



智庫媒體集團（控股）有限公司

Intelli - Media Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8173)

FIRST QUARTERLY REPORT

2007/2008

For the three months ended

30 June, 2007

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This report, for which the directors of Intelli-Media Group (Holdings) Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Intelli-Media Group (Holdings) Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE, 2007 (UNAUDITED)

The board of Directors (the “Board”) of Intelli-Media Group (Holdings) Limited (the “Company”) is pleased to announce the unaudited quarterly consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June, 2007 together with the comparative unaudited figures for the corresponding period of 2006 as follows:

		Three months ended	
		30 June,	
	<i>Notes</i>	2007	2006
		HK\$'000	HK\$'000
Turnover	2	10,336	15,144
Cost of sales		(9,501)	(10,883)
Gross profit		835	4,261
Other operating income		1,434	120
Distribution costs		(120)	(137)
Administrative expenses		(6,089)	(4,035)
Other operating expenses		(1,080)	(391)
Loss from operations		(5,020)	(182)
Finance costs		(519)	(663)
Loss before taxation		(5,539)	(845)
Taxation	3	–	(333)
Loss for the period		(5,539)	(1,178)
Attributable to:			
Equity holders of the Company		(5,539)	(977)
Minority Interest		–	(201)
		(5,539)	(1,178)
Loss per share			
– Basic	4	(1.05) HKcent	(0.24) HK cent

Notes:

1. Basis of presentation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Company Ordinance and the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those in the preparation of the annual financial statements for the year ended 31 March, 2007.

In this reporting period, the Group had applied for the first time, a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January, 2007. The adoption of the new HKFRs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

2. Turnover

Turnover represents the net amounts received and receivable for sales of goods by the Group to outside customers, less returns and allowances, and revenue received and receivable from sub-licensing of film rights, film exhibition and film distribution, and is analysed as follows:

	Three months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
Sales of goods	7,542	10,208
Sub-licensing of film rights	638	3,955
Film exhibition and film distribution income	2,156	981
	<u>10,336</u>	<u>15,144</u>

3. Taxation

	Three months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Deferred tax charge	<u>-</u>	<u>333</u>
	<u>-</u>	<u>333</u>

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits arising in Hong Kong during the periods.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax had not been provided as there were no significant temporary differences for the period (2006: HK\$333,000).

4. Loss per share

The calculation of the basic loss per share is based on the Group's unaudited loss attributable to shareholders for the period for the three months ended 30 June 2007 of approximately HK\$5,539,000 (2006: approximately HK\$977,000) and the weighted average number of approximately 527,033,000 ordinary shares respectively for the three months ended 30 June 2007 (2006: approximately 402,300,000 ordinary shares).

No diluted loss per share has been presented for both periods as it is anti-dilutive.

5. Reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated (losses)/ profits <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2006 (audited)	4,023	12,953	10,440	67	32,713	-	60,196
Loss for the period	-	-	-	-	(977)	-	(977)
At 30 June, 2006 (unaudited)	<u>4,023</u>	<u>12,953</u>	<u>10,440</u>	<u>67</u>	<u>31,736</u>	<u>-</u>	<u>59,219</u>
At 1 April, 2007 (audited)	4,849	17,697	10,440	68	(37,094)	3,055	(985)
Issue of share on exercise of share option	96	2,160	-	-	-	-	2,256
Issue of new shares	786	21,579	-	-	-	-	22,365
Recognition of equity component of convertible notes	-	212	-	-	-	-	212
Loss for the period	-	-	-	-	(5,539)	-	(5,539)
Exchange difference on translation of the financial statements of foreign subsidiaries	-	-	-	(14)	-	-	(14)
At 30 June, 2007 (unaudited)	<u>5,731</u>	<u>41,648</u>	<u>10,440</u>	<u>54</u>	<u>(42,633)</u>	<u>3,055</u>	<u>18,295</u>

6. Interim Dividend

The Directors do not recommend the payment of a dividend for the three months ended 30 June, 2007 (2006: Nil).

7. Post Balance Sheet Event

On 17 July 2007, CPE Program Distribution Limited, a wholly-owned subsidiary of the Company, issued convertible notes in the aggregate amount of HK\$6,000,000 have been converted into 18,292,682 ordinary shares at a conversion price of HK\$0.328 per share. It will increase the share capital and share premium by HK\$183,000 and HK\$5,817,000 respectively.

BUSINESS AND FINANCIAL REVIEW

The Group faced a number of major challenges during the three months ended 30 June, 2007. These mainly resulted from the ongoing problem of intellectual property infringement, especially the prevalence of pirated DVDs, as well as the changing tastes of consumers, who increasingly prefer foreign blockbuster movies instead of locally-made ones. Gross margin dropped due to these changing market factors.

Influenced by these negative factors, the Group's turnover during the period under review amounted to approximately HK\$10,336,000, with 32% decreased over HK\$15,144,000 for the same period of 2006. Sales of goods during the same period HK\$7,542,000, with 26% dropped from HK\$10,208,000 for the same period last year. Sub-licensing income amounted to HK\$638,000, a decline of 84% over the figure of HK\$3,955,000 for the corresponding period of 2006. Total film exhibition and distribution income for the period under review was approximately HK\$2,156,000, a surge of 120% compared to HK\$981,000 for the same period last year. The Group made a loss of HK\$5,539,000 during the three-month period, compared with a loss of HK\$977,000 during the three months ended June 30, 2006.

The tendency of consumers to choose cheap, sometimes poor-quality pirated products has gravely undermined the DVD market, despite the greater efforts now being made by many governments to curtail their distribution as a result of the pressure exerted on them by their international trading partners.

At the same time, public's tastes have steadily shifted away from locally-produced Chinese-language features towards big-budget blockbusters from overseas. Film-distribution opportunities have continued to decrease, especially in Hong Kong, which has placed a considerable burden on local film-distribution companies. Costs of sales have risen because a shorter product life cycle makes it necessary to amortise production costs within a reduced period of time.

Future Prospects

In response to the above adversities, the Group has taken a strategic move in capitalising on creativity and management experience of Hong Kong's animation industry. Meanwhile, we expect Mainland China's ongoing economic growth to continue providing favourable opportunities for the further development of our licensing and merchandising business in the country's fast-growing consumer market.

Parents in Mainland China have greater incomes than ever before, and the "one-child policy" is encouraging them to spend an ever-increasing amount of money on their offsprings. Young comic-readers are watching more animated series on broadcast TV, and the demand for high-quality and original animation programming is fast outstripping the supply.

We intend to work closely with our strategic partners, in order to increase our output of animated series for television. Also, we will bolster the distribution of our products by making greater use of our existing networks. Most production work is done in the Mainland nowadays, and the Group is helping a new generation of Chinese animation teams to develop their talent, skills and technology, in order to create first-class animation movies for a global audience. In this way, we will position ourselves to share in the success of this flourishing young industry.

Meanwhile, the Group is committed to making greater efforts to establish licensing agreements that will enable us to create new and long-term revenue streams in the areas of promotional licensing and merchandise licensing. Our strong position in Mainland China also puts us in a unique position to capture the upside of the China consumer market.

Finally, the Group intends to leverage on our brands as the means to open up a new revenue stream by licensing content for use by the mobile and Internet industries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June, 2007, the interests of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein, or which required, pursuant to the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Directors	Beneficial interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of issued shares
Chin Wai Keung, Richard	234,515,000	-	-	-	234,515,000	40.9%
So Wing Lok Jonathan	18,034,600	-	-	-	18,034,600	3.1%
Lo Wing Keung	14,425,000	-	-	-	14,425,000	2.5%
Chow Alvin Chiyiu	10,000	-	-	-	10,000	0.0%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 June, 2007, the following persons had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

Long positions in Shares

Name	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of issued Shares
Nice Hill Investments Limited	234,515,000 <i>(Note 1)</i>	–	–	234,515,000	40.9%
Chin Wai Keung, Richard	–	–	234,515,000 <i>(Note 1)</i>	234,515,000	40.9%
Kwan Yuet Wah, Rosanna	–	234,515,000 <i>(Note 2)</i>	–	234,515,000	40.9%

Notes:

1. These 234,515,000 shares are beneficially owned by and registered in the name of Nice Hill Investments Limited, which is beneficially owned as to 100% by Mr. Chin Wai Keung, Richard. Accordingly, Mr. Chin Wai Keung, Richard is deemed to be interested in the 234,515,000 shares held by Nice Hill Investments Limited under SFO.
2. As Ms. Kwan Yuet Wah, Rosanna is the wife of Mr. Chin Wai Keung, Richard, Ms. Kwan is deemed to be interested in the 234,515,000 shares in which Mr. Chin is deemed to be interested under the SFO.

COMPETING INTERESTS

None of the Directors, management shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group during the three months ended 30 June, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 30 June, 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 30 June, 2007.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the three months ended 30 June, 2007.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, which reviews the internal accounting procedures and considers and reports to the board of directors of the Company with respect to other auditing and accounting matters, including selection of independent auditors, the scope of annual audit, fees to be paid to the independent auditors and the performance of the independent auditors. The audit committee has three members comprising Mr. Chow Shiu Ki, Mr. Hung Tik and Mr. Shum Man Ching.

The Group's financial statements for the three months ended 30 June, 2007 have been reviewed by the audit committee, who was of the opinion that such financial statements complied with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures had been made.

By Order of the Board
Intelli-Media Group (Holdings) Limited
Wong Hoi Yan, Audrey
Executive Director

Hong Kong, 13 August, 2007

As at the date of this report, the Board comprises five executive Directors, Mr. Chin Wai Keung, Richard, Mr. So Wing Lok, Jonathan, Ms. Wong Hoi Yan, Audrey, Mr. Lo Wing Keung, Mr. Chow Alvin Chiyiu; and three independent non-executive Directors, Mr. Chow Shiu Ki, Mr. Hung Tik and Mr. Shum Man Ching.