

The directors present their annual report and the audited financial statements for the year ended 31st March 2003.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 35 and 17 to the financial statements respectively.

### **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at the Special General Meeting held on 11th November 2002, the name of the Company was changed from Boto International Holdings Limited to IMI Global Holdings Limited with effect from 13th November 2002.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st March 2003 are set out in the consolidated income statement on page 22 of this annual report.

A special dividend of HK\$0.26 per share of HK\$0.02 each, amounting to approximately HK\$895 million in aggregate, was paid during the year. No other dividend was paid during the year.

The directors do not recommend the payment of a final dividend for the year ended 31st March 2003.

### **SUBSIDIARIES AND ASSOCIATE**

Details of the Company's subsidiaries and of the Group's associate at 31st March 2003 are set out in notes 35 and 17 to the financial statements respectively.

During the year, the Group entered into various agreements to dispose of certain subsidiaries, business and assets of the Group at an aggregate consideration of HK\$1,077.5 million with the effect of selling its entire Christmas trees and leisure furniture businesses to the group being owned by Boto International Holdings Limited ("BIHL" and formerly known as Greenland Investments Holdings Limited), a company incorporated in British Virgin Islands in which the Group had initially subscribed for a 25% equity interest at a consideration of approximately HK\$88 million.

The above transactions, as approved by the shareholders of the Company at the special general meeting held on 19th August 2002, were completed on 23rd August 2002. Details of these transactions were set out in the circular to the Company's shareholders dated 2nd August 2002.

### **FINANCIAL SUMMARY**

A summary of the results of the Group for the nine years ended 31st March 2003 and of the assets and liabilities of the Group as at 31st March 1998, 1999, 2000, 2001, 2002 and 2003 is set out on page 3.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

### BORROWINGS

Details of borrowings of the Group are set out in notes 22 and 23 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors:

Mr. Kao Cheung Chong, Michael	<i>Chairman and Managing Director</i>	
Mr. Lam Pak Kin, Philip	<i>Deputy Chairman and Deputy Managing Director</i>	
Mr. Kao Wai Ho, Francis		
Mr. Kui Yiu Ngok		(resigned on 16th August 2002)
Ms. Tsen Yun Lei, Liliana		(resigned on 16th August 2002)

#### Non-executive director:

Mr. Zhuo Fu Min

#### Independent non-executive directors:

Mr. Alexander Reid Hamilton  
Mr. Oh Kok Chi

In accordance with Articles 86(2) and 87 of the Company's Bye-laws, Mr. Lam Pak Kin, Philip and Mr. Zhuo Fu Min shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing 1st February 1997 and his/her appointment shall continue thereafter, subject to termination by either party giving at least six months' prior notice to the other party.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

At 31st March 2003, the interests of the directors and chief executives and their associates in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance 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:

#### (I) Interests in the Company's Securities

Name of directors	Number of shares of HK\$0.50 each held		
	Personal interest	Corporate interest	Other interest
Mr. Kao Cheung Chong, Michael	3,038,000	1,249,736 (note (i))	74,988,599 (note (ii))
Mr. Lam Pak Kin, Philip	271,200	-	-
Mr. Kao Wai Ho, Francis	129,600	820,000 (note (iii))	- (note (ii))

*Notes:*

- (i) These shares are held by Kessuda Consultants Limited whose entire issued share capital is beneficially owned by Mr. Kao Cheung Chong, Michael.
- (ii) Of these shares of HK\$0.50 each, 1,626,398 shares 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 73,362,201 shares are beneficially owned by Sunni International Limited, 51% of whose issued share capital is beneficially owned by Happy Nation Limited.
- (iii) These shares are held by Asia Pacific Glory Limited whose entire issued share capital is beneficially owned by Mr. Kao Wai Ho, Francis.

#### (II) Interests in associated corporations

Name of directors	Name of associated corporations	Class of shares	Number of shares
Mr. Kao Cheung Chong, Michael	Boto International Holdings Limited	Ordinary shares of US\$1 each	7,705
	Sunni International Limited	Ordinary shares of US\$1 each	5,637
Mr. Lam Pak Kin, Philip	Boto International Holdings Limited	Ordinary shares of US\$1 each	1,053
	Sunni International Limited	Ordinary shares of US\$1 each	310

Other than as disclosed above and the interests in certain non-voting 5% deferred shares in subsidiaries of the Company referred to in note 35 to the financial statements, none of the directors or chief executives, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 31st March 2003.

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

The fair values of the options granted in the current year measured as at the date of grant on 11th February 2003 were HK\$0.49 and HK\$0.61 per option for the options granted with exercisable period of 3 years and 5 years respectively. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

1. an expected volatility of 78.6%;
2. the estimated expected lives of the options granted during the year are 3 years and 5 years respectively; and
3. an annual risk free interest rate of 3%.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to the lack of sufficient historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimated, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the consolidated income statement in respect of the value of options granted during the year.

Other than as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the year.

### CONNECTED TRANSACTIONS

On 24th September 2002, Imagi Animation Studios Limited ("IASL"), a wholly-owned subsidiary of the Company, entered into an agreement with the minority shareholder of Imagi Production Limited ("IPL"), a company in which the Company then held a 82.5% interest, to acquire an additional 17.5% equity interest in IPL for a consideration of HK\$2,300,000. This transaction was completed on the same date.

As at 31st March 2002, the Company had given a guarantee of HK\$33,000,000 to a bank in respect of credit facilities granted to IPL and the minority shareholder of IPL had given a personal guarantee of HK\$7,000,000 to that bank for the above credit facilities. As a result of the acquisition of an additional 17.5% equity interest in IPL in the preceding paragraph, the personal guarantee of HK\$7,000,000 was subsequently released.

In addition, IASL made unsecured, interest bearing advances in the aggregate amount of approximately HK\$7,962,400 to IPL and received periodic repayments from IPL during the period before the date of IPL becoming a wholly-owned subsidiary of the Company. The maximum balance of such advances outstanding during the period was approximately HK\$15,289,000. IASL received interest income of approximately HK\$155,000 on such advances for that period.

#### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance subsisted at any time during the year to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly.

#### **SUBSTANTIAL SHAREHOLDERS**

Other than as disclosed in note (I)(ii) under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES", as at 31st March 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person having an interest in shares representing 10% or more of the issued share capital of the Company.

#### **CHARITABLE DONATIONS**

During the year, the Group made charitable donations of approximately HK\$160,000.

#### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

#### **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Kao Cheung Chong, Michael**

*Chairman and Managing Director*

Hong Kong, 4th July 2003