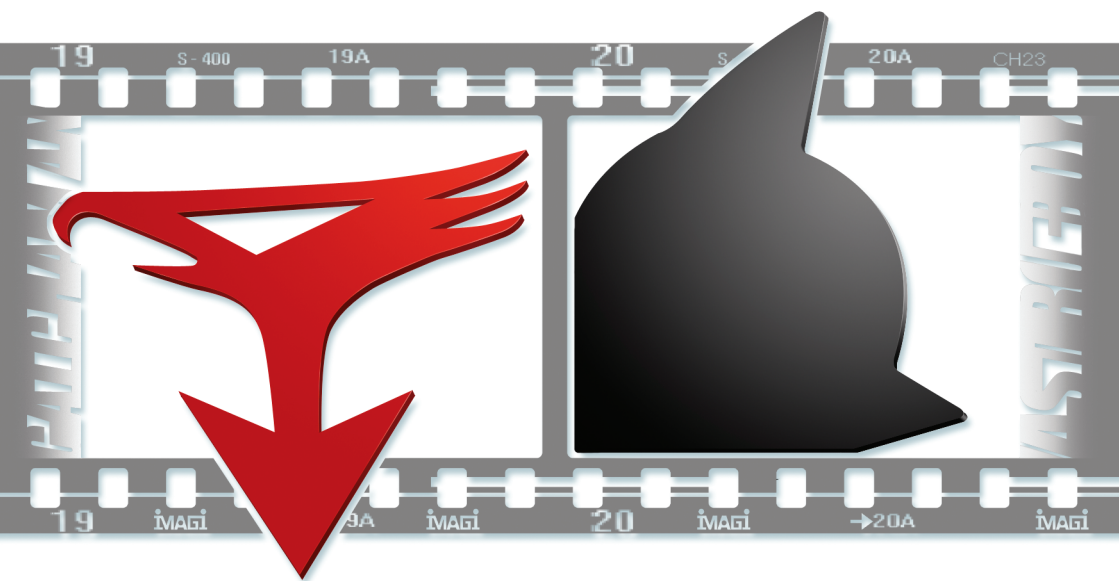




IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

STOCK CODE: 585



INTERIM REPORT
2007/2008

BOARD OF DIRECTORS

Executive Directors

Mr. KAO Cheung Chong, Michael (*Chairman*)

Mr. KAO Wai Ho, Francis (*Deputy Chairman, Co-Chief Executive Officer and Chief Creative Officer*)

Mr. Douglas Esse GLEN (*Co-Chief Executive Officer*)

Mr. TSE Chi Man, Terry (*President & Chief Financial Officer*)

Mr. Thomas Knox GRAY (*resigned on 14th November 2007*)

Non-Executive Director

Mr. LAM Pak Kin, Philip

Independent Non-Executive Directors

Mr. LAI Chi Kin, Lawrence

Mr. NG See Yuen

Mr. OH Kok Chi

AUDIT COMMITTEE

Mr. OH Kok Chi (*Chairman*)

Mr. LAI Chi Kin, Lawrence

Mr. NG See Yuen

COMPANY SECRETARY

Mr. TAM Wing Kin

QUALIFIED ACCOUNTANT

Mr. TAM Wing Kin

REGISTERED OFFICE

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor

Eight Commercial Tower

8 Sun Yip Street

Chai Wan

Hong Kong



BERMUDA RESIDENT REPRESENTATIVE

Butterfield Fund Services (Bermuda) Limited

LEGAL ADVISORS

As to Hong Kong law:

Kirkpatrick & Lockhart Preston Gates Ellis
Deacons
To, Lam & Co

As to USA law:

Weissmann Wolff Bergman Coleman Grodin & Evall LLP

As to Bermuda law:

Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (HK) Limited
Credit Suisse
City National Bank

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

INTERNET WEBSITE

www.imagi.com.hk

The Board of Directors (the "Board") of Imagi International Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	12,502	259
Cost of sales		(18,297)	(541)
Gross loss		(5,795)	(282)
Other income		5,089	2,943
Administrative and other operating expenses		(24,031)	(11,946)
Finance costs		(2,102)	(2,141)
Loss before taxation	5	(26,839)	(11,426)
Income tax expense	6	(226)	(61)
Loss for the period		(27,065)	(11,487)
Attributable to:			
Equity holders of the Company		(27,065)	(11,476)
Minority interests		–	(11)
		(27,065)	(11,487)
Basic loss per share	8	(1.86 HK cents)	(0.92 HK cents)



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30th September 2007 HK\$'000 (unaudited)	At 31st March 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	74,389	64,421
Computer graphics ("CG") animation pictures		280,173	142,075
Goodwill		3,228	3,228
Interest in an associate	10	–	–
Available-for-sale investments		3,201	3,201
		360,991	212,925
Current assets			
Inventories		–	155
Trade and other receivables	11	28,900	26,968
Tax recoverable		737	771
Bank balances and cash		221,901	367,584
		251,538	395,478
Current liabilities			
Other payables		17,539	38,186
Unearned revenue		61	110
Tax payable		797	670
Obligations under finance lease – due within one year		513	59
		18,910	39,025
Net current assets		232,628	356,453
Total assets less current liabilities		593,619	569,378
Non-current liabilities			
Obligations under finance lease - due after one year		1,712	175
Convertible notes	15	9,245	54,299
Deferred taxation		363	363
		11,320	54,837
Net assets		582,299	514,541
Capital and reserves			
Share capital	12	160,254	144,113
Reserves		422,045	370,428
Total equity		582,299	514,541

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Translation reserve	Convertible notes equity reserve	Share option reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2006	122,035	73,449	909	(102)	11,930	15,201	(51,787)	171,635	58	171,693
Exchange differences arising on translation of overseas operations and recognised directly in equity	-	-	-	(84)	-	-	-	(84)	-	(84)
Loss for the period	-	-	-	-	-	-	(11,476)	(11,476)	(11)	(11,487)
Total recognised expenses for the period	-	-	-	(84)	-	-	(11,476)	(11,560)	(11)	(11,571)
Recognition of equity-settled share-based payments	-	-	-	-	-	1,456	-	1,456	-	1,456
Exercise of share options	3,538	7,504	-	-	-	(3,226)	-	7,816	-	7,816
At 30th September 2006	125,573	80,953	909	(186)	11,930	13,431	(63,263)	169,347	47	169,394
Exchange differences arising on translation of overseas operations and recognised directly in equity	-	-	-	224	-	-	-	224	15	239
Loss for the period	-	-	-	-	-	-	(127,447)	(127,447)	(28)	(127,475)
Total recognised income and expenses for the period	-	-	-	224	-	-	(127,447)	(127,223)	(13)	(127,236)
Recognition of equity-settled share-based payments	-	-	-	-	-	24,320	-	24,320	-	24,320
Exercise of share options	3,099	13,418	-	-	-	(5,513)	-	11,004	-	11,004
Share options cancelled	-	-	-	-	-	(268)	268	-	-	-
Placement of shares	12,500	425,000	-	-	-	-	-	437,500	-	437,500
Share issued expenses	-	(9,440)	-	-	-	-	-	(9,440)	-	(9,440)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(34)	(34)
Conversion of equity component of convertible notes	2,941	7,744	-	-	(1,652)	-	-	9,033	-	9,033

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 31st March 2007	144,113	517,675	909	38	10,278	31,970	(190,442)	514,541	-	514,541
Exchange differences arising on translation of overseas operations and recognised directly in equity	-	-	-	203	-	-	-	203	-	203
Loss for the period	-	-	-	-	-	-	(27,065)	(27,065)	-	(27,065)
Total recognised income and expenses for the period	-	-	-	203	-	-	(27,065)	(26,862)	-	(26,862)
Recognition of equity-settled share-based payments	-	-	-	-	-	42,086	-	42,086	-	42,086
Exercise of share options	1,435	8,020	-	-	-	(3,592)	-	5,863	-	5,863
Share options forfeited	-	-	-	-	-	(1,030)	1,030	-	-	-
Conversion of equity component of convertible notes	14,706	40,590	-	-	(8,625)	-	-	46,671	-	46,671
At 30th September 2007	160,254	566,285	909	241	1,653	69,434	(216,477)	582,299	-	582,299

Note: The merger reserve represents the difference between the nominal value of shares of subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(25,034)	(16,878)
Net cash used in investing activities		
Cost incurred in CG animation pictures	(113,060)	(70,400)
Purchase of property, plant and equipment	(18,043)	(13,192)
Other investing activities	5,706	146
	(125,397)	(83,446)
Net cash from financing activities		
Net proceeds on issue of shares	5,863	7,811
Proceeds from bank borrowing	-	46,597
Other financing cash flows	(1,144)	(2,509)
	4,719	51,899
Net decrease in cash and cash equivalents	(145,712)	(48,425)
Cash and cash equivalents at beginning of the period	367,584	105,156
Effect of foreign exchange rate changes	29	4
Cash and cash equivalents at end of the period	221,901	56,735



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance 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") and with Hong Kong Accounting Standards ("HKAS") 34, Interim Financial Reporting.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st April 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴
HK(IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions ⁵

¹ Effective for annual periods beginning on or after 1st January 2007

² Effective for annual periods beginning on or after 1st May 2006

³ Effective for annual periods beginning on or after 1st June 2006

⁴ Effective for annual periods beginning on or after 1st November 2006

⁵ Effective for annual periods beginning on or after 1st March 2007

The adoption of the new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standard or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st January 2009

² Effective for annual periods beginning on or after 1st January 2008

³ Effective for annual periods beginning on or after 1st July 2008

The Directors of the Company anticipate that the application of these standard or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group is operating in a single business of production, licensing and sales of CG animation pictures of which revenue for the period was mainly generated from the United States of America. The revenue, operating results and assets relating to other countries other than the United States of America are totalling and individually below 10% of the total revenue, total results and total assets respectively. Accordingly, no disclosure on segment reporting is presented.

4. Share Options

The Company has a share option scheme for the primary purpose of providing incentives to employees, executives or officers, Directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries for their contribution to the Group.

Details of the share options for each category outstanding during the current period are as follows:

	Number of share options			Total
	Directors	Employees	Supplier of services	
Outstanding at the beginning of the period	31,000,000	72,126,000	5,000,000	108,126,000
Granted during the period	–	12,035,000	–	12,035,000
Granted with modification during the period	5,000,000	47,200,000	–	52,200,000
Exercised during the period	(10,000,000)	(4,350,000)	–	(14,350,000)
Cancelled during the vesting period	–	(7,400,000)	–	(7,400,000)
Cancelled with modification during the period	(5,000,000)	(47,200,000)	–	(52,200,000)
Forfeited during the period	–	(1,000,000)	–	(1,000,000)
Outstanding at the end of the period	21,000,000	71,411,000	5,000,000	97,411,000

On 15th May 2007, 18th May 2007 and 25th September 2007, 51,925,000, 260,000 and 12,050,000 share options were granted respectively. The closing prices of the Company's shares immediately before 15th May 2007, 18th May 2007 and 25th September 2007 were HK\$2.17, HK\$2.09 and HK\$1.52 respectively.

It is noted that a cancellation of the 52,200,000 share options previously granted on 19th January 2007 was in connection with the re-grant of 46,540,000, 260,000 and 5,400,000 share options on 15th May 2007, 18th May 2007 and 25th September 2007 respectively. The remaining 1,000,000 share options were forfeited due to the resignation of employees after the vesting period, while the remaining 7,400,000 share options were cancelled due to the resignation of employees during the vesting period which has been reflected in the revised estimate. The exercise price, exercisable period and vesting period of the re-granted share options were modified as follows:

Date of grant	Number of share options	Option exercise price	Exercisable period	Vesting period
15/05/2007	13,962,000	2.178	15/01/2008 to 14/01/2013	15/05/2007 to 14/01/2008
	13,962,000	2.178	15/01/2009 to 14/01/2014	15/05/2007 to 14/01/2009
	18,616,000	2.178	15/01/2010 to 14/01/2015	15/05/2007 to 14/01/2010
	46,540,000			
18/05/2007	78,000	2.146	18/01/2008 to 17/01/2013	18/05/2007 to 17/01/2008
	78,000	2.146	18/01/2009 to 17/01/2014	18/05/2007 to 17/01/2009
	104,000	2.146	18/01/2010 to 17/01/2015	18/05/2007 to 17/01/2010
	260,000			
25/09/2007	1,620,000	2.178	25/01/2008 to 24/01/2013	25/09/2007 to 24/01/2008
	1,620,000	2.178	25/01/2009 to 24/01/2014	25/09/2007 to 24/01/2009
	2,160,000	2.178	25/01/2010 to 24/01/2015	25/09/2007 to 24/01/2010
	5,400,000			

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.419.

The total fair value of the share options granted during the period, calculated at the respective dates of grant, is HK\$13,606,238.

With reference to the vesting period attached to the respective share options, the Group recognised share-based payments expenses as follows:

	Options granted on						
	25th May 2006 HK\$'000	9th October 2006 HK\$'000	19th January 2007 HK\$'000	15th May 2007 HK\$'000	18th May 2007 HK\$'000	25th September 2007 HK\$'000	Total HK\$'000
Recognised in share option reserve	543	2,585	32,622	6,263	8	65	42,086
Capitalised in CG animation pictures	543	–	26,936	5,894	–	56	33,429
Charged to condensed consolidated income statement	–	2,585	5,686	369	8	9	8,657
	543	2,585	32,622	6,263	8	65	42,086

The fair values of the options granted on 15th May 2007, 18th May 2007 and 25th September 2007 using the Binomial model were ranging from HK\$1.252 to HK\$1.443, HK\$1.215 to HK\$1.379 and HK\$0.866 to HK\$1.060 respectively. The following assumptions were used to calculate the fair values of the share options:

	Options granted on 15th May 2007	Options granted on 18th May 2007	Options granted on 25th September 2007
Grant date share price	HK\$2.15	HK\$2.10	HK\$1.63
Exercise price	HK\$2.178	HK\$2.146	HK\$2.178
Expected life	5.67 to 8 years	5.67 to 7.67 years	5.34 to 8 years
Expected volatility	61.04%	60.75%	65.19%
Expected dividend yield	0%	0%	0%
Risk free interest rate	4.036% to 4.098%	4.036% to 4.090%	4.026% to 4.098%

At each balance sheet date, the Group revises its estimates at the number of options that are expected to ultimately vest. The impact of the revision of the estimates is recognised in the condensed consolidated income statement, with a corresponding adjustment to the share option reserve.

5. Loss before Taxation

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	9,781	7,736
Less: amounts capitalised in CG animation pictures and inventories	(8,899)	(7,105)
	882	631
Amortisation of CG animation pictures (included in cost of sales)	17,731	–

6. Income Tax Expense

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Taxation in other jurisdictions	–	46
Under(over)provision of taxation in other jurisdictions in prior years	226	(348)
Deferred taxation - current year	–	363
	226	61

A portion of the Group's profit neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

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

Overseas tax is calculated at the tax rates prevailing in the respective jurisdictions.

7. Interim Dividend

No dividend was paid during the period (2006: Nil). The Directors do not recommend the payment of an interim dividend for the period ended 30th September 2007.



8. Loss Per Share

The calculation of the basic loss per share attributable to the equity holders of the Company for the period is based on the following data:

	Six months ended 30th September	
	2007	2006
Loss for the period attributable to equity holders of the Company	(HK\$27,065,000)	(HK\$11,476,000)
Number of shares:		
Weighted average number of ordinary shares of HK\$0.1 each for the purpose of calculating basic loss per share	1,455,758,273	1,246,428,264

No diluted loss per share is presented as the exercise of share options and the conversion of convertible notes during the period would result in a decrease in loss per share.

9. Property, Plant and Equipment

During the six months ended 30th September 2007, the Group incurred approximately HK\$20,121,000 (2006: HK\$13,192,000) on the acquisition of property, plant and equipment mainly for the purpose of improving and expanding the Group's production capability.

10. Interest in an Associate

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Cost of investment in an associate	86,593	86,593
Less: Share of post-acquisition losses	(29,373)	(29,373)
Unrealised gain on disposal of businesses	(57,220)	(57,220)
	-	-

11. Trade and Other Receivables

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 to 90 days.

The following is an aged analysis of trade receivables at the balance sheet dates:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
0 to 30 days	61	6,647
31 to 60 days	–	1,207
Over 60 days	9,073	11,661
Total trade receivables	9,134	19,515
Other receivables	19,766	7,453
	28,900	26,968

12. Share Capital

	Number of ordinary shares	Values HK\$'000
Authorised:		
At 31st March 2007 and at 30th September 2007, at HK\$0.10 each	2,500,000,000	250,000
Issued and fully paid:		
At 1st April 2007, at HK\$0.10 each	1,441,133,265	144,113
Exercise of share options (note)	14,350,000	1,435
Conversion of convertible notes (Note 15)	147,058,824	14,706
At 30th September 2007, at HK\$0.10 each	1,602,542,089	160,254

Note: The Company issued 1,000,000, 9,000,000 and 4,350,000 ordinary shares of HK\$0.10 each in the Company for cash at exercise prices of HK\$0.195, HK\$0.535 and HK\$0.196 per share respectively, as a result of the exercise of share options.

13. Related Party Transactions

Compensation of key management personnel

The remunerations of Directors and other members of key management during the period are as follows:

	For the six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Short-term benefits	12,754	10,268
Post-employment benefits	20	45
Equity-settled share-based payments expenses (note)	8,393	–
	21,167	10,313

The remunerations of Directors and key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Note: Included in the equity-settled share-based payments expenses for the period of HK\$8,393,000, approximately HK\$1,739,000 has been capitalised in CG animation pictures in the current period.

14. Capital Commitments

At the balance sheet dates, the Group had the following commitments for capital expenditure in respect of CG animation pictures and property, plant and equipment:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements	11,414	12,805

15. Convertible Notes

During the period, convertible notes with an aggregate principal amount of HK\$50,000,000 were converted into 147,058,824 ordinary shares of HK\$0.10 each in the Company at a conversion price of HK\$0.34.

16. Events after the Balance Sheet Date

The following significant events took place subsequent to 30th September 2007:

- On 3rd October 2007, Mr. Kao Cheung Chong, Michael, a Director of the Company, converted convertible notes with a principal amount of HK\$10,000,000 held by him into 29,411,764 ordinary shares of HK\$0.10 each in the Company at a conversion price of HK\$0.34. After this conversion, no convertible notes were outstanding.
- On 4th December 2007, the Company entered into 2 subscription agreements for the issue of zero coupon convertible notes with aggregate principal amounts of HK\$274,000,000 and HK\$132,000,000 to various subscribers and Winnington Capital Limited, a substantial shareholder of the Company, respectively, at a conversion price of HK\$1.768 per conversion share and they will be matured at the third anniversary of the date of issue of the relevant convertible notes. The convertible notes have not yet been issued at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2007, the Group reported a turnover of HK\$12.5 million representing an increase of approximately 47 times as compared to HK\$259,000 for the same period of last year. The increase in turnover reflected the continuous contribution of revenue by Teenage Mutant Ninja Turtles ("TMNT") and Highlander: The Search for Vengeance ("Highlander") during the current period, which were completed and delivered in March 2007 and January 2007 respectively.

Loss attributable to shareholders for the six months ended 30th September 2007 was HK\$27.1 million, an increase of 136% as compared to HK\$11.5 million for the same period of last year. The increase in loss was mainly attributable to the share option expenses of HK\$8.7 million recognized in the current period and combined loss of HK\$5.4 million in current period for TMNT and Highlander.

CG Animation Pictures

TMNT

TMNT is our first theatrical features film and was released in March 2007. The worldwide box office for TMNT was over US\$92 million. DVD for TMNT was released in the US in August 2007. Income derived from TMNT was a major part of income of the Group during the period.

Astro Boy and Gatchaman

The upcoming motion pictures, Astro Boy and Gatchaman, are scheduled for release in 2009, are still in production stage. In September 2007, Imagi has entered into a preliminary distribution agreement with Warner Bros. Pictures, Inc. and The Weinstein Company LLC in relation to Astro Boy and Gatchaman. In addition, certain distribution agreements were signed in relation to Astro Boy and Gatchaman's toys.

Fluorescent Black

Imagi has acquired all rights to Fluorescent Black in November 2007. Fluorescent Black is a riveting futuristic biopunk story set in Singapore and the Malaysian peninsula and will be developed as a graphic novel. The Group believes it has the potential to become a huge cult phenomenon.

Interest in associate

Subsequent to the period end, receivers and managers were appointed to monitor the business of our 22.5% interest in associate. Its business engages in the development, manufacture, sales and distribution of artificial Christmas trees and accessories. The Group has discontinued recognition of its share of post-acquisition losses as the carrying value of the interest in associate is zero and the Group has no further obligation to assume additional commitments of the associate.



Corporate

On 28th September 2007, the convertible notes with principal amount of HK\$50 million were converted into 147,058,824 shares of HK\$0.10 each in the capital of the Company at the conversion price of HK\$0.34. After the conversion, the convertible notes with principal amount of HK\$10 million were still outstanding by the period end. On 3rd October 2007, the remaining convertible notes with principal amount of HK 10 million were also converted into 29,411,764 shares at the conversion price of HK\$0.34. After such conversion, all principal amounts of the then convertible notes issued during the year ended 31st March 2006 had been fully converted into shares of the Company.

On 4th December 2007, the Company entered into subscription agreements with various subscribers for the subscription of zero coupon convertible notes with principal amounts of HK\$406 million. The notes are with three year maturities and the conversion price is HK\$1.768. The net proceeds of approximately HK\$395 million will be used for the development of four full length feature computer graphics imagery animation movies scheduled tentatively to be released during the period from the first quarter of 2009 to third quarter of 2011. As one of the subscribers, Winnington Capital Limited ("Winnington"), subscribing convertible notes with principal amount of HK\$132 million, is a connected person (as defined under the Rules Governing the Listing of Securities on the Stock Exchange "Listing Rules"), a special general meeting of shareholders will be held to approve that subscription. As the subscription agreement is conditional on the approval of the Winnington subscription agreement, Winnington and other subscribers will abstain from voting in the coming special general meeting. Should the convertible notes be converted in full at the initial conversion price of HK\$1.768 per conversion share, a maximum of approximately 229.6 million conversion shares will be issued.

Prospects

Imagi is in advanced stages of negotiation to obtain rights to several new properties which the Group believes have significant potential as feature films. In this regard, the Group's strategy is to prioritize those properties for which the Group can own or license the broadest possible range of rights, including not only feature film, but also television, derivative, merchandising, and promotion rights. The Group will announce new property acquisitions after definitive agreements are reached with the property owners.

Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30th September 2007, the Group had available aggregate banking facilities of HK\$80 million, all of which was remained unutilized. The Group's cash deposits and bank balances as at that date amounted to approximately HK\$221.9 million (31st March 2007: HK\$367.6 million). The Board believes that the Group has sufficient financial resources to discharge its debts and finance its operations and capital expenditures.

Further, the Group has maintained a sound capital structure, with a current ratio of 13.3 (31st March 2007: 10.1) and a gearing ratio, measured as total debts over total assets, of 4.9% (31st March 2007: 15.4%) as of the period end date.

Foreign Exchange Exposure

Transactions of the Group are predominately denominated in Hong Kong dollars, US dollars, Euro and Japanese Yen. No hedging or other instruments to reduce the currency risks have been implemented during the period. However, review of the Group's exposure to foreign exchange risk is conducted periodically and derivative financial instruments may be used to hedge against such risks when necessary.

Contingent Liabilities

As at 30th September 2007, the Group had no significant contingent liabilities.

Human Resources

As at 30th September 2007, the Group employed over 470 full-time staff worldwide. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market in respective countries where the Group has operations. Remuneration packages of Directors and senior management are reviewed and approved by the Remuneration Committee formed by two Independent Non-Executive Directors and one Executive Director of the Company. In addition to basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performance and at the discretion of the Board.

The Group is committed to continually developing and deploying the potential of its staff to the fullest extent, by keeping them abreast with the latest technical, creative and business best practices. The Group's studio is well-equipped with in-house training facilities where structured training programs are regularly provided to staff in technical, creative and managerial disciplines. Besides internal training programs, the Group also provides customized training courses in collaboration with external training consultants and educational institutions. The Group believes that staff is its most valuable asset.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE NOTES

At 30th September 2007, the interests of the Directors and the Chief Executives and their associates in the shares, underlying shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

Long position

(A) *Ordinary shares of HK\$0.10 each of the Company*

Name of Directors	Number of issued ordinary shares held				Percentage of issued share capital
	Personal interest	Corporate interest	Other interest	Total interest	
Mr. Kao Cheung Chong, Michael	32,752,765	9,373,020 (note i)	597,816,490 (note ii)	639,942,275	39.93%
Mr. Kao Wai Ho, Francis	33,124,000	–	597,816,490 (note ii)	630,940,490	39.37%
Mr. Douglas Esse Glen	400,000	–	–	400,000	0.02%
Mr. Lam Pak Kin, Philip	2,034,000	–	–	2,034,000	0.13%
Mr. Lai Chi Kin, Lawrence	361,500	–	–	361,500	0.02%
Mr. Thomas Knox Gray (note iii)	1,000,000	–	–	1,000,000	0.06%

Notes:

- (i) These shares are held by Kessuda Consultants Limited whose entire issued share capital is beneficially owned by Mr. Kao Cheung Chong, Michael.
- (ii) 12,197,985 shares of the Company are beneficially owned by Happy Nation Limited, whose entire issued share capital is beneficially owned by China Link Holding Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited, acting as trustee for The Cheerco Trust, of which Mr. Kao Cheung Chong, Michael and his family members, including Mr. Kao Wai Ho, Francis, are discretionary objects. The remaining 585,618,505 shares which represent 36.54% of issued share capital of the Company, are beneficially owned by Sunni International Limited, 54.67% of whose issued share capital is beneficially owned by Happy Nation Limited.
- (iii) Mr. Thomas Knox Gray has resigned as an Executive Director of the Company on 14th November 2007.

(B) Share options of the Company

Name of Directors	Capacity	Number of options held	Number of underlying shares
Mr. Kao Cheung Chong, Michael	Beneficial owner	–	–
Mr. Kao Wai Ho, Francis	Beneficial owner	–	–
Mr. Douglas Esse Glen	Beneficial owner	12,000,000	12,000,000
Mr. Tse Chi Man, Terry	Beneficial owner	5,000,000	5,000,000
Mr. Thomas Knox Gray (note iii)	Beneficial owner	4,000,000	4,000,000

(C) Interests in associated corporations

Name of Directors	Name of associated corporations	Class of shares	Number of shares held (personal interest)	Percentage of issued share capital
Mr. Kao Cheung Chong, Michael	Boto International Holdings Limited	Ordinary shares of US\$1 each	7,705	6.93%
	Sunni International Limited	Ordinary shares of US\$1 each	5,637	54.67%
Mr. Lam Pak Kin, Philip	Boto International Holdings Limited	Ordinary shares of US\$1 each	1,053	0.95%
	Sunni International Limited	Ordinary shares of US\$1 each	310	3.00%

(D) Convertible notes of the Company

Name of Directors	Capacity	Number of convertible notes held	Number of underlying shares
Mr. Kao Cheung Chong, Michael	Beneficial owner	HK\$10,000,000	29,411,764

Other than as disclosed above and the interests in certain non-voting 5% deferred shares in a subsidiary of the Company, none of the Directors, or Chief Executives nor their associates had any interests or short position in any shares or underlying shares of the Company or any of its associated corporations at 30th September 2007.

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of the Directors and according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interest disclosed above in the section "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Convertible Notes", the following shareholders were interested in the issued share capital of the Company as at 30th September 2007.

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Mr. Hung Kam Biu, Kenneth ("Mr. Hung")	Beneficial owner	74,598,000	4.65%
	Interest of controlled Corporation (note i)	318,994,824	19.91%
Trophy Asset Management Limited ("Trophy Asset")	Beneficial owner (note i)	7,106,000	0.44%
Winnington Capital Limited ("Winnington")	Investment Manager (note i)	311,888,824	19.46%
Ms. Chu Jocelyn ("Ms. Chu")	Interest of Spouse (note ii)	74,598,000	4.65%
	Interest of controlled Corporation (note i)	318,994,824	19.91%

Note:

- (i) 277,710,471 shares out of Winnington's shareholdings are held by Trophy Fund, whose capital is managed by Trophy Asset, which in turn is wholly owned by Mr. Hung. Trophy Fund is advised by Winnington (delegated management by Trophy Asset) which is 50% owned by each of Mr. Hung and his wife, Ms. Chu.
- (ii) Ms. Chu, being the spouse of Mr. Hung, is deemed to be interested in the shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th September 2007.

AUDIT COMMITTEE

The Audit Committee meets regularly with the Group's senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, the effectiveness of the system of internal controls and compliance, and to make recommendations to the Board. The members of the Audit Committee are Mr. Oh Kok Chi (Chairman of the Committee), Mr. Lai Chi Kin, Lawrence and Mr. Ng See Yuen.

The said condensed consolidated financial statements for the period covered by this interim report have also been reviewed by the Audit Committee and the Company's external auditors, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

The Company is committed to maintain good corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the period ended 30th September 2007, except the following deviation.

Under the Code Provision A.4.1, Non-Executive Directors should be appointed for a specific term, subject to re-election. During the period, none of the Non-Executive Director and the Independent Non-Executive Directors of the Company was appointed for any specific fixed term. In accordance with the bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

APPRECIATION

On behalf of the Board, I would like to thank my fellow management and staff for their dedication and hard work during the past period, as well as our worldwide viewers, distributors, business partners and shareholders for their support.

On behalf of the Board

Kao Wai Ho, Francis

Deputy Chairman, Co-Chief Executive Officer and Chief Creative Officer

Hong Kong, 14th December 2007



Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF IMAGI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 16, which comprises the condensed consolidated balance sheet of Imagi International Holdings Limited as of 30th September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 14th December 2007