

2014 INTERIM REPORT
中期報告



IMAGI INTERNATIONAL HOLDINGS LIMITED
意馬國際控股有限公司

stock code 股份代號 : 585



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Leung Pak To

Executive Director

Ms. Ma Wai Man, Catherine

Non-executive Director

Mr. Lian Meng

Independent Non-executive Directors

Mr. Chan Yuk Sang

Mr. Cheng Yuk Wo

Dr. Lam Lee G.

BOARD COMMITTEES

Audit Committee

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Chan Yuk Sang

Mr. Leung Pak To

Nomination Committee

Mr. Leung Pak To (*Chairman*)

Mr. Cheng Yuk Wo

Dr. Lam Lee G.

Remuneration Committee

Mr. Chan Yuk Sang (*Chairman*)

Mr. Cheng Yuk Wo

Dr. Lam Lee G.

COMPANY SECRETARY

Ms. Lau Siu Mui

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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191 Java Road

North Point

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AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

PRINCIPAL BANKER

The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

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Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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BUSINESS AND OPERATIONAL REVIEW

Imagi International Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is principally engaged in computer graphic imaging (“CGI”), cultural and entertainment business and investment business.

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

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

CGI Business

The Group is engaged in CGI content production.

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

Investment Business

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

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

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

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

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

Administrative expenses decreased by HK\$0.8 million, or 12.6%, to HK\$5.3 million when compared with the last corresponding period, which was mainly due to the net effect of (a) the reversal of a share-based payment amounting to HK\$2.7 million, resulting from the cancellation of the unvested share options granted to Mr. Yung Tse Kwong, Steven (“Mr. Yung”), a former executive director and chief executive officer of the Company, upon his resignation; (b) the remuneration of Mr. Yung amounting to HK\$1.0 million for the period

from 1 January 2014 to 31 March 2014 (being the date of his departure), whereas prior to the Disposal, Mr. Yung's remuneration had been charged to TE Group; and (c) an increase in other administrative expenses amounting to HK\$0.9 million.

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

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

Liquidity and Financial Resources

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

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

Capital Structure

As at 30 June 2014, the Company had in issue 9,968,812,720 shares of HK\$0.001 each (the "Shares"). Details of the Shares repurchased during the Period under Review and the share options granted under the share option schemes of the Company are set out under the headings "Purchase, Sale or Redemption of Securities" and "Share Options" in the section headed "General Information" of this report.

Exposure to Exchange Rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar and United States dollar. The Group's exposure to currency risk is minimal as Hong Kong dollar is pegged to United States dollar. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

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

Pursuant to the sale and purchase agreement dated 16 September 2013 relating to the Disposal, the Company is required to indemnify in full any cost and damages payable by Infoport under a final and enforceable judgement from a court. After seeking legal advice, the Company believes Infoport has meritorious defences and will defend the case vigorously. The management does not believe that the outcome of such proceeding will have a material effect on the Group’s financial position, results of operations or cash flows.

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

On 29 July 2014, the Company was informed that its single largest shareholder, Idea Talent Limited, has entered into an agreement to sell shares of the Company representing approximately 20.95% of the Company’s issued share capital. Idea Talent Limited is a company controlled by Mr. Leung Pak To (“Mr. Leung”), the Chairman and a non-executive director of the Company. The purchaser of the shares is Advance Beauty Holdings Limited, a company that is legally and beneficially owned by Mr. Shan Jiuliang (“Mr. Shan”) and Ms. Zhang Peng (“Ms. Zhang”), who are third parties independent of the Company and any of its directors.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FUTURE PLANS AND PROSPECTS

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

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

HUMAN RESOURCES

The Group currently employs a total of 5 employees in Hong Kong. Emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms where the Group has operations.

In addition to basic salaries, incentives in the form of bonus and share options may also be offered to eligible employees on the basis of individual performance and the Group’s business results.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the deviation from Code A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Lian Meng, Dr. Lam Lee G. and Ms. Wei Wei were unable to attend the annual general meeting of the Company held on 26 May 2014.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors’ securities transactions. In response to the specific enquiry made by the Company, all the directors of the Company (the “Directors”) confirmed that they fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

CHANGES IN INFORMATION OF DIRECTORS

Dr. Lam Lee G. was appointed as an independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited on 1 July 2014 and as a non-executive director of Heng Fai Enterprises Limited on 19 July 2014, both of these two companies are listed on the Stock Exchange. On 14 August 2014, Dr. Lam resigned as an independent non-executive director of Next-Generation Satellite Communications Limited, the shares of which are listed on the Singapore Exchange.

Save for the above, there is no other change in Directors’ information since 25 March 2014, the date of the annual report of the Company for the year ended 31 December 2013, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Directors have not recommended the payment of any interim dividend for the six months ended 30 June 2014.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of Shares	% of the issued share capital (note 1)
Leung Pak To	Beneficial owner	168,440,000	1.69%
	Interest of controlled corporation	2,700,000,000 (note 2)	27.08%

Notes:

1. It was based on 9,968,812,720 Shares in issue as at 30 June 2014.
2. The Shares were held by Idea Talent Limited, a company owned as to 75% by Grandwin Enterprises Limited which in turn is wholly and beneficially owned by Mr. Leung Pak To.

Long positions in the share options of the Company

Name of Director	Capacity	Number of options held	Number of underlying shares
Ma Wai Man, Catherine	Beneficial owner	2,000,000	2,000,000

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as

GENERAL INFORMATION

recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2014, the interests and short positions of those person (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company were as follows:

Long positions in the shares of the Company

Name	Capacity	Number of Shares	% of the issued share capital (note 1)
Idea Talent Limited	Beneficial owner	2,700,000,000	27.08%
Grandwin Enterprises Limited	Interest in controlled corporation	2,700,000,000 (note 2)	27.08%
Better Lead Limited	Interest in controlled corporation	2,700,000,000 (note 2)	27.08%
Chung Cho Yee, Mico	Interest in controlled corporation	2,700,000,000 (note 2)	27.08%

Notes:

1. It was based on 9,968,812,720 Shares in issue as at 30 June 2014.
2. The Shares were held by Idea Talent Limited, a company owned as to 75% by Grandwin Enterprises Limited, which in turn is wholly and beneficially owned by Mr. Leung Pak To, and as to 25% by Better Lead Limited, which in turn is wholly and beneficially owned by Mr. Chung Cho Yee, Mico.

Save as disclosed above, as at 30 June 2014, so far as was known to the Directors, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company representing five percent or more in the issued share capital of the Company and as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

The Company adopted a share option scheme on 16 August 2002 (the “2002 Scheme”). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 11 June 2012, the Company terminated the 2002 Scheme and adopted a new share option scheme (the “2012 Scheme”), the purpose of which is to reward eligible participants who have contributed or are expected to contribute to the Group and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. No further option shall be granted under the 2002 Scheme but the options granted under the 2002 Scheme prior to its termination shall remain valid and exercisable in accordance with the terms of the respective grants.

No share option has been granted under the 2012 Scheme and the movements of the share options granted under the 2002 Scheme during the six months ended 30 June 2014 were as follows:

Date of grant	Vesting period	Exercise period	Exercise price per Share	Number of share options						
				As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	As at 30 June 2014	
				HK\$						
Directors										
Ma Wai Man, Catherine	13 April 2011	3 to 5 years	3 years	0.368	2,000,000	—	—	—	—	2,000,000
Yung Tse Kwong, Steven	2 April 2012	1 to 3 years	3 years	0.173	80,000,000	—	—	(50,000,000)	(30,000,000)	—
					82,000,000	—	—	(50,000,000)	(30,000,000)	2,000,000
Former employee	21 August 2009	1 to 3 years	5 years	0.755	417,160	—	—	—	—	417,160
Employee	13 April 2011	3 to 5 years	3 years	0.368	1,000,000	—	—	—	—	1,000,000
					1,417,160	—	—	—	—	1,417,160
					83,417,160	—	—	(50,000,000)	(30,000,000)	3,417,160

GENERAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2014, the Company repurchased a total of 44,712,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$3,935,000. All the repurchased Shares were subsequently cancelled. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company. Details of the repurchases are as follows:

Month	Number of shares repurchased	Price paid	Aggregate
		per share	consideration paid
		HK\$	(before expenses)
			HK\$
January 2014	24,712,000	0.088	2,175,000
February 2014	20,000,000	0.088	1,760,000

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

On behalf of the Board

Ma Wai Man, Catherine

Executive Director

Hong Kong, 29 August 2014



TO THE BOARD OF DIRECTORS OF IMAGI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Imagi International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	117	182
Non-current deposits	11	27,752	27,752
Available-for-sale investments	12	109,235	85,196
		137,104	113,130
Current assets			
Other receivables, deposits and prepayments		4,694	44,199
Bank balances and cash		782,390	769,311
		787,084	813,510
Current liabilities			
Other payables and liabilities		(4,644)	(3,904)
Net current assets		782,440	809,606
Net assets		919,544	922,736
Capital and reserves			
Share capital	13	9,969	10,013
Reserves		909,575	912,723
Total equity attributable to owners of the Company		919,544	922,736

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital	Contributed surplus	Merger reserve	Translation reserve	Share option reserve	Option shares reserve	Revaluation reserve	PRC statutory reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note i)	(Note ii)					(Note iii)		
At 1 January 2013 (audited)	10,020	1,037,593	909	32,219	3,083	6,060	—	2,429	(144,299)	948,014
Loss for the period	—	—	—	—	—	—	—	—	(194,169)	(194,169)
Other comprehensive income for the period	—	—	—	8,471	—	—	—	—	—	8,471
Total comprehensive expense for the period	—	—	—	8,471	—	—	—	—	(194,169)	(185,698)
Recognition of equity-settled share-based payments	—	—	—	—	1,169	—	—	—	—	1,169
At 30 June 2013 (unaudited)	10,020	1,037,593	909	40,690	4,252	6,060	—	2,429	(338,468)	763,485
Profit for the period	—	—	—	—	—	—	—	—	172,285	172,285
Other comprehensive income for the period	—	—	—	4,627	—	—	(15)	—	—	4,612
Total comprehensive income for the period	—	—	—	4,627	—	—	(15)	—	172,285	176,897
Share repurchased and cancelled	(7)	(585)	—	—	—	—	—	—	—	(592)
Transfer of option shares reserve upon expiry of option shares	—	6,060	—	—	—	(6,060)	—	—	—	—
Disposal of subsidiaries	—	—	—	(42,551)	—	—	—	(2,429)	27,687	(17,293)
Recognition of equity-settled share-based payments	—	—	—	—	239	—	—	—	—	239
At 31 December 2013 (audited)	10,013	1,043,068	909	2,766	4,491	—	(15)	—	(138,496)	922,736
Profit for the period	—	—	—	—	—	—	—	—	2,084	2,084
Other comprehensive income for the period	—	—	—	9	—	—	984	—	—	993
Total comprehensive income for the period	—	—	—	9	—	—	984	—	2,084	3,077
Shares repurchased and cancelled	(44)	(3,928)	—	—	—	—	—	—	—	(3,972)
Reversal of equity-settled share-based payments	—	—	—	—	(2,297)	—	—	—	—	(2,297)
Share options forfeited for the period	—	—	—	—	(1,608)	—	—	—	1,608	—
At 30 June 2014 (unaudited)	9,969	1,039,140	909	2,775	586	—	969	—	(134,804)	919,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Notes:

- (i) Pursuant to section 46(2) of the Companies Act 1981 of Bermuda and with effect after the passing of a special resolution at a special general meeting held on 29 August 2011, the Company's entire amount standing to the credit of the share premium account and the deemed contribution reserve account were cancelled (the "Share Premium Cancellation"). Upon the Share Premium Cancellation becoming effective, the directors of the Company authorised to transfer the credit arising therefrom to the contributed surplus account of the Company and to set off the accumulated losses of the Company in a manner permitted by the laws of Bermuda and the bye-laws of the Company.
- (ii) 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.
- (iii) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of the profit after tax of a Company's PRC subsidiary is required to be transferred to a statutory reserve before distribution of a dividend to its equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the subsidiary. The reserve can be applied either to set off accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	NOTE	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flow before movement in working capital		(8,258)	5,520
Decrease in trade and other receivables, deposits and prepayments		40,540	204
Increase (decrease) in trade, other payables and liabilities		740	(2,419)
Decrease in unearned revenue		—	(4,546)
Cash generated from (used in) operations		33,022	(1,241)
PRC income tax paid		—	(10,331)
Net cash from (used in) operating activities		33,022	(11,572)
INVESTING ACTIVITIES			
Interest received		7,060	849
Other investing activities		15	14
Purchase of available-for-sale investments		(23,055)	—
Purchase of property, plant and equipment	10	—	(262)
Purchase of intangible assets		—	(120)
Net cash (used in) from investing activities		(15,980)	481
CASH USED IN FINANCING ACTIVITY			
Payment on repurchase of shares		(3,972)	—
Net increase (decrease) in cash and cash equivalents		13,070	(11,091)
Cash and cash equivalents at beginning of the period		769,311	253,567
Effect of foreign exchange rate changes		9	(260)
Cash and cash equivalents at end of the period, represented by bank balances and cash		782,390	242,216

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

During the year ended 31 December 2013, Segment A business (as defined in Note 3) had been discontinued and presented as a discontinued operation in the preparation of the Group’s consolidated financial statements. Accordingly, in preparing the condensed consolidated financial statements for the six months ended 30 June 2014, the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income have been restated to reflect the presentation of Segment A business as a discontinued operation.

Following the completion of disposal of Segment A business on 21 October 2013, the directors re-assessed the functional currency of the Company as the Group’s main operations subsequent to the disposal are expected to be primarily located in Hong Kong, which is the primary economic environment in which the major operating subsidiaries of the Company will operate. As a result of this assessment, the directors determined to change the functional currency from Renminbi (“RMB”) to Hong Kong dollar (“HK\$”) with effect from 21 October 2013. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except for described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new interpretation and amendments to HKFRSs

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

Segment A: Licensing and management of cartoon character trademarks and copyrights and all related activities managed by Infoport Management Limited and its subsidiaries (the “TE Group”).

Investment segment: Investment in securities.

After Segment A was discontinued during the year ended 31 December 2013 as disclosed in Note 7, the Group has been operating with only one reportable and operating segment with no revenue generated in the current period. CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before tax as the segment result. Accordingly, no further segment information has been presented in the current and prior interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. OTHER INCOME – CONTINUING OPERATIONS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	8,095	706
Others	152	1,012
	8,247	1,718

5. PROFIT (LOSS) BEFORE TAX – CONTINUING OPERATIONS

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

6. INCOME TAX EXPENSE – CONTINUING OPERATIONS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION

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

The loss for the six months ended 30 June 2013 have been restated and presented separately in the condensed consolidated statement of profit or loss and other comprehensive income as discontinued operation and is analysed as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. DISCONTINUED OPERATION (continued)

During the prior period, the cash flows contribution of the discontinued operation to the Group's net operating activities, investing activities and financing activities was analysed as follows:

	Six months ended 30 June 2013 HK\$'000 (unaudited)
Net cash used in operating activities	(7,920)
Net cash used in investing activities	(241)
Net cash used in financing activities	—
Net cash outflow	(8,161)

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

8. DIVIDENDS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. EARNINGS (LOSS) PER SHARE (continued)

From continuing operations

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

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

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

From discontinued operation

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

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group (i) incurred HK\$nil (six months ended 30 June 2013: HK\$262,000) for the acquisition of property, plant and equipment, (ii) disposed of property, plant and equipment with carrying value of approximately HK\$25,000 (six months ended 30 June 2013: HK\$162,000) for cash proceeds of HK\$15,000 (six months ended 30 June 2013: HK\$14,000), resulting in a loss on disposal of approximately HK\$10,000 (six months ended 30 June 2013: HK\$148,000); and (iii) written-off of property, plant and equipment with carrying value of approximately HK\$nil (six months ended 30 June 2013: HK\$2,085,000) because of relocation of office premises during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. NON-CURRENT DEPOSITS

In October 2013, the Group entered into agreements to purchase properties located in Hong Kong in the aggregate consideration of approximately HK\$97,746,000, and paid a deposit amounting approximately HK\$27,752,000. These transactions were completed in July 2014.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Listed investments:		
Corporate bonds listed in Hong Kong with fixed interest rates ranging from 3.3% to 9.8% and maturity dates ranging from 18 October 2016 to 21 November 2018	60,015	59,619
Corporate bonds listed in Singapore with fixed interest rates ranging from 8.5% to 11.1% and maturity dates ranging from 20 March 2017 to 10 January 2019	24,601	17,407
Corporate bonds listed in European market with fixed interest rates ranging from 5.1% to 6.8% and maturity dates ranging from 21 January 2018 to 23 January 2019	24,619	8,170
	109,235	85,196
Analysed for reporting purposes as non-current assets	109,235	85,196

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. SHARE CAPITAL

	Number of shares	Share capital
	'000	HK\$'000
Ordinary share of HK\$0.001 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 30 June 2014	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2013 and 30 June 2013	10,020,180	10,020
Share repurchased and cancelled during the period	(6,656)	(7)
At 31 December 2013	10,013,524	10,013
Share repurchased and cancelled during the period	(44,712)	(44)
At 30 June 2014	9,968,812	9,969

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

	Fair value as at		Fair value hierarchy	Valuation technique
	30 June 2014	31 December 2013		
	HK\$'000 (unaudited)	HK\$'000 (audited)		
Available-for-sale investments in debt securities	109,235	85,196	Level 1	Quoted bid prices in an active market

There was no transfer between different levels for the period.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

15. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION

During the current and last interim periods, the Company had outstanding several share option arrangements as follows:

(i) IDG Option

On 18 February 2011, the Company and various subscribers entered into a subscription agreement to subscribe for 1,282,816,000 shares at a subscription price of HK\$0.28 per share for a total amount of approximately HK\$359,189,000 ("2011 Share Subscription").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION

(continued)

(i) IDG Option (continued)

As part of the 2011 Share Subscription, the Company granted an institutional investor an option to subscribe for 50,000,000 shares (the "IDG Option") as remuneration for introducing potential subscribers to the Company. The IDG Option may be exercised by the holder thereof in whole or in part from the date on which they were granted until 31 December 2013 on which date any unexercised IDG Option will automatically lapse.

None of the IDG Option was exercised and accordingly, the IDG Option was expired as at 31 December 2013. The fair value of the IDG option of approximately HK\$6,060,000 previously charged to share premium account of the Company was credited against contributed surplus on the date of expiry.

(ii) Share Option Schemes

On 16 August 2002, the Company adopted 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 or any supplier or provider of goods and services of the Company or any of its subsidiaries for their contribution to the Group (the "2002 Scheme").

The 2002 Scheme was terminated on 11 June 2012 and a new share option scheme (the "2012 Scheme") was adopted by the shareholder of the Company on the same date. All share option granted under 2002 Scheme remain effective until the end of the exercise period. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION

(continued)

(ii) Share Option Schemes (continued)

The following table discloses movements of the share options held by directors and employees during the current and prior periods:

For the period from 1 January 2014 to 30 June 2014

2002 Scheme

	Grant date	Vesting period	Fair value of share option at grant date	Outstanding at 1 January 2014	Cancelled during the period	Forfeited during the period	Outstanding at 30 June 2014	
			HK\$		(note a)	(note b)		
Directors	13 April 2011	13/4/2011 to 12/4/2014	0.164	1,000,000	—	—	1,000,000	
		13/4/2011 to 12/4/2015	0.178	500,000	—	—	500,000	
		13/4/2011 to 12/4/2016	0.191	500,000	—	—	500,000	
2 April 2012	2/4/2012 to 31/3/2013	2/4/2012 to 31/3/2013	0.0536	30,000,000	—	(30,000,000)	—	
		2/4/2012 to 31/3/2014	0.0596	30,000,000	(30,000,000)	—	—	
		2/4/2012 to 31/3/2015	0.0673	20,000,000	(20,000,000)	—	—	
Employees	21 August 2009	21/8/2009 to 30/9/2010	0.144	417,160	—	—	417,160	
		13 April 2011	13/4/2011 to 12/4/2014	0.160	500,000	—	—	500,000
			13/4/2011 to 12/4/2015	0.175	250,000	—	—	250,000
		13/4/2011 to 12/4/2016	0.187	250,000	—	—	250,000	
				83,417,160	(50,000,000)	(30,000,000)	3,417,160	

For the period from 1 January 2013 to 30 June 2013

2002 Scheme

	Grant date	Vesting period	Fair value of share option at grant date	Outstanding at 1 January 2013	Cancelled during the period	Outstanding at 30 June 2013	
			HK\$		(note a)		
Directors	13 April 2011	13/4/2011 to 12/4/2014	0.164	1,000,000	—	1,000,000	
		13/4/2011 to 12/4/2015	0.178	500,000	—	500,000	
		13/4/2011 to 12/4/2016	0.191	500,000	—	500,000	
2 April 2012	2/4/2012 to 31/3/2013	2/4/2012 to 31/3/2013	0.0536	30,000,000	—	30,000,000	
		2/4/2012 to 31/3/2014	0.0596	30,000,000	—	30,000,000	
		2/4/2012 to 31/3/2015	0.0673	20,000,000	—	20,000,000	
Employees	21 August 2009	21/8/2009 to 30/9/2010	0.144	417,160	—	417,160	
		13 April 2011	13/4/2011 to 12/4/2014	0.160	3,460,000	(508,000)	2,952,000
			13/4/2011 to 12/4/2015	0.175	1,730,000	(254,000)	1,476,000
		13/4/2011 to 12/4/2016	0.187	1,730,000	(254,000)	1,476,000	
				89,337,160	(1,016,000)	88,321,160	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION

(continued)

(ii) Share Option Schemes (continued)

No share options are granted under the 2012 Scheme.

Exercise price for the share options are as follows:

Grant date	Exercise price
	HK\$
21 August 2009	0.755 per share
13 April 2011	0.368 per share
2 April 2012	0.173 per share

Notes:

- (a) During the current interim period, 50,000,000 share options were cancelled prior to the vesting of relevant share options as a result of the resignation of a director (30 June 2013: 1,016,000 share options were cancelled as a result of the resignation of an employee). The impact of the revision of the estimates during the vesting period was recognised in the profit or loss, with a corresponding adjustment to the share option reserve. The Group recognised a net reversal of equity-settled share-based payment of HK\$2,297,000 (six months ended 30 June 2013: a net equity-settled share-based payment expense of HK\$1,169,000).
- (b) During the current interim period, 30,000,000 share options were forfeited after the vesting period due to the resignation of a director (30 June 2013: no share option was forfeited). When the share option are forfeited after the vesting date, the amount previously charged to profit or loss is credited to accumulated losses, with a corresponding adjustment to the share option reserve. During the current interim period, HK\$1,608,000 was credited to accumulated losses due to forfeiture of share options (30 June 2013: HK\$nil).

16. DISSOLUTION OF SUBSIDIARIES

During the current interim period, the Group dissolved three (30 June 2013: three) subsidiaries, all of which had nil net asset value at the date of dissolution.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. CONTINGENT LIABILITY

A writ was issued on 15 June 2013 by King Jun Chih Joseph (“Joseph King”) (the “Writ”) against Infoport Management Limited (“Infoport”), a former wholly-owned subsidiary of the Company, which was disposed during the year ended 31 December 2013, and So Wing Lok Jonathan (“Jonathan So”). The claims set out in the Writ relate to the transaction in April 2011 whereby the Company completed the acquisition of Infoport (the “Acquisition”) from its sole shareholder, PGBBW Limited, of which Jonathan So was an indirect shareholder. In the Statement of Claim contained in the Writ, Joseph King claims that in or around March/April 2009, Joseph King and Jonathan So entered into an oral agreement whereby Joseph King was engaged by Jonathan So and by Infoport as a consultant/agent to assist with fundraising and the terms of the alleged oral agreement provided that in the event Joseph King effected an introduction of investors to Infoport resulting in a sale of Infoport’s shares, a success fee of 5% of consideration for the Acquisition would be payable by Jonathan So and the other indirect shareholders of Infoport to Joseph King. It is claimed that based on the consideration for the Acquisition being HK\$1,046,500,000, Joseph King is entitled to receive payment of a success fee of HK\$52,325,000 from Jonathan So and/or Infoport, and that Jonathan So and Infoport are jointly liable to pay this amount.

Pursuant to the sale and purchase agreement dated 16 September 2013 relating to the disposal of TE Group, the Company is required to indemnify in full any cost and damages payable by Infoport under a final and enforceable judgement from a court. After seeking legal advice, the Company believes Infoport has meritorious defences and will defend the case vigorously. The management does not believe that the outcome of such proceeding will have a material effect on the Group’s financial position, results of operations or cash flows.

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the current and prior interim periods, the following emoluments and compensations were paid to the directors of the Company and the Group’s other key management personnel, having regard to the performance of individuals and market trends:

	Six months ended 30 June	
	2014	2013
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Short-term benefits	2,565	6,524
Post-employment benefits	12	107
Share-based payments	(2,315)	1,111
	262	7,742



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