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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 2013

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 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*3*	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income	*4*	**44,412**	4,663
Other gains and losses		**527**	165
Administrative expenses		**(17,152)**	(20,039)
Profit (loss) before taxation	*5*	**27,787**	(15,211)
Income tax	*6*	**–**	–
Profit (loss) for the year from continuing operations		**27,787**	(15,211)
Discontinued operations			
Loss for the year from discontinued operations	*7*	**(49,671)**	(76,356)
Loss for the year		**(21,884)**	(91,567)
Loss per share from continuing and discontinued operations			
Basic and diluted	*9*	**(HK$0.002)**	(HK$0.009)
Earnings (loss) per share from continuing operations			
Basic and diluted	*9*	**HK$0.003**	(HK$0.002)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(21,884)**	(91,567)
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency from disposed operations	**12,867**	12,009
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**231**	(31)
Fair value loss on available-for-sale investments	**(15)**	–
Other comprehensive income for the year, net of nil income tax	**13,083**	11,978
Total comprehensive expense for the year	**(8,801)**	(79,589)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**182**	4,779
Intangible assets	*10*	**–**	841,492
Non-current deposits	*11*	**27,752**	–
Available-for-sale investments	*12*	**85,196**	–
Deferred tax assets		**–**	2,208
		113,130	848,479
Current assets			
Trade and other receivables, deposits and prepayments	*13*	**44,199**	90,968
Bank balances and cash		**769,311**	253,567
		813,510	344,535
Current liabilities			
Trade, other payables and liabilities	*14*	**3,904**	18,280
Unearned revenue		**–**	3,101
Tax payable		**–**	11,086
		3,904	32,467
Net current assets		**809,606**	312,068
Total assets less current liabilities		**922,736**	1,160,547
Non-current liability			
Deferred tax liabilities		**–**	212,533
		–	212,533
Net assets		**922,736**	948,014
Capital and reserves			
Share capital		**10,013**	10,020
Reserves		**912,723**	937,994
Total equity attributable to owners of the Company		**922,736**	948,014

NOTES:

1. Basis of Preparation

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

The Group had discontinued Segment B in the current year (see Note 7(a)). The presentation of continuing operations and discontinued operations in the current year has resulted in a re-presentation of the corresponding comparative amounts shown for the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and related notes to the consolidated financial statements.

Following the completion of disposal of Segment B business (as defined in Note 3) as at 21 October 2013 (Note 15), the directors re-assessed the functional currency of the Company as the Group's main operations subsequent to the disposal are expected to be primarily located in Hong Kong, which is the primary economic environment in which the major operating subsidiaries of the Company will operate. As a result of this assessment, the directors determined to change the functional currency from Renminbi ("RMB") to Hong Kong dollar ("HK$") with effect from 21 October 2013. 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*.

2. Principal Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
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

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 three segments:

Segment A:	Production, broadcasting and licensing of the Group's computer graphic imaging ("CGI") animation pictures not developed by Infoport Management Limited ("Infoport") and its subsidiaries (collectively referred to as the "TE Group");
Segment B:	Licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group; and
Investment segment:	Investment in securities

However, Segment A and Segment B were discontinued during the year ended 31 December 2012 and the current year, respectively, as described in Note 7. Consequently, the Group has been operating with one reportable and operating segment with no revenue generated in the current year and the CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before taxation as the segment result. Hence, no further segment information has been presented in the current and prior years.

4. Other Income

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Interest income	**3,530**	2,747	**208**	477	**3,738**	3,224
Compensation for infringement	**–**	–	**4,044**	3,972	**4,044**	3,972
Service income *(Note)*	**39,990**	–	**–**	–	**39,990**	–
Others	**892**	1,916	**325**	291	**1,217**	2,207
	44,412	4,663	**4,577**	4,740	**48,989**	9,403

Note: Amount represented the income derived from advisory service provided to the shareholders of Creative Power Entertaining Limited Liability Company ("CPE") during the year in relation to the disposal of their interests in CPE to other party.

5. Profit (Loss) Before Taxation

	Continuing operations 2013 HK$'000	Continuing operations 2012 HK$'000 (Restated)	Discontinued operations 2013 HK$'000	Discontinued operations 2012 HK$'000 (Restated)	Consolidated 2013 HK$'000	Consolidated 2012 HK$'000
Profit (loss) before taxation has been arrived at after charging and (crediting):						
Directors' emoluments	**4,630**	7,049	**3,658**	3,558	**8,288**	10,607
Contribution to retirement benefit scheme	**59**	101	**4,743**	6,007	**4,802**	6,108
Other staff costs (salaries and wages)	**3,332**	5,222	**32,821**	57,242	**36,153**	62,464
Equity-settled share-based payments expenses (reversal) other than directors	**47**	13	**(478)**	186	**(431)**	199
Total staff costs	**8,068**	12,385	**40,744**	66,993	**48,812**	79,378
Depreciation of property, plant and equipment	**65**	88	**1,031**	1,521	**1,096**	1,609
Amortisation of intangible assets *(Note 10)*	**–**	–	**74,568**	99,910	**74,568**	99,910
Total depreciation and amortisation	**65**	88	**75,599**	101,431	**75,664**	101,519
Rentals in respect of premises under operating leases	**-**	-	**4,494**	6,389	**4,494**	6,389
Auditor's remuneration	**1,450**	600	**–**	600	**1,450**	1,200
Allowance for doubtful debts	**-**	-	**1,705**	3,504	**1,705**	3,504

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

	Continuing operations 2013 HK$'000	Continuing operations 2012 HK$'000 (Restated)	Discontinued operations 2013 HK$'000	Discontinued operations 2012 HK$'000 (Restated)	Consolidated 2013 HK$'000	Consolidated 2012 HK$'000
EBITDA (LBITDA)						
Profit (loss) before taxation	**27,787**	(15,211)	**(117,399)**	(90,785)	**(89,612)**	(105,996)
Adjusted for:						
Interest income	**(3,530)**	(2,747)	**(208)**	(477)	**(3,738)**	(3,224)
Depreciation and amortisation	**65**	88	**75,599**	101,431	**75,664**	101,519
	24,322	(17,870)	**(42,008)**	10,169	**(17,686)**	(7,701)

6. Income Tax Credit

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		
Current tax:						
PRC Enterprise Income Tax ("EIT")	**–**	–	**1,443**	8,859	**1,443**	8,859
(Over) under provision in prior years:						
PRC EIT	**–**	–	**22**	170	**22**	170
Overseas	**–**	–	**(857)**	–	**(857)**	–
	–	–	**608**	9,029	**608**	9,029
Deferred tax:						
Current year	**–**	–	**(68,336)**	(23,458)	**(68,336)**	(23,458)
Total	**–**	–	**(67,728)**	(14,429)	**(67,728)**	(14,429)

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

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

7. Discontinued Operations

(a) Discontinued operation on the Segment B business

On 16 September 2013, the Group entered into a sale and purchase agreement to dispose of the TE Group, which carried out all of the Group's licensing and management of cartoon character trademarks and copyrights and all related activities, to an independent third party at a consideration of HK$634,200,000. The proceeds from the disposal was intended to be used for the Group's business development in the cultural industry, not limited to the production, broadcasting and licensing of the CGI animation pictures, through internal growth and possible future acquisitions as and when opportunities arise. The disposal was completed on 21 October 2013, on which date control of TE Group passed to the acquirer.

The loss for the year from the discontinued operation is set out below. The comparative figures in the statement of profit or loss have been restated to re-present the operation as a discontinued operation.

	Period ended 21 October 2013	Year ended 31 December 2012
	HK$'000	*HK$'000*
Loss of the discontinued operation for the period/year	**(200,815)**	(63,927)
Gain on disposal of TE Group *(Note 15)*	**151,144**	–
	(49,671)	(63,927)

The results of the discontinued operation for the period from 1 January 2013 to 21 October 2013 and for the year ended 31 December 2012, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 21 October 2013	Year ended 31 December 2012
	HK$'000	*HK$'000*
Revenue	**92,806**	151,182
Cost of sales	**(26,127)**	(54,567)
Amortisation of intangible assets	**(74,568)**	(99,910)
Other income	**4,577**	4,740
Other gains and losses	**(2,955)**	(164)
Selling expenses	**(9,907)**	(19,591)
Administrative expenses	**(47,591)**	(62,180)
Impairment loss on intangible assets	**(204,778)**	–
Share of loss of an associate	**–**	(5,553)
Gain on disposal of an associate and cancellation of related options and liabilities	**–**	7,687
Loss before taxation	**(268,543)**	(78,356)
Income tax credit	**67,728**	14,429
Loss for the period/year	**(200,815)**	(63,927)

Loss for the period/year from discontinued operation included the following:

Auditor's remuneration	**–**	(600)
Depreciation and amortisation	**(75,599)**	(101,273)
Employee benefit expenses	**(40,744)**	(58,203)
Loss on disposal of property, plant and equipment	**(2,224)**	(137)

(b) Discontinued operation on the Segment A business

During the year ended 31 December 2012, the directors discontinued the Group's 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 better cost control over its operation.

The results of the Segment A business for the year ended 31 December 2012, which have been included in the consolidated statement of profit or loss and other comprehensive income as discontinued operation, were as follows:

	HK$'000
Revenue	4,031
Cost of sales	(11,253)
Other losses	(2,449)
Administrative expenses	(2,758)
Loss for the year	(12,429)

8. Dividends

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: HK$Nil).

9. Earnings (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:

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share	**(21,884)**	(91,567)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**10,019,761,301**	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 option because their exercise would result in a decrease in loss per share for both years.

From continuing operations

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to the owners of the Company	**(21,884)**	(91,567)
Less: Loss for the year from discontinued operations	**49,671**	76,356
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operations	**27,787**	(15,211)

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

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK0.50 cent per share (2012: HK0.76 cent per share), based on the loss for the year from discontinued operations of HK$49,671,000 (2012: HK$76,356,000) 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	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
Additions	–	160	–	–	160
Exchange realignment	2,709	4,836	13,617	–	21,162
Eliminated on dissolution of subsidiaries	–	–	–	(43,240)	(43,240)
Disposal of subsidiaries *(Note 15)*	(133,553)	(234,925)	(671,379)	–	(1,039,857)
At 31 December 2013	**–**	**–**	**–**	**287,405**	**287,405**
AMORTISATION AND IMPAIRMENT					
At 1 January 2012	9,958	17,292	47,537	798,705	873,492
Charge for the year *(Note 5)*	13,272	22,732	63,906	–	99,910
Exchange realignment	255	458	1,633	–	2,346
Impairment loss recognised in the year	–	–	–	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
Charge for the year *(Note 5)*	11,307	19,385	43,876	–	74,568
Exchange realignment	595	1,025	4,720	–	6,340
Impairment loss recognised in the year	–	–	204,778	–	204,778
Eliminated on dissolution of subsidiaries	–	–	–	(43,240)	(43,240)
Disposal of subsidiaries *(Note 15)*	(35,387)	(60,892)	(366,450)	–	(462,729)
At 31 December 2013	**–**	**–**	**–**	**287,405**	**287,405**
CARRYING VALUE					
At 31 December 2013	**–**	**–**	**–**	**–**	**–**
At 31 December 2012	107,359	189,447	544,686	–	841,492

Notes:

(i) The amount arose 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 would expire on 31 December 2020 but was renewable subject to negotiation by the parties concerned. Accordingly, it was being amortised over the contractual life of the Consumer Products Agreement.

(ii) The amount represented 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 had finite legal lives of 10 years but were renewable at minimal cost.

The amount also represented intellectual properties in the form of trademarks and copyrights arising from a joint brand management agreement with CPE, a PRC company ("JBM Agreement"). It could only be terminated by a party when the other party committed a default which was not remedied within a specified period.

Pursuant to the JBM Agreement, TE Group participated 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 included the revenue derived from the JBM Agreement and the amortisation thereof and other related expenses.

The JBM Agreement's income stream was derived from the underlying trademarks and copyrights, the use of which was contemplated by the JBM Agreement (the "JBM Trademarks and Copyrights"). While the directors considered amortisation for TE Trademarks and Copyrights and the JBM Trademarks and Copyrights, they had 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 were being amortised over a period of 6 to 12 years which reflected the directors' best estimates of these assets' economic lives.

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

During the year ended 31 December 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 was less than its aggregate recoverable amount, and accordingly, an impairment loss of approximately HK$5,249,000 was recognised in profit or loss in that year.

(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 year. For the purpose of impairment testing, the Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement were 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 approximate 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 was based on management's expectations for the market development. Since the estimated recoverable amount was less than the carrying amount, an impairment loss of approximately HK$204,778,000 in respect of the intangible assets was recognised for the year ended 31 December 2013.

11. Non-current Deposits

In October 2013, the Group entered into agreements to purchase properties located in Hong Kong in the aggregate consideration of HK$97,746,000.

Non-current deposits represented the deposits paid for the purchase of such properties and the transactions are expected to be completed in May 2014.

12. Available-for-sale Investments

Available-for-sale investments comprise:

	2013	2012
	HK$'000	*HK$'000*
Listed investments:		
Corporate bonds listed in Hong Kong with fixed interest rates ranging from 3.3% to 9.8% and maturity dates ranging from 18 October 2016 to 21 November 2018	**59,619**	–
Corporate bonds listed in Singapore with fixed interest rates ranging from 9.8% to 11.1% and maturity dates ranging from 20 March 2017 to 23 February 2018	**17,407**	–
Corporate bond listed in the European market with fixed interest rate of 6.8% and maturity date on 21 January 2018	**8,170**	–
	85,196	–
Analysed for reporting purposes as non-current assets	**85,196**	–

No available-for-sale investments were disposed of in the current year.

13. Trade and Other Receivables, Deposits and Prepayments

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**–**	47,230
Less: allowance for doubtful debts	**–**	(8,523)
	–	38,707
Amount due from CPE *(Note i)*	**–**	48,775
Other receivables, deposits and prepayments *(Note ii)*	**44,199**	3,486
	44,199	90,968

Notes:

(i) As at 31 December 2012, amount due from CPE included approximately HK$47,169,000 related to the JBM Agreement and approximately HK$1,606,000 related to non-trade nature transactions. The amount was aged less than one year and was unsecured, non-interest bearing and repayable within one year.

(ii) The amount included other receivable of approximately HK$40,036,000 relating to the advisory service provided to the shareholders of CPE.

At the end of the reporting period, except as stated in Note (ii) all trade and other receivables are denominated in the functional currency 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:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**–**	37,555
61–90 days	**–**	251
91 days–1 year	**–**	901
	–	38,707

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits by customer. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. All of the trade receivables are neither past due nor impaired and have a satisfactory credit history.

14. Trade, Other Payables and Liabilities

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**–**	5,600
Other payables and accruals	**3,904**	12,680
	3,904	18,280

Trade payables were aged less than 30 days based on invoice dates. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. Disposal of Subsidiaries

As referred to in Note 7(a), on 21 October 2013, the Group discontinued its operation related to licensing and management of cartoon character trademarks and copyrights and all related activities at the time of disposal of TE Group. The net assets of TE Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	634,200
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,891
Intangible assets	577,128
Deferred tax assets	1,180
Inventories	7
Trade and other receivables, deposits and prepayments	86,849
Tax recoverable	522
Bank balances and cash	18,003
Trade, other payables and liabilities	(44,716)
Unearned revenue	(3,053)
Deferred tax liabilities	(146,805)
Net assets disposed of	491,006
Gain on disposal of subsidiaries:	
Consideration received	634,200
Net assets disposed of	(491,006)
Legal fees	(9,343)
Cumulative translation reserve in respect of the net assets of TE Group reclassified from equity to profit or loss on loss of control of the subsidiaries	17,293
Gain on disposal	151,144

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in CGI and cultural business and investment business.

Due to the slowdown in the growth of domestic consumption, brand fatigue suffered by certain animation characters owned by TE Group and increased competition in the animation industry in China, the financial performance of TE Group has been below expectations since its acquisition by the Group in 2011. In addition, its progress of new product development has been unsatisfactory. In order to preserve capital, the Company decided to dispose of its entire stake in TE Group for a cash consideration of approximately HK$634.2 million in October 2013.

In October 2013, properties consisting of the entire 9th floor of and three carparking spaces numbered 109, 110 and 111 in Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong were acquired by the Group at an aggregate consideration of HK$97.7 million. 20% of the consideration was paid as deposits and the balance is expected to be paid in May 2014 after receipt of the notice of completion from the seller. The Company intends to use the properties as its office and workshop.

CGI Business

The Group continues its business development in the cultural industry through internal growth and possible future acquisitions as and when opportunities arise.

The Group is in the course of revitalising its CGI business including the development and production of CGI animation pictures and other animation content. In light of increased competition among locally produced and imported animation pictures in China, the Group is undertaking a further business review including market segmentation, distribution channels and target audience survey for *Cat Tale*, a CGI feature film with original designs whose production was suspended pending further review. It is expected that changes will be made to the script and character designs in order to cater to the Greater China market.

On 16 September 2013, the Group entered into a framework agreement with Guangdong Alpha Animation & Culture Co., Ltd. in relation to the cooperation arrangements to develop, distribute animation programs using popular animation characters in *Pleasant Goat and Big Big Wolf* for education and animation content. The Group is now exploring with potential partners with a view to determining the appropriate characters, content and distribution channel.

Investment Business

The disposal of TE Group (as further defined under the heading "Material Disposal of Subsidiaries" below) and the receipt of a fee from the former shareholders of CPE resulted in a cash inflow of more than HK$674.2 million in the year ended 31 December 2013 (the "Year under Review"). The Group utilised approximately HK$85.2 million of its cash balance to acquire certain listed corporate bonds in the last quarter of the Year under Review and the balance of the cash was placed on bank deposit. The Group's bond portfolio generates an average yield to maturity of about 5%.

FINANCIAL REVIEW

Material Disposal of Subsidiaries

In October 2013, the Company disposed of its entire interest in TE Group to an independent third party at a cash consideration of HK$634.2 million (the "Disposal"). TE Group is engaged in licensing and management of cartoon character trademarks and copyrights, which was the principal business of the Group and an individual segment presented in the previous financial statements. As a result of the Disposal, TE Group's operating results have been classified under discontinued operation in the Year under Review and the comparative figures have also been restated. Further details relating to the financial impact of the Disposal is discussed below.

Review of Results

For the Year under Review, the Group did not report any revenue, cost of sales and gross profit because TE Group was disposed of in last October and the Group's CGI business did not generate any revenue in the Year under Review as *Cat Tale* was still under review and development.

Other income increased by HK$39.7 million to HK$44.4 million, which comprised of (i) an one-off service fee of HK$40.0 million received from the former shareholders of CPE, being a strategic partner of TE Group, for advising them on the disposal of their interests in CPE; (ii) HK$3.5 million of interest income from investment in corporate bonds and time deposits; and (iii) HK$0.9 million of income from licensing the broadcasting rights of a CGI feature film owned by the Group.

Administrative expenses decreased by HK$2.9 million or 14.4% to HK$17.2 million when compared with the last financial year, which was mainly due to the net effect of (i) a reduction in staff cost of HK$4.3 million; (ii) an increase in professional fee of HK$1.0 million caused by the corporate exercises undertaken during the Year under Review; and (iii) an increase in other administrative expenses amounting to HK$0.4 million.

The Group recorded a profit from continuing operations of HK$27.8 million when compared with a loss of HK$15.2 million for the last financial year.

Loss from discontinued operations for the Year under Review amounted to HK$49.7 million, representing a gain of HK$151.1 million arising from the Disposal offset by a loss of HK$200.8 million incurred by TE Group during the ten-month period before the Disposal, a key component of which was the recognition of impairment loss on intangible assets and the associated reversal of deferred tax in aggregate amounting to HK$153.6 million.

All in all, the Group recorded a loss of HK$21.9 million from both continuing operations and discontinued operation in the Year under Review whereas the loss for the last financial year was HK$91.6 million, representing a decrease of HK$69.7 million or 76.1%.

Financial Position

Following the Disposal, the Group ceased to have certain balance sheet items which are TE Group related, including certain intangible assets, unearned revenue and deferred tax assets and liabilities.

The Group entered into agreements in October 2013 to acquire certain properties in Wong Chuk Hang at an aggregate consideration of HK$97.7 million. The acquisition is expected to be completed in May 2014. Deposits and stamp duty paid so far amounted to HK$27.8 million. During the Year under Review, in order to improve the yield on its assets, the Group invested in certain corporate bonds, the fair value of which amounted to HK$85.2 million as at 31 December 2013, and these bonds were classified as available-for-sale investments.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 31 December 2013 remained healthy and strong, with bank balances amounting to HK$769.3 million and a current ratio of 208.4.

As at 31 December 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 has a long history in the cultural and entertainment industry, and intends to continue to pursue opportunities in this industry notwithstanding the Disposal.

The directors of the Company (the "Directors") believe that the success of CGI business in the cultural industry is not only dependent on creativity, but also on the efficient distribution of products to the target audience regardless of time and location. Distribution of content through platforms utilising online and mobile technology presents great business opportunities in the Greater China region. The Company intends to capture these opportunities by offering self-produced multi-media content, including CGI animation and other cultural products, through both online and mobile platforms, and/or by acquisition. It should be noted that the development of the planned multi-media content requires time. Thus, the Directors do not expect that the Company will generate significant revenue organically in 2014, but given a strong financial position, the Group is well placed to pursue an aggressive acquisition strategy if opportunity arises.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the Year under Review, 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 Listing Rules, except for the deviation from Code A.6.7 of the CG Code in relation to the Directors attending the general meeting of the Company. Due to their respective overseas engagements, Ms. Wei Wei was unable to attend the annual general meeting of the Company held on 3 June 2013 and Mr. Chan Yuk Sang and Ms. Wei Wei were unable to attend the special general meeting of the Company held on 21 October 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, the Company repurchased a total of 6,656,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$586,000. All the repurchased shares were subsequently cancelled. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company. Details of the repurchases are as follows:

Month	Number of shares repurchased	Price paid per share *HK$*	Aggregate consideration paid (before expenses) *HK$*
November 2013	6,656,000	0.088	586,000

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2013.

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 2013.

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

Hong Kong, 25 March 2014

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 and Ms. Ma Wai Man, Catherine as the executive directors; Mr. Lian Meng as the non-executive director; 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.