



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)

INTERIM REPORT

2008/2009

For the six months ended
30 September, 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.



CCIF CPA LIMITED

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the board of directors of

Intelli-Media Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 4 to 17, which comprise the condensed consolidated balance sheet of Intelli-Media Group (Holdings) Limited (the "Company") as of 30 September 2008 and the related condensed consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprises Market of 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

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 interim financial statements consists of making inquiries, 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 interim financial statements does not give a true and fair view of the financial position of the entity as at 30 September 2008, and of its financial performance and its cash flows for the six month period then ended in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 14 November 2008

Leung Chun Wa

Practising Certificate Number P04963

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2008

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” or “Intelli-Media”) for the three and six months ended 30 September, 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three and six months ended 30 September, 2008

	Note	Three months ended 30 September,		Six months ended 30 September,	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	3	2,634	10,777	13,396	21,113
Cost of sales		<u>(3,403)</u>	<u>(8,785)</u>	<u>(11,197)</u>	<u>(18,286)</u>
Gross (loss)/profit		(769)	1,992	2,199	2,827
Other revenue		219	1,337	329	2,771
Distribution costs		(126)	(634)	(168)	(754)
Administrative expenses		(9,808)	(5,375)	(16,934)	(11,464)
Other operating expenses		<u>(368)</u>	<u>(4,338)</u>	<u>(688)</u>	<u>(5,418)</u>
Loss from operations	5	(10,852)	(7,018)	(15,262)	(12,038)
Finance costs		<u>(60)</u>	<u>(362)</u>	<u>(166)</u>	<u>(881)</u>
Loss before taxation		(10,912)	(7,380)	(15,428)	(12,919)
Taxation	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the year		<u>(10,912)</u>	<u>(7,380)</u>	<u>(15,428)</u>	<u>(12,919)</u>
Attributable to:					
Equity holders of the Company		(10,912)	(7,374)	(15,428)	(12,913)
Minority interests		<u>–</u>	<u>(6)</u>	<u>–</u>	<u>(6)</u>
		<u>(10,912)</u>	<u>(7,380)</u>	<u>(15,428)</u>	<u>(12,919)</u>
Loss per share – Basic	8	<u>(0.53) cent</u>	<u>(1.37) cent</u>	<u>(0.75) cent</u>	<u>(2.29) cents</u>
– Diluted	8	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 September, 2008 <i>HK\$'000</i> (Unaudited)	31 March, 2008 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,678	1,985
Other intangible assets	10	20,775	26,541
Goodwill		4,259	4,259
Files in progress		385	385
Deposits for acquisition of film rights		125	223
Deposit and deferred costs for other investments	19	41,989	–
		70,211	33,393
Current assets			
Inventories		5,610	9,169
Trade and other receivables	11	15,771	9,337
Amount due from related companies	12	–	12
Pledged bank deposits		2,168	2,155
Cash and cash equivalents		44,704	51,746
		68,253	72,419
LIABILITIES			
Current liabilities			
Trade and other payables	13	34,591	33,148
Amount due to a director	12	641	517
Amount due to a related company		1,275	1,275
Taxation payable		–	6
Obligations under finance lease – due within one year	14	302	346
Bank and other borrowings – due within one year	15	6,812	7,698
		43,621	42,990
NET CURRENT LIABILITES		24,632	29,429
TOTAL ASSETS LESS CURRENT LIABILITES		94,843	62,822
NON-CURRENT LIABILITES			
Obligations under finance leases – due after one year	14	186	333
Bank and other borrowings – due after one year	15	677	2,388
Deferred tax liabilities		4,168	4,177
		5,031	6,898
NET ASSETS		89,812	55,924
CAPITAL AND RESERVES			
Share capital	16	20,465	19,325
Reserves		64,155	31,407
		84,620	50,732
MINORITY INTERESTS		5,192	5,192
TOTAL EQUITY		89,812	55,924

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(9,815)	(18,927)
Net cash used in investing activities	(43,588)	(2,789)
Net cash generated from financing activities	45,016	23,593
Net (decrease)/increase in cash and cash equivalents	(8,387)	1,877
Cash and cash equivalents at the beginning of period	49,842	(8,798)
Effect of foreign exchange rates change	65	(35)
Cash and cash equivalents at end of period	41,520	(6,956)
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	44,704	800
Bank overdrafts	(3,184)	(7,756)
	41,520	(6,956)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Equity component of convertible note <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2007	4,849	17,697	10,440	68	3,055	-	(37,094)	(985)	6,319	5,334
Issue of new shares on exercise of share option	144	5,252	-	-	(2,698)	-	-	2,698	-	2,698
Issue of convertible note	-	-	-	-	-	212	-	212	-	212
Issue of new shares upon conversion of convertible note	183	5,821	-	-	-	(212)	-	5,792	-	5,792
Issue of share under placement	786	21,579	-	-	-	-	-	22,365	-	22,365
Exchange difference on translation of the financial statement of foreign subsidiaries	-	-	-	(35)	-	-	-	(35)	-	(35)
Loss for the period	-	-	-	-	-	-	(12,913)	(12,913)	(6)	(12,919)
At 30 September, 2007	<u>5,962</u>	<u>50,349</u>	<u>10,440</u>	<u>33</u>	<u>357</u>	<u>-</u>	<u>(50,007)</u>	<u>17,134</u>	<u>6,313</u>	<u>23,447</u>
At 1 April 2008	19,325	105,173	10,440	83	320	-	(84,609)	50,732	5,192	55,924
Issue of share under placement	1,140	48,111	-	-	-	-	-	49,251	-	49,251
Exchange difference on translation of the financial statement of foreign subsidiaries	-	-	-	65	-	-	-	65	-	65
Loss for the period	-	-	-	-	-	-	(15,428)	(15,428)	-	(15,428)
At 30 September, 2008	<u>20,465</u>	<u>153,284</u>	<u>10,440</u>	<u>148</u>	<u>320</u>	<u>-</u>	<u>(100,037)</u>	<u>84,620</u>	<u>5,192</u>	<u>89,812</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed consolidated financial statements should be read in conjunction with the 2008 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group in this interim period.

2. THE INDEPENDENT ACCOUNTANTS’ REVIEW REPORT

The Independent Accountants have reviewed the unaudited interim financial statements for the six months ended 30 September 2008 which does not constitute an audit. On the basis of their review, the Independent Accountants are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30 September 2008.

3. 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 and copy rights, film exhibition and film distribution, and is analysed as follows:

	Three months ended		Six months ended	
	30 September, 2008	2007	30 September, 2008	2007
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods	2,221	7,799	6,175	15,341
Sub-licensing of film rights and copy rights	413	1,475	7,221	2,113
Film exhibition and film distribution income	–	1,503	–	3,659
	<u>2,634</u>	<u>10,777</u>	<u>13,396</u>	<u>21,113</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as the Group has only one business segment which is the distribution of film rights by different audio-visual programmes and sub-licensing.

As the Group's turnover for the six months ended 30 September, 2008 and 30 September, 2007 are substantially made to customers based in Hong Kong and the operations of the Group are substantially located in Hong Kong, no analysis for the geographical segment information is provided accordingly.

5. LOSS FROM OPERATIONS

	Three months ended 30 September,		Six months ended 30 September,	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss from operations has been arrived at:				
Amortisation of film rights included in cost of sales	540	2,855	3,964	5,992
Amortisation of programme rights included in cost of sales	65	64	129	129
Amortisation of intellectual property rights included in cost of sales	1,016	140	2,032	1,656
Cost of inventories included in cost of sales	1,776	3,803	5,059	6,705
Depreciation				
– Owned assets	190	181	450	367
– Assets under finance leases	60	196	201	415
Impairment loss on trade receivables included in other operating expenses	–	1,690	–	1,690
Impairment loss on inventories included in other operating expenses	–	1,539	–	1,539
Interest Income	9	34	19	81

6. TAXATION

Three months ended 30 September, 2008		Six months ended 30 September, 2008	
HK\$'000	2007	HK\$'000	2007
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

The taxation comprises:

Deferred tax credit	-	-	-	-
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No Hong Kong Profits Tax has been provided in the interim financial statements as the companies within the Group did not have any assessable profits for the period.

Pursuant to the income tax rules and regulations of the People's Republic of China ("PRC"), the applicable PRC enterprise income tax of the Group's subsidiary, Creative Power Entertaining Company Limited ("Creative Power") is 30% and the local income tax at 3%.

On 16 March 2008, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax law of the PRC (the "New Tax Law"), which would become effective on 1 January 2008. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 30% to 25%.

7. DIVIDEND

The Board do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: HK\$ Nil)

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss for the three months and six months ended 30 September, 2008 of approximately HK\$10,912,000 and HK\$15,428,000 respectively (three months and six months ended 30 September, 2007: approximately HK\$7,374,000 and HK\$12,913,000 respectively) and the weighted average number of approximately 2,044,029,000 and 2,045,288,000 ordinary shares respectively for the three months and six months ended 30 September, 2008 (three months and six months ended 30 September, 2007: approximately 538,369,000 and 565,040,000 ordinary shares).

For the three months and six months ended 30 September, 2008 and 30 September 2007, no diluted loss per share is presented as it is anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixture <i>HK\$'000</i> (Unaudited)	Office equipment <i>HK\$'000</i> (Unaudited)	Motor vehicles <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Cost				
At 1 April, 2008	990	662	3,778	5,430
Additions	211	153	980	1,344
At 30 September, 2008	<u>1,201</u>	<u>815</u>	<u>4,758</u>	<u>6,774</u>
Accumulated depreciation				
At 1 April, 2008	377	233	2,835	3,445
Provided for the period	175	94	382	651
At 30 September, 2008	<u>552</u>	<u>327</u>	<u>3,217</u>	<u>4,096</u>
Net book values				
At 30 September, 2008	<u>649</u>	<u>488</u>	<u>1,541</u>	<u>2,678</u>
At 31 March, 2008	<u>613</u>	<u>429</u>	<u>943</u>	<u>1,985</u>

10. OTHER INTANGIBLE ASSETS

	Film rights <i>HK\$'000</i> (Unaudited)	Trademark <i>HK\$'000</i> (Unaudited)	Programme rights <i>HK\$'000</i> (Unaudited)	Intellectual property rights <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Cost					
At 1 April, 2008	213,947	75	1,288	20,315	235,625
Additions	359	–	–	–	359
At 30 September, 2008	<u>214,306</u>	<u>75</u>	<u>1,288</u>	<u>20,315</u>	<u>235,984</u>
Accumulated amortisation and impairment					
At 1 April, 2008	204,926	75	398	3,685	209,084
Provided for the period	3,964	–	129	2,032	6,125
At 30 September, 2008	<u>208,890</u>	<u>75</u>	<u>527</u>	<u>5,717</u>	<u>215,209</u>
Net book values					
At 30 September, 2008	<u>5,416</u>	<u>–</u>	<u>761</u>	<u>14,598</u>	<u>20,775</u>
At 31 March, 2008	<u>9,021</u>	<u>–</u>	<u>890</u>	<u>16,630</u>	<u>26,541</u>

11. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The ageing analysis of trade receivables at the balance sheet date is as follows:

	30 September, 2008 HK\$'000 (Unaudited)	31 March, 2008 HK\$'000 (Audited)
Trade receivables:		
0-30 days	1,120	1,370
31-60 days	38	75
61-90 days	610	322
91-180 days	6,784	2,210
Over 180 days	15,736	11,974
	<hr/>	<hr/>
	24,288	15,951
Less: Allowance for doubtful debts	(13,400)	(13,400)
	<hr/>	<hr/>
	10,888	2,551
Other receivables	4,883	6,786
	<hr/>	<hr/>
	15,771	9,337
	<hr/> <hr/>	<hr/> <hr/>

12. AMOUNT DUE FROM RELATED COMPANIES/TO A DIRECTOR

The amounts are unsecured, interest free and have no fixed terms of repayment.

13. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables at the balance sheet date is as follows:

	30 September, 2008 HK\$'000 (Unaudited)	31 March, 2008 HK\$'000 (Audited)
Trade payables:		
0-30 days	32	113
31-60 days	16	86
61-180 days	483	767
Over 180 days	<u>11,343</u>	<u>10,146</u>
	11,874	11,112
Other payables	<u>22,717</u>	<u>22,036</u>
	<u>34,591</u>	<u>33,148</u>

14. OBLIGATIONS UNDER FINANCE LEASES

	Present value of minimum lease payment		Minimum lease payment	
	30 September, 2008 HK\$'000 (Unaudited)	31 March, 2007 HK\$'000 (Audited)	30 September, 2008 HK\$'000 (Unaudited)	31 March, 2007 HK\$'000 (Audited)
Amounts payable under finance leases are as follows				
Within one year	302	346	336	384
In the second to fifth years inclusive	<u>186</u>	<u>333</u>	<u>201</u>	<u>367</u>
	488	679	537	751
Less: Future finance charges	<u>-</u>	<u>-</u>	<u>(49)</u>	<u>(72)</u>
Present value of lease obligations	488	679	<u>488</u>	<u>679</u>
Less: Amount due within one year shown under current liabilities	<u>(302)</u>	<u>(346)</u>		
Amount due after one year	<u>186</u>	<u>333</u>		

15. SECURED BANK AND OTHER BORROWINGS

	30 September, 2008 <i>HK\$'000</i> (Unaudited)	31 March, 2008 <i>HK\$'000</i> (Audited)
Bank overdrafts	3,184	1,904
Bank borrowings	4,305	8,182
	<u>7,489</u>	<u>10,086</u>
Analysed as:		
Secured	7,489	10,086
Unsecured	–	–
	<u>7,489</u>	<u>10,086</u>
The maturity profile of the above secured bank borrowings and overdrafts is as follows		
On demand or within one year	6,812	7,698
After one year but within two years	677	2,049
After two years and within five years	–	339
	<u>7,489</u>	<u>10,086</u>
Less: Amounts due within one year shown under current liabilities	<u>(6,812)</u>	<u>(7,698)</u>
Amounts due after one year shown under non-current liabilities	<u>677</u>	<u>2,388</u>

At 30 September 2008, the bank and other borrowings were secured as follows:

	30 September, 2008 <i>HK\$'000</i> (Unaudited)	31 March, 2008 <i>HK\$'000</i> (Audited)
Bank deposits	2,168	2,155
Film rights	769	769
Guarantees by a subsidiary's directors	14,800	27,800
	<u>17,737</u>	<u>30,724</u>

The carrying amounts of the Group's secured bank and other borrowings approximate to their fair value.

16. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April, 2008 and at 30 September, 2008	20,000,000,000	200,000
Issued and fully paid:		
At 1 April, 2008	1,932,534,023	19,325
Issue of shares on share placement	114,000,000	1,140
As 30 September, 2008	2,046,534,023	20,465

17. OPERATING LEASE ARRANGEMENTS

	30 September, 2008 <i>HK\$'000</i> (Unaudited)	31 March, 2008 <i>HK\$'000</i> (Audited)
Minimum lease payments under operating leases during the period		
Premises	1,975	550
Office equipment	294	371
	<u>2,269</u>	<u>921</u>

As at 30 September, 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and office equipment which fall due as follows:

	30 September, 2008 <i>HK\$'000</i> (Unaudited)	31 March, 2008 <i>HK\$'000</i> (Audited)
Premises		
Within one year	1,501	550
In the second to fifth years inclusive	473	–
	<u>1,974</u>	<u>550</u>
Office equipment		
Within one year	154	154
In the second to fifth years inclusive	141	217
	<u>295</u>	<u>371</u>
	<u>2,269</u>	<u>921</u>

18. CAPITAL COMMITMENTS

	30 September, 2008 HK\$'000 (Unaudited)	31 March, 2008 HK\$'000 (Audited)
Contracted for but not provided for in the financial statements		
– Film rights	926	1,010
– Cartoon films	747	747
– Intellectual property rights	15,037	15,037
– Acquisition of a subsidiary	5,660,000	–
	<u>5,676,710</u>	<u>16,794</u>

19. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2008, the Group had the following transactions with related parties:

Name of related party	Nature of transactions	Note	Unaudited Six months ended 30 September	
			2008 HK\$'000	2007 HK\$'000
Kesterion Investments Limited	Deposit for other investment	a	40,000	–
Players Pictures Company	Office rental paid Limited	b	–	218
Metropolis Communications	Office rental paid Limited	b	–	218
Brilliant Business Limited	Office rental paid	c	–	145
Sunny Fancy Limited	Office rental paid	c	–	203

Notes:

- (a) On 9 April 2008, Black Sand Enterprises Limited (“Purchaser”), a wholly owned subsidiary of the Company, advanced a deposit of HK\$40 million to Kesterion Investments Limited (“Vendor”), a company controlled by a sister of Mr. Denny Wong (who subsequently became an executive director of the Company on 28 April 2008) according to the memorandum of understanding entered with the Vendor on 8 April 2008 for the conditional acquisition of 100% equity interest of First Pine Enterprises Limited (“Target Company”).

On 2 May 2008 Purchaser entered into a sale and purchase agreement with the Vendor to acquire entire equity interests of the Target Company for the total consideration of HK\$5,700 million to be satisfied by (i) HK\$40 million by cash deposit which was paid on 9 April 2008; (ii) HK\$200 million by issue of promissory note; (iii) HK\$350 million by the issue of the consideration shares and (iv) HK\$5,110 million by the issue of convertible bonds subject to satisfaction of certain conditions precedent.

Details of the transactions are set out in the Company’s announcements dated 19 May 2008 & 4 July 2008.

- (b) Players Pictures Company Limited and Metropolis Communications Limited are the companies beneficially owned by the previous directors of a subsidiary of the Company.
- (c) Brilliant Business Limited and Sunny Fancy Limited are the companies wholly owned by the previous director of a subsidiary of the Company.
- (d) The transactions in (b) and (c) above were entered in accordance with the terms of the relevant agreements.

During the period, certain directors of a subsidiary provided personal guarantees and security to banks and financial institution to the extent of HK\$14,800,000 (31 March, 2008: HK\$27,800,000) to secure credit facilities granted to the subsidiaries of the Company as follows:

- (i) Certain properties owned by a subsidiary's directors.
- (ii) Certain properties owned by Players Pictures, Metropolis, Brilliant Business and Sunny Fancy.

20. POST BALANCE SHEET EVENTS

- (a) On 1 November 2008, the Purchaser was informed by the Target Company that its Philippine subsidiary, Mt. Mogan Resources and Development Corporation and the Department of Environment and Natural Resources of Philippines (the "DENR") have entered into a memorandum of agreement whereby the DENR and the Philippine subsidiary have agreed to jointly undertake a technical study of the areas covered by the Philippine subsidiary's mining claims. Under the terms of the memorandum of agreement, the parties agreed to form a joint technical study team comprising technical personnel from each party. The technical study will be carried out in accordance with an approved exploration program and in a manner which will at all times safeguard the environment. The memorandum of agreement is valid for one year from the date of its registration until such time as the relevant exploration permits are issued.

Details of the transactions are set out in the Company's announcements dated 3 November 2008.

- (b) Pursuant to the Convertible Loan Agreement entered into between Purchaser and the Lender dated 30 September 2008, the Lender has agreed to provide a financing facility of Euro 200 million (equivalent to approximately HK\$230 million) to the Company, drawing under the Convertible Loan has not yet been completed after the balance sheet date.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 September, 2008 (2007: Nil).

BUSINESS AND FINANCIAL REVIEW

During the six months period ended 30 September 2008 (the “Period”), the Group is still facing ongoing challenges from unresolved issues on intellectual property infringement, especially the prevalence of pirated DVDs and the changing tastes of consumers, who increasingly prefer foreign blockbuster movies to domestic ones.

Consumers sometimes tend to choose cheap pirated products and this has eroded the DVD market, despite great efforts being made by many governments to curb the piracy problem. The Group shifted from locally-produced features film decimating local film distribution business.

The Group’s turnover during the Period amounted to approximately HK\$13,396,000 (2007: HK\$21,113,000), representing approximately a 36.5% decrease as compared to that of the same period last year mainly due to the prevailing piracy problem in the region. Sales of goods for the Period was approximately HK\$6,175,000 (2007: HK\$15,341,000) representing a decrease of approximately 59.7% as compared to that of the same period last year. Sales of goods for the Period accounted for approximately 46.1% of the total turnover of the Group which was largely hit by the dangling intellectual infringement problem. Sub-licensing of film rights for the Period was approximately HK\$7,221,000 (2007: HK\$2,113,000) representing approximately 241.7% increase as compared to that of the same period last year. Loss for the Period was approximately HK\$15,428,000 as compared to HK\$12,919,000 of the same period last year.

OUTLOOK

Increasing number of well-equipped mini-cinemas in Hong Kong with heavy discounts at off-peak hour continues to draw movie lovers back to the cinemas. Challenges from intellectual property right infringements and customer taste changes will continue to hit our revenue. In PRC, education on protecting intellectual property rights has yet to be intensified. Unauthorized free streaming on the internet of broadcasted programs will undermine animation copy right income.

To cope with the challenges The Group has been actively pursuing other business opportunities to widen revenue base and increase shareholder wealth. The management has steered major focus on the mining project announced on 19 May, 2008 for the purpose while also kept our eyes on other opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's current ratio as at 30 September, 2008 was approximately 1.56 representing a decrease of approximately 0.12 when compared to that of the previous financial year. Gearing ratio, calculated based on non-current liabilities of approximately HK\$5,031,000 (31 March, 2008: approximately HK\$6,898,000) and net assets of approximately HK\$89,812,000 (31 March, 2008: HK\$55,924,000), was approximately 5.6% as at 30 September, 2008, representing a decrease of 6.7% as compared to that on 31 March, 2008.

PLEDGE OF ASSETS

As at 30 September, 2008, the Group pledged time deposits of approximately HK\$2,168,000 and a film right with carrying value of approximately HK\$769,000 to banks to secure banking facilities granted to the Group.

EXCHANGE RATE RISK

The Group's business transactions are mainly denominated in Hong Kong dollar. Besides, as the majority of the Group's assets are denominated in Hong Kong dollar, the Group has immaterial exposure to exchange rate risks and has not made any arrangement to hedge against expenses on exchange rate fluctuation.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CONTINGENT LIABILITIES

There was no material contingent liability as at 30 September, 2008.

EMPLOYEES AND REMUNERATION POLICIES

The Directors believe that the quality of its employees is the most important single factor in sustaining the Group's reputation and improving its profitability. Staff is remunerated according to their work performance and experience. In addition to basic salaries, pension fund and medical schemes and discretionary bonuses are awarded to certain staff based on the assessment of individual performance.

SIGNIFICANT INVESTMENT AND ACQUISITIONS

During the period under review, the Group made no significant investments and had no material acquisitions or disposals of subsidiaries or associates.

RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Group contributions were grossly matched by employee contributions.

The employees of the subsidiary in Singapore are members of a state-managed retirement benefits scheme operated by the government of Singapore. The subsidiary is required to contribute certain percentage of their payroll costs, depending on the age of individual employee and its nationality, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

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

As at 30 September, 2008, the interests and short positions of each Director and chief executive of the Company in the shares (the “Shares”), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in Shares of the Company

Name of directors/ chief executive	Number of Shares	Approximate percentage of shareholding	Capacity
Chin Wai Keung, Richard	337,663,501	16.50	Interest of controlled corporation (<i>Note 1</i>)
Yin Mark Teh-min	2,500,000	0.12	Family interests
	380,000	0.02	Beneficial owner
Sub-total:	2,880,000	0.14	(<i>Note 2</i>)

Notes:

1. These Shares are held by Nice Hill Investments Limited (“Nice Hill”). The entire issued share capital of Nice Hill is beneficially owned by Mr. Chin Wai Keung, Richard (“Mr. Chin”), the chairman of the Company and an executive Director, who is deemed to be interested in the Shares held by Nice Hill.
2. Ms. Wong Shu Wah, Ceci (“Ms. Wong”), being the wife of Mr. Yin Mark Teh-min (“Mr. Yin”), is interested in 2,500,000 Shares. Accordingly, Mr. Yin is deemed to be interested in such 2,500,000 Shares. Mr. Yin also holds 380,000 Shares as beneficial owner. Therefore Mr. Yin is interested and deemed to be interested in 2,880,000 Shares in total.

DIRECTORS’ AND CHIEF EXECUTIVES’ SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

There are no short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September, 2008, the following persons (other than Directors and chief executives of the Company) 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 of the Company

Name of shareholder	Number of Shares of the Company	Approximate percentage of shareholding	Capacity
Kesterion Investments Limited	514,960,000	25.16	Beneficial owner (Note 1)
Wong, Eva	514,960,000	25.16	Interest of controlled corporation (Note 1)
Nice Hill Investments Limited	337,663,501	16.50	Beneficial owner (Note 2)
Kwan Yuet Wah, Rosanna	337,663,501	16.50	Family interest (Note 2)

Long positions in Shares of the Company

Name of shareholder	Number of Shares of the Company	Approximate percentage of shareholding	Capacity
Voelcliffe Investments Limited	142,650,000	6.97	Beneficial owner (Note 3)
Soh Szu Wei	142,650,000	6.97	Interest of controlled corporation (Note 3)
Cheung Yuk Lui, Cynthia	120,000,000	5.86	Beneficial owner
Ho Kin	120,000,000	5.86	Beneficial owner

Long positions in the underlying Shares of the Company

Name of shareholder	Number of underlying Shares in respect of equity derivatives of the Company	Approximate percentage of the issued share capital of the Company	Capacity
Kesterion Investments Limited	7,300,000,000	356.70	Beneficial owner (Note 1)
Wong, Eva	7,300,000,000	356.70	Interest of controlled corporation (Note 1)

Notes:

1. These include interests in (i) 500,000,000 Shares and (ii) principal amount of approximately US\$655,128,205 of convertible bonds (which upon conversion in full will result in the allotment and issue of 7,300,000,000 Shares), which have been agreed to be issued to Kesterion Investments Limited as part of considerations to a pending very substantial acquisition as disclosed on 19 May, 2008. The entire issued share capital of Kesterion Investments Limited is beneficially owned by Ms. Eva Wong.
2. Nice Hill holds 337,663,501 Shares. The entire issued share capital of Nice Hill is beneficially owned by Mr. Chin, who is deemed to be interested in the Shares held by Nice Hill. Ms. Kwan Yuet Wah, Rosanna, wife of Mr. Chin, is deemed to be interested in such Shares.
3. Voelcliffe Investments Limited (“Voelcliffe”) directly holds 142,650,000 Shares. The entire issued share capital of Voelcliffe is beneficially owned by Mr. Soh Szu Wei, who is therefore deemed to be interested in the Shares held by Voelcliffe.

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 six months ended 30 September, 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 September, 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September, 2008.

CORPORATE GOVERNANCE

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

Code provisions set out in the CCGP

A.2 The Chairman and Chief Executive Officer of the Company were performed by the same individual

Reason for deviations

The Company's size is still relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer;

The Group has in place internal control system to perform the check and balance function.

The Company is also in the progress of assessing the effect of the implementation of CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 September, 2008.

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 periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

On 7 November, 2008, the Company was informed by Mr. Chin, a Director and the chairman of the Company, that he had on 4 November, 2008 delivered to an independent third party signed but undated copies of the bought and sold notes and the instrument of transfer in relation to his proposed disposal of 50,000,000 shares in the Company to the independent third party, with the common intention that the proposed transfer should only take place after the release of the interim results of the Company and after Mr. Chin has given advance notice of his proposed transfer to the Board. The Company was further informed by Mr. Chin that, unexpectedly, the independent third party signed and dated the instrument of transfer and the bought and sold notes on 4 November, 2008. Mr. Chin has reported this incident to the Stock Exchange on 7 November 2008.

Save aforesaid, the Company confirms that, having made specific enquiry from all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the six months ended 30 September, 2008.

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. The audit committee has three members comprising Mr. Lai Kai Jin, Michael, Ng Yat Cheung, JP and Chan Siu Wing, Raymond.

The primary duties of the audit committee 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 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 six months ended 30 September, 2008 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
Chin Wai Keung, Richard
Chairman

Hong Kong, 14 November, 2008

As at the date of this report, the executive directors of the Company are Mr. Chin Wai Keung, Richard, Mr. Kwong Wai Ho, Richard and Mr. Wong Chung Yu, Denny; the non-executive director of the Company is Mr. Yin Mark Teh-min; and the independent non-executive directors of the Company are Mr. Lai Kai Jin, Michael, Mr. Ng Yat Cheung, JP and Mr. Chan Siu Wing, Raymond.

This report, for which the directors of the Company (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 of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.