



IMAGI INTERNATIONAL HOLDINGS LIMITED

意馬國際控股有限公司*

STOCK CODE : 585



INTERIM REPORT 2008/2009

* For identification only

BOARD OF DIRECTORS

Executive Directors

Mr. KAO Wai Ho, Francis (*Chairman and Chief Creative Officer*)

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

Independent Non-executive Directors

Mr. NG See Yuen

Mr. OH Kok Chi

AUDIT COMMITTEE

Mr. OH Kok Chi (*Chairman*)

Mr. NG See Yuen

COMPANY SECRETARY

Mr. TAM Wing Kin, Vincent

QUALIFIED ACCOUNTANT

Mr. TAM Wing Kin, Vincent

REGISTERED OFFICE

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
Kaye Scholer 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
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
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INTERNET WEBSITE

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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 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September	
	NOTES	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	3	1,561	12,502
Cost of sales		(2,286)	(18,297)
Gross loss		(725)	(5,795)
Other income		545	5,089
Administrative expenses		(21,711)	(24,031)
Finance costs		(54)	(2,102)
Loss before taxation	5	(21,945)	(26,839)
Income tax credit (expense)	6	124	(226)
Loss for the period		(21,821)	(27,065)
Basic loss per share	8	(1.33 HK cents)	(1.86 HK cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	At 30th September 2008 HK\$'000 (unaudited)	At 31st March 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	76,777	86,364
Computer graphic animation pictures		635,462	463,757
Goodwill		3,228	3,228
Rental deposits		10,935	9,644
Club debentures		3,261	3,201
		729,663	566,194
Current assets			
Trade and other receivables, deposits and prepayments	10	6,993	12,142
Tax recoverable		814	666
Bank balances and cash		88,859	175,530
		96,666	188,338
Current liabilities			
Other payables and accruals		16,873	20,257
Unearned revenue		62	67
Tax payable		345	593
Obligations under finance lease – due within one year		691	670
		17,971	21,587
Net current assets		78,695	166,751
Total assets less current liabilities		808,358	732,945
Non-current liabilities			
Obligations under finance lease – due after one year		1,684	2,034
Convertible notes	11	91,858	83,095
Deferred tax		9,452	9,973
		102,994	95,102
Net assets		705,364	637,843
Capital and reserves			
Share capital	12	172,875	163,795
Reserves		532,489	474,048
Total equity attributable to equity holders of the Company		705,364	637,843

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
At 1st April 2007 (audited)	144,113	517,675	909	38	10,278	31,970	(190,442)	514,541
Exchange differences arising on translation of overseas operations and recognised directly in equity	-	-	-	203	-	-	-	203
Loss for the period	-	-	-	-	-	-	(27,065)	(27,065)
Total recognised income and expenses for the period	-	-	-	203	-	-	(27,065)	(26,862)
Recognition of equity-settled share-based payments	-	-	-	-	-	42,086	-	42,086
Exercise of share options	1,435	8,020	-	-	-	(3,592)	-	5,863
Share options forfeited	-	-	-	-	-	(1,030)	1,030	-
Conversion of equity component of convertible notes	14,706	40,590	-	-	(8,625)	-	-	46,671
At 30th September 2007 (unaudited)	160,254	566,285	909	241	1,653	69,434	(216,477)	582,299
Exchange differences arising on translation of foreign operations and recognised directly in equity	-	-	-	793	-	-	-	793
Loss for the period	-	-	-	-	-	-	(30,764)	(30,764)
Total recognised income and expenses for the period	-	-	-	793	-	-	(30,764)	(29,971)
Recognition of equity-settled share-based payments	-	-	-	-	-	31,894	-	31,894
Exercise of share options	600	2,419	-	-	-	(1,170)	-	1,849
Share options forfeited for the period	-	-	-	-	-	(4,723)	4,723	-
Recognition of equity component of convertible notes	-	-	-	-	52,087	-	-	52,087
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	-	(9,115)	-	-	(9,115)
Conversion of equity component of convertible notes	2,941	7,512	-	-	(1,653)	-	-	8,800

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

	Attributable to equity holders of the Company							Total HK\$'000
	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	
At 31st March 2008 (audited)	163,795	576,216	909	1,034	42,972	95,435	(242,518)	637,843
Exchange differences arising on translation of foreign operations and recognised directly in equity	-	-	-	(135)	-	-	-	(135)
Loss for the period	-	-	-	-	-	-	(21,821)	(21,821)
Total recognised loss for the period	-	-	-	(135)	-	-	(21,821)	(21,956)
Shares issued	9,060	68,856	-	-	-	-	-	77,916
Decrease in opening deferred tax liability due to a decrease in applicable tax rate	-	-	-	-	521	-	-	521
Recognition of equity-settled share-based payments	-	-	-	-	-	11,001	-	11,001
Exercise of share options	20	47	-	-	-	(28)	-	39
Share options forfeited for the period	-	-	-	-	-	(7,426)	7,426	-
At 30th September 2008 (unaudited)	172,875	645,119	909	899	43,493	98,982	(256,913)	705,364

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	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash used in operating activities	(20,578)	(25,034)
Net cash used in investing activities		
Cost incurred in computer graphic animation pictures	(140,178)	(113,060)
Purchase of property, plant and equipment	(5,111)	(18,043)
Other investing activities	1,797	5,706
	(143,492)	(125,397)
Net cash from financing activities		
Net proceeds on issue of shares	77,955	5,863
Other financing cash flows	(383)	(1,144)
	77,572	4,719
Net decrease in cash and cash equivalents	(86,498)	(145,712)
Cash and cash equivalents at beginning of the period	175,530	367,584
Effect of foreign exchange rate changes	(173)	29
Cash and cash equivalents at end of the period	88,859	221,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation of Financial Information

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards 34, “Interim Financial Reporting”.

The Group is principally engaged in the production of computer graphic (“CG”) animation pictures for licensing and sale. At 30th September 2008, the CG animation pictures in progress amounted to approximately HK\$635 million and it is expected that further HK\$512 million cash outlays will have to be incurred to complete the pictures and to meet the Group’s daily operating expenditures in coming years up to June 2010 (of which approximately HK\$353 million is required within the next twelve months) before revenue from the animation pictures is generated.

At 30th September 2008, the Group had bank and cash balances of approximately HK\$88.9 million. Subsequent to the balance sheet date, on 10th November 2008, the Company entered into two subscription agreements with an independent third party not connected to the Group, in relation to the subscription of 190,000,000 shares and 200,000,000 shares, respectively, in the Company, at a subscription price of HK\$0.40 per share. Pursuant to an amendment to the long-stop date in the subscription agreement, the conditions precedent of the subscriptions are expected to be fulfilled on or before 23rd December 2008 and 31st December 2008 respectively, and result in net proceeds of approximately HK\$155,500,000. Details of the subscriptions are set out in the Company’s announcements dated 12th November and 2nd December 2008 (note 16).

Completion in full of the above-mentioned subscriptions may, however, result in the exercise of the early redemption right by the holders of the Company’s convertible note (note 11).

At present, the directors are actively pursuing further funding sources to meet the Group’s cash flow requirements, including further placement of shares, pre-sale/licensing of, and inviting financing partners for, the animation pictures.

The directors are of the opinion that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the balance sheet date. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis and the Group’s non-current assets are stated in the condensed consolidated balance sheet in accordance with the Group’s normal accounting policies.

Provided that the Group is able to obtain the necessary financing in a timely manner, the directors also believe that the Group will continue to operate as a going concern and have the ability to complete the CG animation pictures in progress and meet its other financial obligations.

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, as appropriate.

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 2008.

In the current interim period, the Group has applied, for the first time, the following new standard and interpretations ("new HKRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs 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 standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ³

¹ Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009

² Effective for annual periods beginning on or after 1st January 2009

³ Effective for annual periods beginning on or after 1st July 2009

⁴ Effective for annual periods beginning on or after 1st July 2008

⁵ Effective for annual periods beginning on or after 1st October 2008

2. Principal Accounting Policies – continued

The adoption of Hong Kong Financial Reporting Standard 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these new or revised standards 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 collectively and individually below 10% of the total revenue, total results and total assets respectively. Accordingly, no disclosure on segment information 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		
	Directors	Employees	Total
Outstanding at the beginning of the period	17,000,000	66,891,000	83,891,000
Granted during the period	4,000,000	1,690,000	5,690,000
Exercised during the period	–	(200,000)	(200,000)
Forfeited during the period	(1,500,000)	(2,308,000)	(3,808,000)
Cancelled during the vesting period	(3,500,000)	(4,088,000)	(7,588,000)
Outstanding at the end of the period	16,000,000	61,985,000	77,985,000

On 7th April 2008 and 22nd July 2008, 4,690,000 and 1,000,000 share options were granted respectively. The closing price of the Company's shares immediately before 7th April 2008 and 22nd July 2008 was HK\$1.49 and HK\$0.58 respectively.

4. Share Options – continued

The fair value of the options granted on 7th April 2008 and 22nd July 2008 using the Binomial Option Pricing model were ranging from HK\$0.648 to HK\$0.770 and HK\$0.249 to HK\$0.279 respectively, resulting in a total fair value of approximately HK\$3,543,000. The following assumptions were used to calculate the fair values of these share options:

	Options granted on	
	7th April 2008	22nd July 2008
Grant date share price	HK\$1.460	HK\$0.570
Exercise price	HK\$2.178	HK\$0.860
Expected life	6 to 9.75 years	6 to 9 years
Expected volatility	79.87% to 115.67%	80.39% to 94.08%
Expected dividend yield	0%	0%
Risk free interest rate	2.24% to 2.58%	3.40% to 3.60%

The Binomial Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is either to adjust the CG animation pictures where the share options are capitalised or recognised in the profit and loss, with a corresponding adjustment to the share options reserve.

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

	Options granted on								
	9th October 2007	19th January 2007	15th May 2007	18th May 2007	25th September 2007	17th January 2008	7th April 2008	22nd July 2008	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capitalised in CG animation pictures	-	9,077	1,770	-	1,114	240	366	-	12,567
Charged (credited) to condensed consolidated income statement	2,583	(4,603)	58	(7)	109	-	267	27	(1,566)
Recognised in share option reserve	2,583	4,474	1,828	(7)	1,223	240	633	27	11,001

3,808,000 share options were forfeited due to the resignation of a director and employees after the vesting period. 7,588,000 share options were cancelled due to the resignation of the director and the employees during the vesting period which have been reflected in the estimate of the number of options to be vested in calculation of share-based payment expenses.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.753.

5. Loss before Taxation

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	13,234	9,781
Less: amounts capitalised in CG animation pictures	(12,483)	(8,899)
	751	882
Amortisation of CG animation pictures (included in cost of sales)	2,286	17,731

6. Income Tax (Credit) Expense

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
(Over)underprovision in prior years in other jurisdictions	(124)	226

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008. The current Hong Kong Profits Tax rate is 16.5% (2007: 17.5%).

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. Dividend

No dividend was paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend.

8. Loss Per Share

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

	Six months ended 30th September	
	2008	2007
Loss for the period attributable to equity holders of the Company	(HK\$21,821,000)	(HK\$27,065,000)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,642,505,219	1,455,758,273

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 period, the Group incurred approximately HK\$5,111,000 (2007: HK\$20,121,000) on the acquisition of property, plant and equipment mainly for the purpose of improving and expanding the Group's production capability.

10. Trade and Other Receivables, Deposits and Prepayments

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

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

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
0 to 60 days	–	415
Over 60 days	–	1,636
Total trade receivables	–	2,051
Other receivables, deposits and prepayment	6,993	10,091
	6,993	12,142

11. Convertible Note

The Company issued a convertible note with a principal amount of HK\$132,000,000 on 30th January 2008 ("CN Jan 2008"). CN Jan 2008 is denominated in Hong Kong dollar with zero coupon interest.

CN Jan 2008 is convertible by the holders thereof into shares of the Company at a conversion price of HK\$1.768 per share during the period from the 90th day after its issue to the 15th day prior to its maturity which is 29th January 2011.

The holders of CN Jan 2008 have the right of redemption during the period from the 30th month after the date of issue and ending on the date which is not later than 60 days prior to maturity, at the principal amount plus a premium of 10% per annum. However, upon occurrence of certain events including (i) a delisting of the Company's shares on the Stock Exchange or (ii) a change in control in the Company (as defined in the CN Jan 2008 agreement), the holders of CN Jan 2008 can early exercise their redemption right. The CN Jan 2008 will be redeemed at its principal amount of HK\$132,000,000 upon maturity.

The early redemption feature of CN Jan 2008 is included in the liability portion as it is closely related to the host liability contract. The comparative figures as at 31st March 2008 have been reclassified accordingly as the Group previously classified the early redemption feature of CN Jan 2008 separately as a derivative financial instrument and recognised it at fair value on initial recognition.

The movement of CN Jan 2008 for the period is set out below:

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
At beginning of period/year	83,095	–
Issued during the period/year	–	80,417
Interest charged and capitalised in CG animation pictures	8,763	2,678
At end of period/year	91,858	83,095

12. Share Capital

	Number of ordinary shares	Values HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1st April 2008 and at 30th September 2008	2,500,000,000	250,000
Issued and fully paid:		
At 1st April 2008, at HK\$0.10 each	1,637,953,853	163,795
Exercise of share options (note i)	200,000	20
Placement of shares (note ii)	90,600,000	9,060
At 30th September 2008, at HK\$0.10 each	1,728,753,853	172,875

The movements in the ordinary share capital during the 6-month period ended 30th September 2008 were as follows:

Notes:

- (i) The Company issued 200,000 ordinary shares of HK\$0.10 each for cash at HK\$0.196 per share as a result of the exercise of share options.
- (ii) Pursuant to the subscription agreement entered on 2nd September 2008, the Company agreed to issue, and the subscriber, Smart Will Investments Limited ("Smart Will"), a wholly-owned subsidiary of Shui On Holdings Limited, agreed to subscribe for 90,600,000 new ordinary shares at a subscription price of HK\$0.86 per share (the "Share Subscription"). The subscription price represents a premium of approximately 40.98% to the closing market price of the Company's share on 2nd September 2008, being the last trading day immediately preceding the date of the subscription agreement. Smart Will held 3.01% of the Company before the Share Subscription. The subscription shares represent approximately 5.53% and 5.24% of the issued share capital of the Company before and after the Share Subscription.

Sunni International Limited ("Sunni"), a controlling shareholder of the Company interested in approximately 35.75% of the issued share capital of the Company before the completion of the Share Subscription, executed two deed polls, pursuant to which upon completion of the Share Subscription, Sunni would transfer 70,000,000 shares (the "Gift Shares") by way of gift at nil consideration to Smart Will.

The Gift Shares represent approximately 4.27% of the issued share capital of the Company before the Share Subscription and approximately 4.05% of the issued share capital as enlarged by the Share Subscription.

The Share Subscription and the transfer of Gift Shares were completed on 22nd September 2008.

The net proceeds from the Share Subscription of approximately HK\$77,916,000 will be used for the development of the Group's CG animation pictures.

All the shares issued during the period ranked pari passu with the then existing shares in all respect.

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 30th September	
	2008 HK\$'000	2007 HK\$'000
Short-term benefits	14,532	12,754
Post-employment benefits	26	20
Equity-settled share-based payment expenses (Note)	5,640	8,393
	20,198	21,167

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 payment expenses for the period of HK\$5,640,000 (2007: HK\$8,393,000), approximately HK\$2,047,000 (2007: HK\$1,739,000) has been capitalised in CG animation pictures.

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 2008 HK\$'000	31st March 2008 HK\$'000
Capital expenditure in respect of CG animation pictures authorised but not contracted for in the consolidated financial statements	162,004	301,771
Capital expenditure in respect of CG animation pictures and property, plant and equipment contracted for but not provided in the consolidated financial statements	9,439	8,500

15. Contingent Liability

A former senior executive of a subsidiary of the Company filed a demand for arbitration with the America Arbitration Association against the subsidiary, alleging breach of a written agreement to entitle the former senior executive a guaranteed price to the shares of the Company he held. The former senior executive contends the subsidiary owes him the difference between the guaranteed price and the open market price of approximately HK\$2,500,000 (US\$318,411). The subsidiary and its counsel are resisting this claim and, accordingly, no provision for any potential liability has been made in these condensed consolidated financial statements.

16. Events after the Balance Sheet Date

The following significant events took place subsequent to 30th September 2008:

On 29th September 2008, the Company entered into a subscription agreement with an independent third party not connected with the Group (the "Subscriber") in relation to the subscription for a total of 377,938,144 shares in the Company, at a subscription price of HK\$0.485 per share (the "Subscription 1"). The completion of the Subscription 1 was conditional upon the fulfillment of certain conditions precedent, including the approval by shareholders in a special general meeting.

In conjunction with the Subscription 1 and pursuant to a facility letter dated 3rd October 2008, the Subscriber agreed to grant a loan of US\$23,500,000 (approximately HK\$183,000,000) (the "Subscription Facility") to the Company to satisfy the subscription money payable to the Company upon completion of the Subscription 1. However, the Subscription 1 was not approved by shareholders in the special general meeting held on 7th November 2008. The Company had not drawn any money pursuant to the Subscription Facility and it is not required to repay any fee or interest thereon.

On 10th November 2008, the Company entered into 2 new subscription agreements pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe, for 190,000,000 shares ("Subscription Agreement A") and 200,000,000 shares ("Subscription Agreement B") respectively, at a subscription price of HK\$0.40 per share (collectively the "Subscription 2"). The subscription price of HK\$0.40 per share represented a premium of approximately 45.45% to the closing price of the Company's share on 7th November 2008, being the last trading day immediately preceding the date of the subscription agreements.

The completion of the Subscription 2 is conditional upon the fulfillment of certain conditions precedent. In addition, shares under Subscription Agreement A will be allotted and issued under the Company's general mandate while shares under Subscription Agreement B will be allotted and issued pursuant to a specific mandate to be sought in a special general meeting of the Company to be held.

Pursuant to an amendment to the long-stop date in the subscription agreements, the conditions precedent of the subscriptions are expected to be fulfilled on or before 23rd December 2008 and 31st December 2008, respectively, and result in net proceeds of approximately HK\$155,500,000.

Completion in full of the Subscription 2 may, however, result in the exercise of the early redemption right by the holders of the Company's CN Jan 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2008, the Group reported a turnover of HK\$1.6 million, representing a decrease of approximately 87% as compared to HK\$12.5 million for the same period of last year. The decrease in turnover is due to the fact that new CG films are under production for the period under review and no new CG film was released to generate revenue during the period. Loss attributable to shareholders for the six months ended 30th September 2008 was HK\$21.8 million, a decrease of 20% as compared to HK\$27.1 million for the same period of last year.

Corporate

The Subscription for the Oxley Convertible Notes

On 4th December 2007, the Company entered into the subscription agreement with various subscribers for the subscription of zero coupon convertible notes with principal amounts of HK\$274 million (the "Oxley Convertible Notes"). On 31st March 2008, one of the subscribers, Good Biz Invest Limited (now known as Ninja Investments Ltd.) notified the Company that due to current unfavourable market conditions, it was unable to arrange sufficient funding to fulfill its payment obligations under the subscription agreements. Accordingly, the Company has terminated the Subscription Agreement.

Subscription of Shares by Oxley

On 2nd July 2008, the Company and Oxley Spring Media Limited ("Oxley") entered into the subscription agreements pursuant to which the Company has agreed to issue, and Oxley has agreed to subscribe for, 181,395,349 shares of the Company (the "Shares") and 181,395,349 Shares pursuant to the first and the second subscription agreements, respectively, at a subscription price of HK\$0.86 per subscription Share. On 7th August 2008, the Company and Oxley entered into supplemental agreements to delay the completion for the first and second subscription agreements to 29th August 2008 and 30th September 2008 respectively. However, on 29th August 2008, the Company did not receive any subscription money from Oxley relating the first subscription agreement. Accordingly, completion for the first subscription agreement has not taken place and the first subscription agreement has terminated. Besides, the conditions precedent to completion of the second subscription agreement could not be satisfied in full in accordance with the second subscription agreement (as amended by the supplemental agreement) and the second subscription agreement has been terminated automatically on 23rd September 2008 in accordance with the terms thereof.

Secondary Listing on the International OTCQX

The Company has appointed Merriman Curhan Ford & Co. (the "US Financial Adviser"), an investment bank registered with the Securities and Exchange Commission of the United States of America (the "United States"), as its financial advisor in connection with its proposed application of the Company's shares for listing on the International OTCQX tier in the United States and the Company has made an application for listing of the existing ordinary shares of a nominal value of HK\$0.10 each in the share capital of the Company on the International OTCQX (the "Proposed Secondary Listing") and instructed the US Financial Adviser to make a filing with the applicable regulators for the Proposed Secondary Listing on 18th July 2008 (United States time). The International OTCQX provides a gateway to securities markets in the United States for international companies that are listed on a qualified international exchange and provide ongoing disclosure to investors in the United States.

Subscription of Shares by Smart Will

On 2nd September 2008, the Company and Smart Will Investments Limited (“Smart Will”) entered into the subscription agreement pursuant to which the Company has agreed to issue, and Smart Will has agreed to subscribe for 90,600,000 Shares at the HK\$0.86 each. The Company has been informed by Sunni International Limited (“Sunni”), a controlling shareholder of the Company, has executed the deed poll on 2nd September 2008, pursuant to which upon completion of the subscription, it would transfer the gift Shares (being 40,000,000 Shares) to Smart Will by way of gift at nil consideration. The Company has further been informed by Sunni that it has executed another deed poll on 5th September 2008 pursuant to which it would, on or before 22nd September 2008, transfer the further gift Shares (being 30,000,000 Shares) to Smart Will by way of gift at nil consideration. The net proceeds from the issue of the subscription Shares, after deduction of related expenses payable by the Company, was approximately HK\$77,500,000. The Directors intended that the net proceeds would be used for the development of four full length feature computer graphics imagery animation movies scheduled tentatively to be released from 2009 to 2011.

Subscription of Shares by Mehta-Imagi LLC

On 5th September 2008, the Company and Mehta-Imagi LLC (“Mehta”) entered into the subscription agreement pursuant to which the Company has agreed to issue, and Mehta has agreed to subscribe for 181,200,000 new Shares at HK\$0.86 each. The Company has been informed by Sunni that it has executed the deed poll on 5th September 2008, pursuant to which it would, on or before 30th September 2008, transfer the 140,000,000 Shares to Mehta by way of gift at nil consideration. On 29th September 2008, the Board received from the legal advisers of Mr. Kao Wai Ho, Francis (“Mr. Kao”), a copy of the facsimile issued on 27th September 2008 by the High Court of Hong Kong advising that an order (the “Order”) granted by the court should continue until trial or further order by the court. The Board understood that pursuant to the Order, Mr. Kao had been restrained from causing or procuring Sunni to transfer or complete the transfer of the gift Shares to Mehta in accordance with the deed poll. Mr. Kao and Sunni could not anticipate the time-frame when the relevant condition precedent could be fulfilled due to the Order, the Company and Mehta could not agree on other time or date for the fulfillment of the relevant condition precedent of the subscription agreement. Thus, the Company and Mehta acknowledged that the subscription agreement should lapse in accordance with its terms.

Subscription of Shares by MPI-Imagi LLC

On 29th September 2008, the Company and MPI-Imagi LLC (“MPI”) entered into the subscription agreement pursuant to which the Company has agreed to issue, and MPI has agreed to subscribe for 377,938,144 new Shares at HK\$0.485 each. MPI has also agreed to grant to the Company a loan facility of US\$23,500,000 (the “Loan”) pursuant to a facility letter dated 3rd October 2008 and that the Loan would form the entire subscription money payable by MPI to the Company upon the fulfillment of the conditions precedent as set out in the subscription agreement. The Company should seek approval from the shareholders of the Company (the “Shareholders”) for the issue and allotment of the subscription Shares at a special general meeting of the Company (the “SGM”) to be convened for approving the subscription agreement by way of poll. On 7th November 2008, the ordinary resolution approving the allotment and issue of the subscription Shares to MPI pursuant to the subscription agreement as set out in the notice of SGM was not passed by the Shareholders. As a result, the subscription agreement became null and void. The Company has not drawn down from MPI any portion of the Loan as the subscription agreement has not become unconditional, the Company was not required to repay any part of the Loan nor any interest.

Further Subscription of Shares by MPI-Imagi LLC

On 10th November 2008, the Company and MPI entered into the subscription agreements pursuant to which the Company has agreed to issue, and MPI has agreed to subscribe for, 190,000,000 Shares and 200,000,000 Shares pursuant to the first and the second subscription agreements, respectively, at a subscription price of HK\$0.40 per subscription Share. The completion for the first and the second subscription agreements will be taken place on 2nd December 2008 and 31st December 2008 respectively. The Company shall seek approval from the Shareholders for the allotment and issue of the subscription Shares for the second subscription agreement at the SGM to be convened for approving such specific mandate by way of poll.

Due to factors beyond the Company's control, the conditions precedent for the first subscription agreement have not become fulfilled on or before 2nd December 2008. Therefore, the Company and MPI entered into a supplemental agreement on 2nd December 2008 for the purposes of extending the long stop date to 23rd December 2008 (or such other date as the Company and MPI may agree in writing) in order to allow more time for the fulfilment of the conditions precedent.

In response to the Shareholders' concerns and reservations in relation to voting for the resolution in the SGM held on 19th December 2008 and enable them to have in hand the latest financial information before the voting, the chairman of the SGM, with the consent of the Shareholders present, adjourned the SGM until further notice.

The net proceeds from the issue of the subscription Shares, after deduction of related expenses payable by the Company, will be approximately HK\$155.5 million. The Directors intend that the net proceeds will be used for the production of the feature film *Astro Boy* and for the development and pre-production of films that will enter production after the completion of *Astro Boy*.

CG Animation Pictures

Astro Boy

Santa Monica based Summit Entertainment and Imagi Studios have entered into a global alliance for the global distribution of Imagi's upcoming CG-animated motion picture *Astro Boy*, except for Imagi's reserved territories of Japan, Hong Kong and China. Summit Entertainment currently plans to release the film on October 23, 2009 in North America and many other markets. In Japan, *Astro Boy* will be released by Kadokawa Entertainment.

The release of *Astro Boy* will be accompanied by a wide variety of promotional and licensing activity. A leading quick service restaurant partner will offer customers a selection of *Astro Boy* action figures with special meal packages. American Greetings, D3 Games, Penguin Group, and IDW Publishing will market a variety of products based on the *Astro Boy* movie.

Astro Boy will feature the voices of Academy Award®-winning actor Nicolas Cage, Bill Nighy, Kristen Bell, Donald Sutherland, Nathan Lane and Eugene Levy with Freddie Highmore in the title role. David Bowers is directing from a screenplay written by Timothy Harris, with Maryann Garger producing.

Gatchaman

Slated for release in the Fall of 2010, *Gatchaman* like *Astro Boy* is based on a classic Japanese anime property. Under the supervision of Dr. Nambu and the International Science Organization, five adolescent superheroes race to unlock their remarkable hidden powers. They are the earth's last hope against an invasion of bloodthirsty aliens known as Galactor under control of super villain, Katse.

Gatchaman is directed by Tommy Tanaka and Steve Lumley from a script by Tom Rogers, with Paul Wang producing.

Tusker

Tusker does for Elephants what *The Lion King* did for Lions. Set against a beautiful India landscape, *Tusker* is a heartwarming and exhilarating road film, pairing a world-weary old warrior elephant with a courageous young female elephant. Together, they overcome adversity and free the herd from a group of callous poachers.

Tusker is directed by Lorna Cook from a script by Ted Talley, with Brooke Breton producing.

Prospects

Imagi's prospects in development include *Cat Tale*, a delightful all-family film about a baby cat whose cradle gets switched and ends up being raised as a dog.

Imagi has secured the services of the William Morris Agency, the largest and most diversified talent and literary agency in the world. With the assistance of William Morris, Imagi is constantly exploring new opportunities for film properties, promotional alliances, and talent relationships.

Technologically, Imagi stays at the cutting edge of computer graphic animation through research and development activities at both the Hong Kong and Los Angeles facilities. Imagi develops proprietary software to enhance all aspects of animation, modelling, lighting and effects. In addition, Imagi explores alliances with best-of-class developers of technologies including motion capture, pre-visualization, and digital asset management.

Imagi plans to produce its future films in Stereo 3D to capitalize on the growing number of screens that offer immersive 3D experiences. *Astro Boy* will have its most exciting sequences delivered in Stereo 3D, while *Gatchaman* and *Tusker* will be delivered in 100% Stereo 3D.

Liquidity and Capital Resources

As at 30th September 2008, the Group's cash deposits and bank balances amounted to approximately HK\$88.9 million (31st March 2008: 175.5 million). As at the period end date, the Group's current ratio is 5.4 (31st March 2008: 8.7) and a gearing ratio, measured as total debts over total assets, is 14.6% (31st March 2008: 15.5%).

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.

Pledge of Assets

At 30th September 2008, the Group did not pledge any of its assets.



Human Resources

As at 30th September 2008, the Group employed over 530 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. 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 2008, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 Wai Ho, Francis	4,915,764	-	597,816,490 (note i)	602,732,254	34.87%
Mr. Douglas Esse Glen	424,000	-	-	424,000	0.02%

Note:

- (i) 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 33.88% of the 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.

(B) Share options of the Company

Name of Directors	Capacity	Number of options held	Number of underlying shares
Mr. Douglas Esse Glen	Beneficial owner	15,000,000	15,000,000
Mr. Ng See Yuen	Beneficial owner	500,000	500,000
Mr. Oh Kok Chi	Beneficial owner	500,000	500,000

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 2008.

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	4.32%
	Interest of controlled Corporation (note i)	341,146,824	19.73%
Trophy Asset Management Limited ("Trophy Asset")	Beneficial owner (note i)	6,870,000	0.40%
Winnington Capital Limited ("Winnington")	Investment Manager (note i)	334,276,824	19.34%
Ms. Chu Jocelyn ("Ms. Chu")	Interest of Spouse (note ii)	74,598,000	4.32%
	Interest of controlled Corporation (note i)	341,146,824	19.73%

Notes:

- (i) To the best knowledge of the Directors, having made all reasonable enquiries, the 290,234,471 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 2008.

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) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period ended 30th September 2008, except the following deviations.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. During the year, none of 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 have been taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

Following the resignation of Mr. Lai Chi Kin, Lawrence on 14th July 2008 as independent non-executive director, a member of audit committee, the chairman and a member of remuneration committee, the Company currently has two independent non-executive directors and audit committee members which fall below the minimum number of three independent non-executive directors and three members in the audit committee as required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. The Company currently has two remuneration committee members, consisting of one executive director and one independent non-executive director which fall below the requirement of (i) two independent non-executive directors and one executive director as required by the code of corporate governance of the Company and (ii) the majority of the members of the remuneration committee should be independent non-executive directors as required by the Code. The Company will identify a suitable candidate to fill the vacancy as soon as possible.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the period ended 30th September 2008.

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

Chairman and Chief Creative Officer

Hong Kong, 19th December 2008

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 were engaged to review the interim financial information set out on pages 3 to 17, which comprises the condensed consolidated balance sheet of Imagi International Holdings Limited as of 30th September 2008 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

Except as explained in the “Basis for disclaimer of conclusion” paragraphs, 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.

Basis for disclaimer of conclusion

As set out in note 1 to the condensed consolidated financial statements, at 30th September 2008, the Group had bank and cash balances of approximately HK\$88.9 million, while it is expected to incur approximately HK\$512 million cash outlay to complete its animation pictures and to meet its daily operating expenses in coming years up to June 2010 (of which approximately HK\$353 million is required within the next 12 months) before revenue from the animation pictures is generated. The directors are actively pursuing various funding sources to meet the Group’s cash flows requirements, including (i) entering into two share subscription agreements with an independent third party which, subject to fulfillment of the conditions precedent, are expected to raise approximately HK\$156 million for the Group; and (ii) other negotiations regarding further placement of shares, pre-sale/licensing of, and inviting financing partners for, the animation pictures.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF IMAGI INTERNATIONAL HOLDINGS LIMITED – continued
(Incorporated in Bermuda with limited liability)

Basis for disclaimer of conclusion – continued

However, it is uncertain whether these fund raising exercises will be successful. In addition, completion in full of the above-mentioned subscription agreements may result in the early redemption of the convertible note included in the condensed consolidated balance sheet. Consequently, in the absence of evidence that the Group will be successful in raising the necessary funding as and when it is required, we consider that there is a material uncertainty which may cast significant doubt on the Group's ability to operate as a going concern. This uncertainty also affects the recoverability of the carrying amount of the computer graphic animation pictures included in the condensed consolidated balance sheet as non-current assets, as it is uncertain whether the Group will have the necessary financial resources to complete these animated pictures, and thereby realise this asset in the normal course of business.

In view of the extent and potential impact of the significant uncertainties described above, we disclaim our conclusion in these respects.

Disclaimer of conclusion

Because of the significance of the matter described in the above paragraphs, we are unable to and do not express any conclusion as to whether the condensed consolidated financial information for the six months ended 30th September 2008 is prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19th December 2008