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 2014

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") is pleased to present the condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures for the six months ended 30 June 2013, as follows:

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Six months ended 30 June 2014** *HK$'000* **(unaudited)**	2013 *HK$'000* (unaudited) (restated)
Continuing operations			
Other income	4	**8,247**	1,718
Other gains and losses		**(896)**	(54)
Administrative expenses		**(5,267)**	(6,025)
Profit (loss) before tax	5	**2,084**	(4,361)
Income tax expense	6	—	—
Profit (loss) for the period from continuing operations		**2,084**	(4,361)
Discontinued operation			
Loss for the period from discontinued operation	7	—	(189,808)
Profit (loss) for the period		**2,084**	(194,169)
Other comprehensive income:			
Item that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency from disposed operations		—	8,471
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation		**9**	—
Net fair value gain on available-for-sale investments		**984**	—
Other comprehensive income for the period		**993**	8,471
Total comprehensive income (expense) for the period		**3,077**	(185,698)
Earnings (loss) per share from continuing and discontinued operations			
Basic and diluted *(HK cents)*	9	**0.021**	(1.938)
Earnings (loss) per share from continuing operations			
Basic and diluted *(HK cent)*	9	**0.021**	(0.044)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2014 HK$'000 (unaudited)	At 31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**117**	182
Non-current deposits		**27,752**	27,752
Available-for-sale investments	10	**109,235**	85,196
		137,104	113,130
Current assets			
Other receivables, deposits and prepayments		**4,694**	44,199
Bank balances and cash		**782,390**	769,311
		787,084	813,510
Current liabilities			
Other payables and liabilities		**(4,644)**	(3,904)
Net current assets		**782,440**	809,606
Net assets		**919,544**	922,736
Capital and reserves			
Share capital		**9,969**	10,013
Reserves		**909,575**	912,723
Total equity attributable to owners of the Company		**919,544**	922,736

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* 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 2013, Segment A business (as defined in Note 3) had been discontinued and presented as a discontinued operation in the preparation of the Group's consolidated financial statements. Accordingly, in preparing the condensed consolidated financial statements for the six months ended 30 June 2014, the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income 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 certain financial instruments, which are measured at fair values.

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Adoption of new interpretation and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HK(IFRIC)–Int 21	Levies

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

3. REVENUE AND SEGMENT INFORMATION

For the purpose of performance assessment and resources allocation, the executive directors of the Company, being the chief operating decision maker ("CODM"), regularly review the revenue and results of the segment.

Segment A:	Licensing and management of cartoon character trademarks and copyrights and all related activities managed by Infoport Management Limited and its subsidiaries (the "TE Group").
Investment segment:	Investment in securities.

After Segment A was discontinued during the year ended 31 December 2013 as disclosed in Note 7, the Group has been operating with only one reportable and operating segment with no revenue generated in the current period. CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before tax as the segment result. 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	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**8,095**	706
Others	**152**	1,012
	8,247	1,718

5. PROFIT (LOSS) BEFORE TAX — CONTINUING OPERATIONS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) before tax has been arrived at after charging:		
Directors' emoluments	**262**	1,630
Contribution to retirement benefit scheme	**28**	33
Other staff costs (salaries and benefits)	**1,035**	1,068
Equity-settled share-based payments expenses other than directors	**17**	23
Total staff costs	**1,342**	2,754
Depreciation of property, plant and equipment	**40**	33
Loss on disposal of property, plant and equipment	**10**	9

6. INCOME TAX EXPENSE — CONTINUING OPERATIONS

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

7. DISCONTINUED OPERATION

On 16 September 2013, the Group entered into a sale and purchase agreement to dispose of 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 computer graphic imaging 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 six months ended 30 June 2013 have been restated and presented separately in the condensed consolidated statement of profit or loss and other comprehensive income as discontinued operation and is analysed as follows:

	Six months ended 30 June 2013
	HK$'000
	(unaudited)
Revenue	59,233
Cost of sales	(17,473)
Amortisation of intangible assets	(50,869)
Other income	3,392
Other gains and losses	(2,347)
Selling expenses	(7,089)
Administrative expenses	(31,675)
Impairment loss on intangible assets	(205,012)
	(251,840)
Income tax credit	62,032
Loss for the period	(189,808)

Pursuant to the relevant tax law in the PRC, the directors evaluated the possibility of whether or not that a capital gain has arisen from the disposal of TE Group. Taking into account the advice obtained from tax advisor, the directors are of the opinion that its overall investment loss position is justifiable and accordingly, no capital gain tax needs to be recognised in respect of the disposal of TE Group.

8. DIVIDENDS

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**2,084**	(194,169)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**9,979,720,123**	10,020,180,720

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's options because the exercise price of those options was higher than average market price for shares for both periods.

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:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to the owners of the Company	**2,084**	(194,169)
Less: Loss for the period from discontinued operation	—	189,808
Profit (loss) for the period attributable to the owners of the Company from continuing operations	**2,084**	(4,361)

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

From discontinued operation

Basic and diluted loss per share for discontinued operation is approximately HK1.894 cents per share for the six months ended 30 June 2013 (30 June 2014: HK$nil), based on the loss for the period from discontinued operation of HK$189,808,000 (30 June 2014: HK$nil) and the denominators detailed above for basic and diluted earnings (loss) per share.

10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
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	**60,015**	59,619
Corporate bonds listed in Singapore with fixed interest rates ranging from 8.5% to 11.1% and maturity dates ranging from 20 March 2017 to 10 January 2019	**24,601**	17,407
Corporate bonds listed in European market with fixed interest rates ranging from 5.1% to 6.8% and maturity dates ranging from 21 January 2018 to 23 January 2019	**24,619**	8,170
	109,235	85,196
Analysed for reporting purposes as non-current assets	**109,235**	85,196

No available-for-sale investments were disposed of during the six months ended 30 June 2014.

11. 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 former wholly-owned subsidiary of the Company, which was disposed during the year ended 31 December 2013, 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.

Pursuant to the sale and purchase agreement dated 16 September 2013 relating to the disposal of TE Group, the Company is required to indemnify in full any cost and damages payable by Infoport under a final and enforceable judgement from a court. After seeking legal advice, the Company believes Infoport has meritorious defences and will 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 is principally engaged in computer graphic imaging ("CGI"), cultural and entertainment business and investment business.

In view of the general slowdown in consumption growth in mainland China and brand fatigue of certain animation characters owned by TE Group, the Group disposed of its entire interest in TE Group in October 2013 (the "Disposal"). The sale proceeds arising from the Disposal amounting to approximately HK$634.2 million significantly increased the Group's financial strength and flexibility in the pursuit of prospective investment opportunities.

In July 2014, the Group completed the acquisition of the properties located in Global Trade Square, Wong Chuk Hang, Hong Kong, which are intended to be used, among others, as a workshop.

CGI Business

The Group is engaged in CGI content production.

The slowdown of China's economic growth and the escalating competition in the animation industry in terms of creativity, the employment of 3D CGI effects and show schedules in theatres have adversely affected the growth and performance of animation pictures originated and produced locally. In light of the increased competition, the Group continues to evaluate the competitiveness of its CGI product. The production of the Group's work-in-progress film *Cat Tale* has been suspended pending further creative works and CGI effects improvement.

Investment Business

The Group utilised approximately HK$108.3 million of its cash balance to acquire certain listed corporate bonds since the last quarter of 2013. The Group's bond portfolio generates an average yield to maturity of about 5%.

FINANCIAL REVIEW

Review of Results

TE Group is engaged in licensing and management of cartoon character trademarks and copyrights, which was a principal business of the Group and an individual segment presented in the previous financial statements. As a result of the Disposal, TE Group became a discontinued operation of the Group and the comparative figures in the condensed consolidated statement of profit or loss has been restated accordingly.

The Group is also engaged in the development of CGI and cultural and entertainment business. However, during the six months ended 30 June 2014 (the "Period under Review"), the Group did not report any revenue, cost of sales and gross profit because the Group slowed down the development of its CGI business, pending the completion of a strategic review of the competitiveness and positioning of the Group in the CGI market. Thus, the Group did not generate any revenue in the Period under Review.

Other income increased by HK$6.5 million to HK$8.2 million, which mainly comprised of interest income generated from investment in corporate bonds and time deposits. The cash consideration of HK$634.2 million derived from the Disposal was applied as to approximately HK$108.3 million for the investment in corporate bonds and the remaining balance was placed on time deposit. Both the corporate bonds and time deposits generated interest income and thus the Company recorded much higher interest income compared with the last corresponding period.

The Group recognised an one-off Renminbi denominated service income in last year, the settlement of which took place during the Period under Review. Because of the devaluation of Renminbi early this year, the actual amount that the Group received in Hong Kong dollar was reduced when compared with the amount recorded as other receivable as at 31 December 2013. Consequently, the Group suffered an exchange loss amounting to HK$885,000, which was the key component of other gains and losses.

Administrative expenses decreased by HK$0.8 million, or 12.6%, to HK$5.3 million when compared with the last corresponding period, which was mainly due to the net effect of (a) the reversal of a share-based payment amounting to HK$2.7 million, resulting from the cancellation of the unvested share options granted to Mr. Yung Tse Kwong, Steven ("Mr. Yung"), a former executive director and chief executive officer of the Company, upon his resignation; (b) the remuneration of Mr. Yung amounting to HK$1.0 million for the period from 1 January 2014 to 31 March 2014 (being the date of his departure), whereas prior to the Disposal, Mr. Yung's remuneration had been charged to TE Group; and (c) an increase in other administrative expenses amounting to HK$0.9 million.

The Group recorded a profit from continuing operations of HK$2.1 million, compared with a loss of HK$4.4 million for the last corresponding period.

Together with the loss of HK$189.8 million recorded by TE Group which was reclassified under the discontinued operation, the loss of the Group in the last corresponding period was HK$194.2 million whilst the profit of the Group for the Period under Review was HK$2.1 million.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 30 June 2014 remained healthy and strong, with bank balances amounting to HK$782.4 million and a current ratio of 169.5.

As at 30 June 2014, the Group had no bank or other borrowings and therefore a zero gearing (expressed as a percentage of total borrowings over total capital).

PARTIAL DISPOSAL OF SHARES BY THE SINGLE LARGEST SHAREHOLDER OF THE COMPANY

On 29 July 2014, the Company was informed that its single largest shareholder, Idea Talent Limited, has entered into an agreement to sell shares of the Company representing approximately 20.95% of the Company's issued share capital. Idea Talent Limited is a company controlled by Mr. Leung Pak To ("Mr. Leung"), the Chairman and a non-executive director of the Company. The purchaser of the shares is Advance Beauty

Holdings Limited, a company that is legally and beneficially owned by Mr. Shan Jiuliang ("Mr. Shan") and Ms. Zhang Peng ("Ms. Zhang"), who are third parties independent of the Company and any of its directors.

The completion of the sale and purchase is expected to take place no later than 29 October 2014, after which it is intended that the nomination committee of the Company will consider the appointment of Mr. Shan and Ms. Zhang as executive directors of the Company and the Board will subsequently consider the appointment of Mr. Shan as the Company's Chairman. Mr. Leung will retain a direct and indirect ownership interest in approximately 7.82% of the Company's issued share capital and remain as a non-executive director of the Company after the completion.

Mr. Shan has almost twenty years of operational and management experience in investments, commodities trading and financial services in the People's Republic of China (the 'PRC") whilst Ms. Zhang has almost fifteen years of operational and management experience in the media industry and the commodities exchange-related industry in the PRC.

FUTURE PLANS AND PROSPECTS

The Group continues to undertake the CGI, cultural and entertainment business and apply its surplus cash to generate income from investment. Since the CGI business entails long lead time, no significant revenue is expected to be generated from this sector in 2014.

The Board is undertaking a strategic review as to how best to utilise its surplus cash to create additional value for the Company's shareholders. Given its strong financial position, the Group is well positioned to capture investment opportunity which may arise in the future. Given the experience of Mr. Shan and Ms. Zhang in trading, financing and investing in the PRC and Mr. Leung's experience in investment banking and private equity investing, the Company may consider to develop into business in relation to lending and financing opportunities in the PRC.

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 six months ended 30 June 2014, 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 which provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Lian Meng, Dr. Lam Lee G. and Ms. Wei Wei were unable to attend the annual general meeting of the Company held on 26 May 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2014, the Company repurchased a total of 44,712,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$3,935,000. 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**	**Aggregate consideration paid (before expenses)**
		HK$	*HK$*
January 2014	24,712,000	0.088	2,175,000
February 2014	20,000,000	0.088	1,760,000

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 six months ended 30 June 2014.

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 2014.

By order of the Board
Imagi International Holdings Limited
Ma Wai Man, Catherine
Executive Director

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises Mr. Leung Pak To as the Chairman and non-executive director; Ms. Ma Wai Man, Catherine as an executive director; Mr. Lian Meng as a non-executive director; and Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo and Dr. Lam Lee G. as independent non-executive directors.