



**IMI GLOBAL HOLDINGS LIMITED**



INTERIM REPORT 2003/2004

## OPERATING RESULTS

The Board of Directors (the "Board") of IMI Global Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

### Condensed Consolidated Income Statement

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Notes</i>	<b>2003</b>	2002
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>5,876</b>	483,686
Cost of sales		<b>(10,378)</b>	(309,753)
Gross (loss) profit		<b>(4,502)</b>	173,933
Other operating income		<b>1,201</b>	5,714
Distribution costs		<b>(136)</b>	(58,927)
Administrative expenses		<b>(9,228)</b>	(43,444)
(Loss) profit from operations	4	<b>(12,665)</b>	77,276
Bank interest income		<b>505</b>	1,147
Finance costs		<b>(1)</b>	(1,717)
Gain on disposal of discontinuing operations	5	<b>5,889</b>	196,060
Share of profit of an associate		<b>22,266</b>	21,457
Profit before taxation		<b>15,994</b>	294,223
Taxation	6	<b>(1,572)</b>	(8,655)
Profit before minority interests		<b>14,422</b>	285,568
Minority interests		<b>73</b>	(218)
Net profit for the period		<b>14,495</b>	285,350
Dividends	7	–	894,641
Earnings per share	8		
– basic		<b>HK\$0.105</b>	HK\$2.074
– diluted		<b>HK\$0.105</b>	HK\$2.073

**Condensed Consolidated Balance Sheet**

At 30th September 2003

		<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	<b>24,672</b>	17,976
Motion picture production		<b>52,257</b>	52,447
Goodwill		<b>3,480</b>	3,707
Interest in an associate	10	<b>53,409</b>	32,715
Investments in securities	11	<b>20,305</b>	19,248
		<b>154,123</b>	126,093
Current assets			
Inventories		<b>7,574</b>	–
Trade and other receivables	12	<b>4,177</b>	5,400
Amount due from an associate		<b>4,651</b>	8,348
Taxation recoverable		<b>20,760</b>	20,760
Pledged bank deposits		<b>24,200</b>	24,200
Bank balances and cash		<b>58,296</b>	107,149
		<b>119,658</b>	165,857
Current liabilities			
Other payables		<b>7,271</b>	4,769
Taxation payable		<b>432</b>	7,505
Obligations under finance leases			
– due within one year		<b>1,608</b>	2,605
Bank borrowings – due within one year	13	<b>12,000</b>	39,038
		<b>21,311</b>	53,917
Net current assets		<b>98,347</b>	111,940

	<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
Total assets less current liabilities	<b>252,470</b>	238,033
Minority interests	<b>206</b>	279
Non-current liabilities		
Obligations under finance leases – due after one year	–	647
Net assets	<b>252,264</b>	237,107
Capital and reserves		
Share capital	<b>68,829</b>	68,819
Reserves	<b>183,435</b>	168,288
Shareholders' funds	<b>252,264</b>	237,107

**Condensed Consolidated Statement of Changes in Equity**
*For the six months ended 30th September 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2002	68,799	276,360	909	–	529,006	875,074
Translation difference arising from overseas subsidiaries and not recognised in the income statement	–	–	–	198	–	198
Exercise of share options	20	170	–	–	–	190
Net profit for the period	–	–	–	–	285,350	285,350
Transfer of share premium	–	(276,360)	–	–	276,360	–
Special cash dividends paid	–	–	–	–	(894,641)	(894,641)
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At 30th September 2002	68,819	170	909	198	196,075	266,171
Translation difference arising from overseas subsidiaries and not recognised in the income statement	–	–	–	289	–	289
Net loss for the period	–	–	–	–	(29,353)	(29,353)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2003	68,819	170	909	487	166,722	237,107
Translation difference arising from overseas subsidiaries and not recognised in the income statement	–	–	–	641	–	641
Exercise of share options	10	11	–	–	–	21
Net profit for the period	–	–	–	–	14,495	14,495
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30th September 2003</b>	<b>68,829</b>	<b>181</b>	<b>909</b>	<b>1,128</b>	<b>181,217</b>	<b>252,264</b>

**Condensed Consolidated Cash Flow Statement***For the six months ended 30th September 2003*

	<b>Six months ended 30th September</b>	
	<b>2003</b> <i>HK\$'000</i> <b>(unaudited)</b>	2002 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	<b>(12,424)</b>	(124,285)
Net cash (used in) from investing activities	<b>(7,989)</b>	857,854
Net cash used in financing activities	<b>(29,009)</b>	(674,975)
Net (decrease) increase in cash and cash equivalents	<b>(49,422)</b>	58,594
Cash and cash equivalents at beginning of the period	<b>107,111</b>	156,007
Effect of foreign exchange rate changes	<b>607</b>	–
Cash and cash equivalents at end of the period	<b>58,296</b>	214,601

## Notes to the Condensed Financial Statements

*For the six months ended 30th September 2003*

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2003, except as described below.

#### Income Taxes

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income Taxes" which is effective for the accounting period commencing on or after 1st January 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. This change in accounting policy has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. SEGMENTAL INFORMATION

#### Business segments

During the period, the Group is organised into two operating divisions which form the basis on which the Group reports its primary segmental information:

- Computer graphics animation pictures – production and licensing of computer graphics animation pictures
- Management consultancy services – provision of management consultancy services

Until, and including, 22nd August 2002, the Group was also involved in the manufacture and sale of artificial Christmas trees and accessories and leisure furniture, these two businesses were disposed of on 23rd August 2002.

Segmental information about these businesses is presented below.

For the six months ended 30th September 2003

	Continuing operations		Discontinuing operations		Consolidated HK\$'000
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas tree HK\$'000	Leisure furniture HK\$'000	
<b>TURNOVER</b>					
External sales	<b>1,676</b>	<b>4,200</b>	-	-	<b>5,876</b>
<b>RESULTS</b>					
Segment results	<b>(5,278)</b>	<b>640</b>	-	-	<b>(4,638)</b>
Other operating income					<b>1,201</b>
Unallocated corporate expenses					<b>(9,228)</b>
Loss from operations					<b>(12,665)</b>
Bank interest income					<b>505</b>
Finance costs					<b>(1)</b>
Gain on disposal of discontinuing operations					<b>5,889</b>
Share of profit of an associate					<b>22,266</b>
Profit before taxation					<b>15,994</b>
Taxation					<b>(1,572)</b>
Profit before minority interests					<b>14,422</b>

For the six months ended 30th September 2002

	Continuing operations		Discontinuing operations		
	Computer graphics animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Christmas tree <i>HK\$'000</i>	Leisure furniture <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	<u>5,552</u>	<u>1,814</u>	<u>420,863</u>	<u>55,457</u>	<u>483,686</u>
<b>RESULTS</b>					
Segment results	<u>2,537</u>	<u>1,814</u>	<u>103,130</u>	<u>7,525</u>	115,006
Other operating income					5,714
Unallocated corporate expenses					<u>(43,444)</u>
Profit from operations					77,276
Bank interest income					1,147
Finance costs					(1,717)
Gain on disposal of discontinuing operations					196,060
Share of profit of an associate					<u>21,457</u>
Profit before taxation					294,223
Taxation					<u>(8,655)</u>
Profit before minority interests					<u>285,568</u>

**4. (LOSS) PROFIT FROM OPERATIONS**

	<b>Six months ended 30th September</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>2,526</b>	18,694
Less: amounts capitalised in motion picture production	<b>(2,136)</b>	(16,370)
	<b>390</b>	2,324
Amortisation of goodwill	<b>227</b>	165
Amortisation of motion picture production	<b>6,743</b>	2,997
and after crediting:		
Amortisation of discount on held-to maturity debt securities	<b>1,057</b>	451

**5. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS**

On 23rd August 2002, the Group disposed of its Christmas festive products and leisure furniture businesses to Boto International Holdings Limited ("BIHL" and now the Group's associate) (the "Disposal") with a gain of approximately HK\$196,060,000 for the six months ended 30th September 2002. Pursuant to the relevant Disposal agreements, in the event that BIHL or any of the disposed subsidiaries receives any tax relief or refund of any tax paid which is referable to the above disposed businesses and to any period prior to 23rd August 2002, BIHL or such respective subsidiary shall pay to the Group a sum equal to such tax relief or refund. During the six months ended 30th September 2003, the Group received from its associate an aggregate amount of approximately HK\$5,889,000 in respect of such refund of tax, and such amount has been recognized in the current period as a further gain on the Disposal.

## 6. TAXATION

**Six months ended**  
**30th September**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000

The charge comprises:

Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period	-	5,905
Share of taxation of an associate	<b>1,572</b>	2,750
	<b>1,572</b>	8,655

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

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

The Group had no significant unprovided deferred taxation for the period.

As reported in previous interim and annual reports, in connection with a tax field audit, the Inland Revenue Department in Hong Kong ("IRD") issued Notices of Additional/Estimated Assessment to two subsidiaries and one former subsidiary of the Company (the "Subsidiaries") during the period from March 2001 to March 2003. Objections were lodged by the Subsidiaries and holdovers of the taxes in dispute were granted by the IRD pending determination of the tax field audit result. The Additional/Estimated Assessments were mainly relating to the Group's income derived from its operations performed outside of Hong Kong.

Up to the date of this interim report, the tax demanded under the Additional/Estimated Assessments amounted to an aggregate sum of HK\$117,165,000. Subsequent to the Subsidiaries' lodgement of objections against such Assessments, the IRD has granted both conditional and unconditional holdover of the taxes demanded, and the conditions stipulated were the placing with the IRD a sum of HK\$20,730,000 by cash deposit and the purchase of tax reserve certificates together with a further sum of HK\$24,200,000 by the issue of a bank guarantee, which is secured by a bank deposit of the same amount.

Although the outcome of this matter cannot be determined with reasonable certainty at this stage, the Company's directors consider that the Group has properly reported all its taxable income derived in Hong Kong to the IRD previously and therefore are not in agreement to the Additional/Estimated Assessments. Accordingly, the amount placed by cash deposit and by the purchase of tax reserve certificates up to the date of this review period have been recorded as taxation recoverable in the balance sheet and no provision for additional tax in relation to this tax field audit has been made in the interim financial report.

## 7. DIVIDENDS

No dividends were paid during the period ended 30th September 2003.

On 4th September 2002, a special cash dividend of HK\$0.26 per share of HK\$0.02 each was paid to shareholders whose names appeared on the Register of Members of the Company on the record date of 30th August 2002.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Six months ended 30th September</b>	
	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net profit for the period	<b>14,495</b>	285,350
Number of shares:		
Weighted average number of ordinary shares of HK\$0.50 each for the purposes of basic earnings per share	<b>137,637,874</b>	137,608,296
Effect of dilutive potential ordinary shares of HK\$0.50 each in respect of share options	<b>336,060</b>	10,544
Weighted average number of ordinary shares of HK\$0.50 each for the purposes of diluted earnings per share	<b>137,973,934</b>	137,618,840

The denominator for the six months ended 30th September 2002 for the purposes of calculating both basic and diluted earnings per share had been adjusted to reflect the consolidation of the shares in the Company in November 2002.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9,222,000 on the additions of property, plant and equipment mainly for the purpose of improving and expanding the production capability.

## 10. INTEREST IN AN ASSOCIATE

As at 30th September 2003, the Group held a 22.5% equity interest in BIHL. The principal activities of the group headed by BIHL are the designing, manufacturing and distribution of Christmas festive products and leisure furniture products.

## 11. INVESTMENTS IN SECURITIES

During the period ended 30th September 2002, the Group entered into a subscription agreement and a call option agreement with certain independent third parties to subscribe for a 5-year zero coupon note with a face value of Japanese Yen 418,732,600 (the "Note") at a consideration of Japanese Yen 260,000,000 (equivalent to approximately HK\$16,746,000). The discount on acquisition of the Note is amortised over 5 years at the discount rate of the Note. The discount amortised during the period was approximately HK\$1,057,000.

The Group has been granted the right to purchase all the common shares of the issuer of the Note, which is incorporated in Japan and engaged in the production of computer graphics animation pictures, under the call option agreement in consideration of the payment by the Group to the shareholders of the issuer of the Note the sum of Japanese Yen 30,000,000, at any time on or before 14th June 2007.

## 12. TRADE AND OTHER RECEIVABLES

The trade customers credit period allowed by the Group is subject to the terms specified in the contracts and it normally ranges from 30 to 90 days.

The aged analysis of trade receivables at the balance sheet date is stated as follows:

	<b>30th September 2003 HK\$'000</b>	31st March 2003 HK\$'000
0 to 30 days	–	–
31 to 60 days	–	305
61 to 90 days	–	1,591
Over 90 days	<b>920</b>	181
	<b>920</b>	2,077
Other receivables and prepayments	<b>3,257</b>	3,323
	<b>4,177</b>	5,400

**13. BANK BORROWINGS**

During the period, the Group made repayments on bank borrowings of approximately HK\$28,644,000.

**14. RELATED PARTY TRANSACTIONS**

During the period, the Group received management consultancy services income of approximately HK\$4,200,000 (2002: HK\$506,000) from BIHL, an associate of the Group. This transaction was carried out in accordance with the terms of the relevant consultancy service agreement.

**15. CAPITAL COMMITMENTS**

At the balance sheet date, the Group had the following commitments for capital expenditure in respect of property, plant and equipment and motion picture production:

	<b>30th September 2003 HK\$'000</b>	31st March 2003 HK\$'000
Authorised but not contracted for	<b>43,366</b>	52,790
Contracted for but not provided in the financial statements	<b>2,009</b>	11,495
	<b>45,375</b>	64,285

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Since the Disposal of the Group's Christmas festive products business and the leisure furniture business to BIHL on 23rd August 2002, these two business segments ceased direct contribution to the Group's results, and the development of computer graphics ("CG") animation business and the provision of management consultancy services emerged as the key sources of the Group's turnover.

During the period under review, the Group recorded turnover of HK\$5.9 million (2002: HK\$483.70 million) and profit attributable to shareholders of HK\$14.5 million (2002: HK\$285.4 million). The significant decrease in turnover and profit attributable to shareholders as compared with the last corresponding period was mainly attributed to the effect of the Disposal. The share of profits from the associate, BIHL, for the current interim period represented the shared results of a full six month period, while that for the corresponding period accounted for the last 39 days of the period since the Disposal. The current period share of profits from the associate was disappointing as a result of the deteriorated performance on the profit margins of the Christmas and leisure furniture businesses of BIHL caused principally by the significant drop in product selling prices and the increases in raw material costs although the business volume rose by about 11% over the two periods. It is expected that the deteriorating performance will gradually improve with the recovery of the global economies.

#### *Motion Pictures*

Turnover noted for the six months ended 30th September 2003 amounted to HK\$1.7 million and it represented royalty income generated from the licensing by the Group of the television broadcasting and other ancillary rights in video and merchandising in Asia (except for Japan and Oceanic countries) over Zentrix™, the first CG animation production of the Group.

#### *Management Consultancy Services*

Turnover attributed to this business segment amounted to HK\$4.2 million and was generated from the provision of consultancy services by the Group in both Hong Kong and outside of Hong Kong to its associate, BIHL, under a management consultancy agreement.

## Prospects

Following the television broadcasting at M6 in France in September 2002 and at NHK BS2 in Japan in April 2003, Zentrix™ commenced its screening from September 2003 at SuperRTL, one of the most popular television channels for children in Germany. With the license agreement signed with Jade Multimedia International B.V., our local viewers will soon be able to enjoy this fascinating 26-episode quality television CG animation series.

The Group is currently in further negotiation with another reputable international distributor on the broadcasting and distribution rights of Zentrix™ in the United States of America and Canada, and the success of this negotiation will enhance the earning capability of exploiting Zentrix™.

The Group is swiftly gaining an encouraging international reputation in the CG animation industry around the world and has received honourable recognition from a number of the world-renowned leading studios who are inviting the Group to enter into production co-operation for their CG animation films for worldwide distributions.

In October 2003, the Group entered into a co-production agreement with a Japanese global leader in toys manufacturing and electronic gaming for the production of a CG animation film of 75 minutes in length, which is expected to complete around September 2004.

In early December 2003, the Group entered into an exclusive agreement with DreamWorks Television Animation LLC ("DreamWorks") for the provision of CG animation services, including modeling, character animation, lighting, effects, compositing and rendering, in connection with the production of an animated television series *Father of the Pride* ("FOTP"). DreamWorks is a global leader in CG animation and has won the first-ever *Academy Award*® for the Best Animated Feature with *Shrek*®. FOTP is a family comedy series about a pride of white lions who perform in the world famous Las Vegas act of the illusionists Siegfried & Roy, and the main story line lies on the competition between a family of white lions and their rivals, the snooty white tigers. Starring the voices of John Goodman, Carl Reiner, Cheryl Hines and Orlando Jones, the FOTP series comprises an initial run of 13 computer-animated television episodes of half-hour each and will be broadcasted first time in history at the primetime at the NBC television network in the United States of America in the Fall of 2004. Created by Jeffrey Katzenberg, the series was developed by Peter Mehlman (*Seinfeld*) and Jonathan Groff (*Late Night with Conan O'Brien*) and is executive produced by Katzenberg, Groff, Jon Pollack (*Spin City*, *Just Shoot Me*) and Mehlman.

DreamWorks SKG was formed in October 1994 by its three principal partners – Steven Spielberg, Jeffrey Katzenberg and David Geffen – to produce live-action motion pictures, animated feature films, network and cable television programming, home video entertainment, records, books, toys, and consumer products.

The Group continues exploring further business development opportunities in CG animation, including the production co-operation with reputable studios, the development of its own production and the investment in other CG animation ventures that bring contributions to the Group. In this respect, the Group is currently producing its second CG animation television series, tentatively titled "XSI".

The Board believes that, through these inspiring and challenging business alliances with the global players in the CG animation industry, the Group is evolving to become a world-class studio equipped with top talents in creative, technical and production skills and technology. Accordingly, the earning base of the Group will be further enhanced and thus bringing the Group closer to its mission of being a leader in the digital animation and entertainment industry in the Asia-Pacific region.

### **Major Customers and Suppliers**

For the six months ended 30th September 2003, sales attributable to the largest and the five largest customers accounted for 71.5% (2002: 19%) and 100% (2002: 60.1%) of the total turnover respectively. The only raw materials required by the Group's operations is digital audio tapes supplied by a few suppliers, purchase attributable to the largest and the five largest suppliers accounted for less than 1% (2002: 26.4% and 50.2% respectively) of the total cost of sales for the period.

Other than as disclosed in note 14 to the condensed financial statements, none of the Directors, their respective associates (as defined in the Listing Rules), or any shareholder of the Company (who or which, to the knowledge of the Directors, own more than five per cent of the issued share capital of the Company) has any interest in any of the Group's five largest customers or suppliers.

### **Liquidity and Capital Resources**

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30th September 2003, the Group had available aggregate banking facilities of HK\$70 million of which approximately HK\$14 million was utilized. The Group's cash deposits and bank balances as at that date amounted to HK\$82 million (of which, an amount of HK\$24,200,000 were pledged bank deposits). The Board believes that the Group has sufficient financial resources to discharge its debts and finance its operations and capital expenditures.

Further, the Group has maintained a sound capital structure with a current ratio of 5.6 and has no long-term liabilities as of the period end date.

## Human Resources

As at 30th September 2003, the Group has more than 200 full-time employees. The Group's employees are remunerated according to the nature of their duties and the market trends, with incentives offered in the form of bonuses and share options based on individual performance.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2003.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will not be closed for the current period under review.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September 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 Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in 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, 54.675% 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, 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 SFO as at 30th September 2003.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed in note (I)(ii) under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES", as at 30th September 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholder had an interest in shares representing 5% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares of HK\$0.50 each held	Approximate % of issued share capital
GEM Capital Investment (BVI) Limited	8,025,600	5.83%

## SHARE OPTION SCHEME

As at 30th September 2003, there were 6,960,000 outstanding options to subscribe for shares under the Company's share option scheme.

## 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 under review.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim consolidated financial statements for the six months ended 30th September 2003. The said unaudited interim consolidated financial statements for the period covered by this interim report have also been reviewed by the Company's external auditors, Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" as issued by the Hong Kong Society of Accountants, and a copy of their Independent Review Report is attached herewith as the Appendix.

## CORPORATE GOVERNANCE

None of the Company's Directors are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

## APPRECIATION

On behalf of the Board of Directors, I would like to express my sincerest gratitude to our worldwide viewers and distributors for their trust and support towards our CG animation services. I would also like to take this opportunity to express my appreciation to our shareholders for their support along with our staff for their loyalty, dedication and hard work.

On behalf of the Board

**Lam Pak Kin, Philip**

*Deputy Chairman*

Hong Kong, 11th December 2003

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
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Hong Kong

執業會計師  
香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

**INDEPENDENT REVIEW REPORT****TO THE BOARD OF DIRECTORS OF IMI GLOBAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have been instructed by the Company to review the interim financial report as set out on pages 1 to 13.

**Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September 2003.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 11th December 2003