operations

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period from continuing operations has been arrived at after charging and (crediting):		
Directors' emoluments	**4,430**	4,756
Contribution to retirement benefit scheme	**3,654**	3,524
Other staff costs (salaries, wages and benefits)	**21,335**	29,252
Equity-settled share-based payments expenses other than directors	**55**	35
Total staff costs	**29,474**	37,567
Allowance (reversal of allowance) for doubtful debts	**2,547**	(607)
Depreciation of property, plant and equipment	**732**	606
Loss on disposal of property, plant and equipment	**148**	168
Written-off of property, plant and equipment	**2,085**	2,282

5B. (Loss) Earnings Before Interest, Tax, Depreciation and Amortisation — Continuing Operations

The calculation of the (loss) earnings before interest, tax, depreciation and amortisation ("(LBITDA)" "EBITDA") of continuing operations for the periods are based on the following data:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(LBITDA) EBITDA		
Loss before taxation	**(256,201)**	(44,122)
Adjusted for:		
Interest income	**(841)**	(1,856)
Depreciation and amortisation	**51,601**	50,407
	(205,441)	4,429

6. Income Tax Credit — Continuing Operations

	Six months ended 30 June **2013** *HK$'000* **(unaudited)**	2012 *HK$'000* (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,509**	6,304
Underprovision in prior years	**22**	169
	1,531	6,473
Deferred tax:		
Current period	**(63,563)**	(10,223)
	(62,032)	(3,750)

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

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

7. Discontinued Operation

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

The results for the six months ended 30 June 2012 have been restated and presented separately in the condensed consolidated statement of profit or loss as discontinued operation, was as follows:

	Six months ended 30 June 2012 *HK$'000* (unaudited)
Revenue	4,031
Cost of sales	(11,253)
Other losses	(2,449)
Administrative expenses	(2,758)
Loss for the period	(12,429)

8. 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.

9. 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:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share	**194,169**	52,801
Number of shares:		
Number of ordinary shares for the purposes of basic and diluted loss per share	**10,020,180,720**	10,020,180,720

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 both periods.

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:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company	**194,169**	52,801
Less: Loss for the period from discontinued operation	**–**	(12,429)
Loss for the period attributable to owners of the Company from continuing operations	**194,169**	40,372

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

From discontinued operation

Basic and diluted loss per share for discontinued operation is approximately HK0.1 cent per share for the six months ended 30 June 2012 (30 June 2013: nil), based on the loss for the period from discontinued operation of HK$12,429,000 (30 June 2013: nil) and the denominators detailed above for basic and diluted loss per share.

10. 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
Additions	–	277	–	–	277
Eliminated on dissolution of subsidiaries	–	–	–	(3,487)	(3,487)
Derecognised during the period	–	–	–	(457,910)	(457,910)
Exchange realignment	2,438	4,285	12,255	–	18,978
At 31 December 2012 (audited)	130,844	229,929	657,762	330,645	1,349,180
Additions	–	120	–	–	120
Eliminated on dissolution of a subsidiary	–	–	–	(39,226)	(39,226)
Exchange realignment	1,594	2,785	8,013	–	12,392
At 30 June 2013 (unaudited)	**132,438**	**232,834**	**665,775**	**291,419**	**1,322,466**
AMORTISATION AND IMPAIRMENT					
At 1 January 2012 (audited)	9,958	17,292	47,537	798,705	873,492
Impairment loss recognised for 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
Charge for the period	6,655	11,410	32,044	–	50,109
Eliminated on dissolution of subsidiaries	–	–	–	(3,487)	(3,487)
Derecognised during the period	–	–	–	(457,910)	(457,910)
Exchange realignment	368	635	1,768	–	2,771
At 31 December 2012 (audited)	23,485	40,482	113,076	330,645	507,688
Impairment loss recognised for the period	–	–	205,012	–	205,012
Charge for the period	6,756	11,584	32,529	–	50,869
Eliminated on dissolution of a subsidiary	–	–	–	(39,226)	(39,226)
Exchange realignment	322	555	1,552	–	2,429
At 30 June 2013 (unaudited)	**30,563**	**52,621**	**352,169**	**291,419**	**726,772**
CARRYING VALUE					
At 30 June 2013 (unaudited)	**101,875**	**180,213**	**313,606**	**–**	**595,694**
At 31 December 2012 (audited)	107,359	189,447	544,686	–	841,492

Notes:

(i) The amount arises from a consumer products and related use agreement with Disney Enterprises, Inc. ("Disney") to promote and market TE Group's intellectual properties ("Consumer Products Agreement"). It 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 amount represents intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of TE Group ("TE Trademarks and Copyrights"). They generally have finite legal lives of 10 years but are renewable at minimal cost.

The amount also represents intellectual properties in the form of trademarks and copyrights arising from a joint brand management agreement with Creative Power Entertaining Limited Liability Company ("CPE"), a PRC company ("JBM Agreement"). It 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.

During the period ended 30 June 2012, the Group decided to scale down its operation in the production, broadcasting and licensing of CGI animation pictures ("CGI operations"). In the opinion of the directors, the anticipated future operating cash flow of the CGI operations is less than its aggregate recoverable amount, and accordingly, an impairment loss of approximately HK$5,249,000 was recognised in profit or loss in prior period.

(iv) Due to delay in certain projects, the management has carried out a review of the recoverable amount of its intangible assets during the current interim period. For the purpose of impairment testing, the Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement are allocated to two separate cash generating units, namely, the Consumer Products Agreement and TE Trademarks and Copyrights (Unit A) and JBM Agreement (Unit B), and their recoverable amounts have taken into consideration of the value in use calculation and fair value less costs to sell.

Recoverable amounts 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 a discount rate of 17% for Unit B. The sets of cash flows beyond the five-year period are extrapolated using an average growth rate which approximately to the relevant industry growth forecasts. Other key assumptions for the recoverable amount calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, and such estimation is based on management's expectations for the market development. Since the estimated recoverable amount is less than the carrying amount, an impairment loss of HK$205,012,000 in respect of the intangible assets was recognised for the six months ended 30 June 2013.

No impairment loss was recognised for Unit A and Unit B for the period ended 30 June 2012.

11. Trade and Other Receivables, Deposits and Prepayments

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables *(Note i)*	**53,871**	47,230
Less: allowance for doubtful debts	**(7,675)**	(8,523)
	46,196	38,707
Amount due from CPE *(Note ii)*	**45,419**	48,775
Other receivables, deposits and prepayments	**2,395**	3,486
	94,010	90,968

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 30 days. The aged analysis of the Group's trade receivables (net of allowance), presented based on the invoice date, at the end of each reporting period is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current	**46,006**	37,555
31–60 days	**13**	–
61–90 days	**–**	251
91 days–1 year	**177**	901
	46,196	38,707

(ii) Amount due from CPE included approximately HK$43,317,000 (31 December 2012: HK$47,169,000) related to the JBM Agreement and approximately HK$2,102,000 (31 December 2012: HK$1,606,000) 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.

12. Trade, Other Payables and Liabilities

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables *(Note)*	**5,918**	5,600
Other payables and accruals	**9,410**	12,680
	15,328	18,280

Note: Trade payables are aged less than 60 days (31 December 2012: 30 days) based on the invoice dates.

13. Contingent Liability

A writ was issued on 15 June 2013 by King Jun Chih Joseph ("Joseph King") (the "Writ") against Infoport Management Limited ("Infoport"), a wholly-owned subsidiary of the Company, and So Wing Lok Jonathan ("Jonathan So"). The claims set out in the Writ relate to the transaction in April 2011 whereby the Company completed the acquisition of Infoport (the "Acquisition") from its sole shareholder, PGBBW Limited, of which Jonathan So was an indirect shareholder. In the Statement of Claim contained in the Writ, Joseph King claims that in or around March/April 2009, Joseph King and Jonathan So entered into an oral agreement whereby Joseph King was engaged by Jonathan So and by Infoport as a consultant/agent to assist with fundraising and the terms of the alleged oral agreement provided that in the event Joseph King effected an introduction of investors to Infoport resulting in a sale of Infoport's shares, a success fee of 5% of consideration for the Acquisition would be payable by Jonathan So and the other indirect shareholders of Infoport to Joseph King. It is claimed that based on the consideration for the Acquisition being HK$1,046,500,000, Joseph King is entitled to receive payment of a success fee of HK$52,325,000 from Jonathan So and/or Infoport, and that Jonathan So and Infoport are jointly liable to pay this amount.

After seeking legal advice, the Company believes it has meritorious defenses and intends to defend the case vigorously. The management does not believe that the outcome of such proceeding will have a material effect on the Group's financial position, results of operations or cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group continued to partner 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, to provide consumers the maximum interaction and memorable experiences in terms of contents across all lines of business and consumer products through merchandise licensing.

We work closely with our strategic partner，CPE, under the Joint Brand Management Agreement ("JBMA") to extend the reach of the *Pleasant Goat and Big Big Wolf* brand, which is the Number 1 cartoon brand in China, 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. The *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, in the midst of a crowded period filled with blockbusters, and recorded box office of approximately HK$158 million (RMB125 million). Total accumulative box office income derived from *Pleasant Goat and Big Big Wolf* Movies I to V has surpassed HK$800 million (RMB650 million), which is unprecedented in China for locally produced animation movies based on one single brand franchise. Meanwhile, we are facing increased competition from both domestic and international producers of animation contents, and will continue to work together with CPE to improve the creative contents for movies, television episodes, stage shows and interactive media programs to maintain the leading position of *Pleasant Goat and Big Big Wolf* in the domestic animation industry in China.

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 the first half of 2013, 19 licensing contracts were terminated or expired and 26 licensing contracts were renewed or newly signed up by Disney with an aggregate minimum guaranteed licensing fee of HK$21.9 million spanning over two to three years.

FINANCIAL REVIEW

During the year ended 31 December 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 Hong Kong 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 the TE Group were presented as continuing operations (the "Continuing Operations"). Accordingly, the comparative figures of the condensed consolidated statement of profit or loss for the six months ended 30 June 2013 (the "Period under Review") have been restated to reflect the presentation of the Discontinued Operation in the six months ended 30 June 2012 (the "Last Comparative Period").

The Group's revenue for Continuing Operations mainly includes income arising from the JBMA entered into between the TE Group and CPE on the commercial exploitation of cartoon characters, licensing income based on the CPA signed with Disney, and other revenue from brand related activities. Total revenue of the Period under Review amounted to HK$59.2 million, representing a decrease of HK$15.0 million or 20% compared with the Last Comparative Period, while cost of sales of the Period under Review decreased by HK$8.4 million or 33% compared with the Last Comparative Period, leading to a decrease of HK$6.6 million in the Group's gross profit before amortisation of intangible assets. The decrease in revenue mainly represented a decrease of HK$5.7 million in licensing income, which 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, and a decrease of HK$9.3 million in revenue derived from the JBMA, mainly because the box office of Movie V is lower than that of *Pleasant Goat and Big Big Wolf* Movie IV ("Movie IV") and the contractual arrangements of Movie V are different with that of Movie IV, resulting in a simultaneous reduction of HK$8.6 million in both the Group's revenue and cost of sales related to Movie V (with nil impact on the Group's gross profit).

Other income for the Period under Review mainly consisted of compensation of HK$3.5 million for infringement of our intellectual property rights and interest income of HK$0.8 million arising from cash and bank balances.

Selling expenses decreased by HK$3.1 million compared with the Last Comparative Period. This is mainly because this year's first new series of *Pleasant Goat and Big Big Wolf* TV episodes, Happy Formula (開心方程式), was released in late July 2013, one month later than the release of previous year's first series. Accordingly, certain marketing and promotion activities were delayed to, and the related costs will be booked in, the second half of 2013.

Administrative expenses decreased by HK$5.4 million compared with the Last Comparative Period. This is mainly because the Group incurred retrenchment costs and office reinstatement cost amounting to HK$7.5 million as a result of the closure of its Chai Wan office in the first half year of 2012, of which HK$6.0 million was included in administrative expenses of Continuing Operations.

The Group's acquisition of the TE Group in April 2011 resulted in certain commercial contracts entered into by the 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 Period under Review, amortisation of intangible assets charged to the condensed consolidated statement of profit or loss and the associated reversal of deferred tax amounted to HK$50.9 million and HK$12.7 million respectively, compared to HK$49.8 million and HK$12.5 million for the Last Comparative Period respectively. Due to delay in certain projects, the estimated value in use of these intangible assets is less than the carrying amount as of 30 June 2013. Accordingly, the Group also recognised an impairment loss of HK$205.0 million on the intangible assets, with associated reversal of deferred tax amounting to HK$51.3 million.

As a result of the impairment loss on intangible assets, a decrease in the Group's gross profit (before the amortisation of intangible assets) of HK$6.6 million and a realised loss of HK$2.2 million on disposal and written off of property, plant and equipment, and after taking into account interest income and the amortisation of intangible assets (after deducting the related reversal of the deferred tax liabilities) of HK$0.8 million and HK$38.2 million respectively (2012: HK$1.8 million and HK$37.4 million respectively), loss after tax from the Continuing Operations for the Period under Review amounted to HK$194.1 million, compared with HK$40.3 million for the Last Comparative Period. The Group's total loss (comprising both Discontinued Operation and Continuing Operations) for the Period under Review amounted to HK$194.1 million, compared with HK$52.8 million for the Last Comparative Period.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 30 June 2013 remained healthy and strong, with bank balance amounting to HK$242.2 million and a current ratio of 15.8.

As at 30 June 2013, 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

The Group's vision continues to be becoming a world class media and entertainment group engaged in the provision of innovative products and services. In addition to raising the value and popularity of its core brand *Pleasant Goat and Big Big Wolf*, the Group also looks into brand's extension and new brand development concurrently. We expect that the Group will face increasing competition from both domestic and international producers of animation contents. We believe that heightened competition and rapid market changes will 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 in China.

Contents Development and Distribution

We will continue to work with our strategic partner, CPE, who continues to be one of the leading animation producers and distributors of TV episodes in the Greater China region and keeps bringing out more TV episodes of *Pleasant Goat and Big Big Wolf*, bringing joys and funs to fans and audiences. Apart from this year's first new series of *Pleasant Goat and Big Big Wolf* TV episodes, namely Happy Formula (開心方程式), which debuted on China Central Television ("CCTV") in late July 2013, another series, namely, Paddi the Amazing Chef (懶羊羊當大厨), will be released in the last quarter of 2013. Paddi the Amazing Chef 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.

The production of *Pleasant Goat and Big Big Wolf* movie VI ("Movie VI") is in progress and it will be released in early 2014. Being the Number 1 cartoon brand in China, *Pleasant Goat and Big Big Wolf* has attracted Huayi Brothers Media Group, which is a top player in Mainland China's film industry, to be the distributor of Movie VI in-charge of promotion, advertising and distribution. We believe this combination forms a formidable opponent.

Following the success of I Love Wolffy (我愛灰太狼), which was a real action movie produced by Mr. Cartoon Pictures Co., Ltd based on animation brands owned by the Group and released in the summer of 2012, I Love Wolffy 2 (我愛灰太狼II) was released on 1 August 2013 and has received lots of applauses. This encouraging response not only demonstrates the power of the *Pleasant Goat and Big Big Wolf* brand to strike good box office in both competitive summer and Chinese New Year seasons, but also proves that Wolffy (灰太狼) himself can also be a popular character in the silver screen. This result increases our confidence in developing another line extension of *Pleasant Goat and Big Big Wolf* to target at the teens and young adults segments.

In April 2013, iQIYI (iQIYI.COM), which is one of China's leading online television and movie portals, was granted exclusive right to broadcast various series *Pleasant Goat and Big Big Wolf* on internet in Mainland China during certain periods in future, and has set up a special zone on its website especially for *Pleasant Goat and Big Big Wolf*, where users can watch almost all the *Pleasant Goat and Big Big Wolf* movies and TV series. The Directors expect that internet-related income will account for an increasingly important portion in our future revenue.

Licensing and Strategic Marketing Initiatives

The Group continues to work with Disney to explore new licensing opportunity. 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 engage quality sub-licensees, the Directors believe that, given the continued popularity of the *Pleasant Goat and Big Big Wolf* brand, the future prospects for the Group's licensing business are encouraging. One of the reassuring achievements is the licensing agreement newly entered into between our Master Licensee and one of the world's largest jewelers, whereby the *Pleasant Goat and Big Big Wolf* collection will be released in the last quarter of 2013. This collection intends to tempt not only families with kids, but also young adults including office ladies. Another example of newly engaged quality sub-licensee is a widely recognised casual wear brand renowned for its comfortable, easy to mix-and-match, colorful and energetic style. This sub-licensee applies images of *Pleasant Goat and Big Big Wolf* on its line of kids' fashion and apparel, which was launched in mid August 2013 in Taiwan. This further proves the popularity of the *Pleasant Goat and Big Big Wolf* brand in markets outside of Mainland China.

To enhance the value and popularity of the *Pleasant Goat and Big Big Wolf* brand, the Group continues its various strategies to uplift the brand position and penetrate into different age segments. Apart from the age segment of 4–14, which is the *Pleasant Goat and Big Big Wolf* brand's solid foundation, the Group continues its efforts to latch on the teens and young adults segments. "Simple Life", the new image of *Pleasant Goat and Big Big Wolf*, is becoming more and more well-known after a roadshow held in various Wanda Plazas located in different key cities of China. The Directors believe that "Simple Life" can further stand out as a prominent image hitting the youths through music, short animation and micro film.

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 strong execution to deliver results for stakeholders.

GENERAL INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation from Code A.6.7 of the CG Code that Ms. Wei Wei, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 3 June 2013 due to overseas engagement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2013, 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 2013.

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

Hong Kong, 26 August 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.