



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)

THIRD QUARTERLY REPORT
2007/2008

For the nine months ended
31 December, 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER, 2007 (UNAUDITED)

The Board of Directors (the “Board”) of Intelli-Media Group (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for nine months ended 31 December, 2007 (the “Period”) together with the comparative unaudited figures for the corresponding period of 2006 as follows:

	Notes	(Unaudited) Three months ended 31 December,		(Unaudited) Nine months ended 31 December,	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	6,914	13,974	28,027	43,345
Cost of sales		(5,703)	(13,010)	(23,989)	(36,718)
Gross profit		1,211	964	4,038	6,627
Other revenue		625	–	1,830	–
Other operating income		45	165	1,611	497
Distribution costs		(165)	(300)	(919)	(651)
Administrative expenses		(6,230)	(3,296)	(17,694)	(11,182)
Other operating expenses		(3,511)	(356)	(8,929)	(1,343)
Loss from operations		(8,025)	(2,823)	(20,063)	(6,052)
Finance costs		(270)	(727)	(1,151)	(2,260)
Loss before taxation		(8,295)	(3,550)	(21,214)	(8,312)
Taxation	3	–	580	–	1,088
Loss for the period		(8,295)	(2,970)	(21,214)	(7,224)
Attributable to:					
Equity holders of the Company		(8,295)	(2,872)	(21,208)	(6,718)
Minority Interest		–	(98)	(6)	(506)
		(8,295)	(2,970)	(21,214)	(7,224)
Loss per share					
– basic	4	(1.13) HK cent	(0.71) HK cent	(3.34) HK cent	(1.66) HK cent
Loss per share					
– diluted	4	N/A	N/A	N/A	N/A

Notes:

1. Basis of presentation

The unaudited consolidated results for the Period 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.

During 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 financial year ending 31 March 2008. The adoption of the new HKFRSs 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		Nine months ended	
	31 December, 2007	2006	31 December, 2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	6,295	10,608	21,636	32,171
Sub-licensing of film rights	619	1,855	2,732	6,760
Film exhibition and film distribution income	–	1,511	3,659	4,414
	<u>6,914</u>	<u>13,974</u>	<u>28,027</u>	<u>43,345</u>

3. Taxation

	Three months ended		Nine months ended	
	31 December,		31 December,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The credit comprises:				
Deferred tax charge	<u>-</u>	<u>580</u>	<u>-</u>	<u>1,088</u>
	<u>-</u>	<u>580</u>	<u>-</u>	<u>1,088</u>

No Hong Kong Profits Tax has been provided for the Period as the companies within the Group did not have any assessable profits for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdiction.

4. Loss per share

The calculation of the basic loss per share is based on the Groups unaudited net loss attributable to shareholders for the Period for the three months and nine months ended 31 December, 2007 of approximately HK\$8,295,000 and HK\$21,208,000 respectively (three months and nine months ended 31 December, 2006: loss for the period of approximately HK\$2,872,000 and HK\$6,718,000 respectively) and the weighted average number of approximately 735,004,024 and 635,535,398 ordinary shares respectively for the three months and nine months ended 31 December, 2007 (three months and nine months ended 31 December, 2006: approximately 407,023,696 and 403,880,291 ordinary shares).

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

5. Reserves

	Share capital	Share premium	Special reserve	Translation reserve	Share option reserve	Equity component of convertible notes	Retained profits/ losses (Accumulated)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2006	4,023	12,953	10,440	67	-	-	32,713	60,196
Issue of share on exercise of share options	21	48	-	-	-	-	-	69
Issue of new shares	804	4,696	-	-	-	-	-	5,500
Loss for the period	-	-	-	-	-	-	(6,719)	(6,719)
At 31 December, 2006	<u>4,848</u>	<u>17,697</u>	<u>10,440</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>25,994</u>	<u>59,046</u>
At 1 April, 2007	4,849	17,697	10,440	68	3,055	-	(37,094)	(985)
Issue of new shares on exercise of share options	192	5,646	-	-	(2,698)	-	-	3,140
Issue of convertible notes	-	-	-	-	-	212	-	212
Issue of new shares upon conversion of convertible notes	183	5,821	-	-	-	(212)	-	5,792
Issue of share under placement	786	21,579	-	-	-	-	-	22,365
Issue of new shares upon open offer	3,005	12,020	-	-	-	-	-	15,025
Exchange difference on translation of the financial statements of foreign subsidiaries	-	-	-	(87)	-	-	-	(87)
Loss for the period	-	-	-	-	-	-	(21,208)	(21,208)
At 31 December, 2007	<u>9,015</u>	<u>62,763</u>	<u>10,440</u>	<u>(19)</u>	<u>357</u>	<u>-</u>	<u>(58,302)</u>	<u>24,254</u>

6. Interim Dividend

The Directors do not recommend the payment of a dividend for the nine months ended 31 December, 2007 (2006: NIL).

7. Post Balance Sheet Event

On 15 January 2008, the Company has entered into a subscription agreement with 8 individual(s), institution(s) or other professional investor(s) (collectively, the "Subscribers") who have agreed to subscribe for convertible notes in an aggregate principal amount of HK\$50,000,000 with a conversion price of HK\$0.05 per Share (subject to adjustment) pursuant to the said subscription agreement. Upon exercised in full of the convertible notes, 1,000,000,000 conversion shares will be allotted. In order to facilitate the issue of conversion shares, the Company proposed to increase existing authorised share capital of HK\$15,000,000 comprising of 1,500,000,000 Shares to HK\$200,000,000 comprising of 20,000,000,000 Shares, both of which are subject to approval by the shareholders of the Company an EGM to be held on 18 February 2008.

BUSINESS AND FINANCIAL REVIEW

During the Period, the Group is still facing challenges from unresolved issues on intellectual property infringement and the changing tastes of consumers.

The Group's turnover during the Period amounted to approximately HK\$28,027,000 (2006: HK\$43,345,000), representing approximately a 35.3% decrease as compared to that of the same period last year mainly due to ongoing piracy problem in the region. Sales of goods for the Period was approximately HK\$21,636,000 (2006: HK\$32,171,000) representing a decrease of approximately 32.7% as compared to that of the same period last year. Sales of goods for the Period accounted for approximately 77.2% of the total turnover of the Group. Sub-licensing of film rights for the Period was approximately HK\$2,732,000 (2006: HK\$6,760,000) down by approximately 59.6% as compared to that of the same period last year. Film exhibition and film distribution was approximately HK\$3,659,000 (2006: HK\$4,414,000), down by approximately 17.1%. Loss for the Period was approximately HK\$21,214,000 as compared to HK\$7,224,000 of the same period last year.

The tendency of the local consumers to choose cheap and sometimes poor-quality pirated products industry, the changing preference towards overseas film big-budget blockbusters and the shorter life cycle of the products have given pressure to local film distribution companies.

In view of the prolonged intellectual property infringement problem across the industry, the Group has adopted various business strategies including co-production of films, acquisition of the copyrights of 150 episodes of the "PLEASANT GOAT AND BIG BIG WOLF", a popular TV series broadcasted in Asia, mainly China, obtained the license of several popular animated characters for the sub-license and merchandise business. During the Period, the Group has raised several rounds of funding for which the funds were mainly used for general working capital of the Group and business expansion of animated business of the Group.

Future Prospects

The Board expects Mainland China's on-going economic growth will bring favorable opportunities for our animated business in the region. The Board strive to open up more business channels to bolster our co-production, merchandise and the license business, in addition to mainly sale of DVD business. The Board is confident that the continuous exploration in any business expansion opportunities including any possible acquisition of relevant business will bring the best interests to the shareholders of the Group.

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

As at 31 December, 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
Mr. Chin Wai Keung, Richard	-	-	353,163,501 (Note 1)	-	353,163,501	39.17%
Mr. So Wing Lok Jonathan	27,051,900	-	-	-	27,051,900	3.00%
Mr. Chow Alvin Chiyiu	10,000	-	-	-	10,000	0.00%

Notes:

- These 353,163,501 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 Leung, Richard. Accordingly, Mr. Chin Wai Keung, Richard is deemed to be interested in the 353,163,501 Shares held by Nice Hill Investments Limited under SFO.

Long positions in underlying Shares

Name of Director	Underlying Shares	Approximate percentage of issued Shares
Ms. Wong Hoi Yan, Audrey	6,000,000	0.67% (Note)

Note: These interests represent the interests in the underlying Shares in respect of the share options granted by the Company to Ms. Wong Hoi Yan, Audrey as beneficial owner.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 31 December, 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	353,163,501 (Note 1)	–	–	353,163,501	39.17%
Mr. Chin Wai Keung, Richard	–	–	353,163,501 (Note 1)	353,163,501	39.17%
Ms. Kwan Yuet Wah, Rosanna	–	353,163,501 (Note 2)	–	353,163,501	39.17%

Notes:

1. These 353,163,501 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 353,163,501 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 353,163,501 Shares in which Mr. Chin is deemed to be interested under the SFO.

OPEN OFFER OF SHARES

On 7 November, 2007, the Company raised approximately HK\$15 million by way of an open offer of 300,511,341 new Shares of the Company (the “Offer Shares”) at a subscription price of HK\$0.05 per Offer Share, payable in full on application, on the basis of one Offer Share for every two existing Shares held on 16 October 2007 (the “Open Offer”).

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 nine months ended 31 December, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the nine months ended 31 December, 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the nine months ended 31 December, 2007.

CORPORATE GOVERNANCE

Save and except the following deviation from the code provisions set out in the Code on Corporate Governance Practices (the “CCGP”), as contained in Appendix 15 to the GEM Listing Rules the Company had, during the period under review, complied with the CCGP:

Code provisions set out in the CCGP

A.2 The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

A.3 The board should have a balance of skills and experience appropriate for the requirements of the business of the Company. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Deviations and reasons for such deviations

The roles of chairman and chief executive officer of the Company are performed by the same individual.

The Company size is still relatively small and thus not justified in separating the role of chairman and chief executive officer of the Company.

The Group has in place an internal control system to perform the check and balance function. It has been discussed by the audit committee of the Company that the Company may consider the separation of the roles of chairman and chief executive officer to enforce the internal control system.

Pursuant to note 1 of A.3 of the CCGP and as required by Rule 5.05 of the GEM Listing Rules, every board of directors must include at least 3 independent non-executive directors. Due to the resignation of Mr. Hung Tik as an independent non-executive director of the Company on 21 December 2007, as a consequence of which he also resigned as a member of the audit committee of the Company, the Company currently has only two independent non-executive directors.

The Company will try its best endeavours to identify suitable candidate to fill the aforementioned vacancy within three months from 21 December 2007 in accordance with Rule 5.06 of the GEM Listing Rules, who will also be appointed as a member of the audit committee of the Company.

Save as disclosed, the Company has complied the code provisions set out in the CCGP throughout the nine months ended 31 December, 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 nine months ended 31 December, 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. As a result of the resignation of Mr. Hung Tik as an independent non-executive director of the Company on 21 December 2007, as a consequence of which he also resigned as a member of the audit committee of the Company, the audit committee of the Company currently has two members comprising Mr. Chow Shiu Ki and Mr. Shum Man Ching. The Company will try its best endeavours to identify suitable candidate to fill the aforementioned vacancy within three months from 21 December 2007 in accordance with Rule 5.06 of the GEM Listing Rules who will also be appointed as a member of the audit committee of the Company.

The primary duties of the audit committee of the Company are to review the Company's annual report and account, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee of the Company has met four times a year to review with management the accounting principles and practices adopted by the Group and to discuss auditing, internal control procedures and financial reporting matters.

The Group's financial statements for the nine months ended 31 December, 2007 have been reviewed by the audit committee of the Company, 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
Chin Wai Keung, Richard
Chairman

Hong Kong, 13 February, 2008

As at the date of this report, the executive directors of the Company are Mr. Chin Wai Keung, Richard, Mr. So Wing Lok, Jonathan, Ms. Wong Hoi Yan, Audrey, Mr. Lo Wing Keung, Mr. Chow Alvin Chiyiu; and the independent non-executive directors of the Company are Mr. Chow Shiu Ki and Mr. Shum Man Ching.