



**IMI GLOBAL HOLDINGS LIMITED**



**INTERIM REPORT 2002/2003**

## 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 2002 together with the unaudited comparative figures for the corresponding period in 2001 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30th September	
		2002 HK\$'000	2001 HK\$'000
Turnover	3	<b>483,686</b>	805,599
Cost of sales		<b>(309,753)</b>	(482,707)
Gross profit		<b>173,933</b>	322,892
Other operating income		<b>5,714</b>	1,411
Distribution costs		<b>(58,927)</b>	(98,201)
Administrative expenses		<b>(43,444)</b>	(51,288)
Profit from operations	4	<b>77,276</b>	174,814
Bank interest income		<b>1,147</b>	1,118
Finance costs		<b>(1,717)</b>	(4,570)
Gain on disposal of businesses	5	<b>196,060</b>	–
Share of profit of an associate		<b>21,457</b>	–
Profit before taxation		<b>294,223</b>	171,362
Taxation	6	<b>(8,655)</b>	(10,620)
Profit before minority interests		<b>285,568</b>	160,742
Minority interests		<b>(218)</b>	(54)
Net profit for the period		<b>285,350</b>	160,688
Dividends	7	<b>894,641</b>	23,844
Earnings per share	8		
Basic		<b>HK\$2.074</b>	HK\$1.180
Diluted		<b>HK\$2.073</b>	HK\$1.178

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September 2002

	Notes	30th September 2002 (unaudited) HK\$'000	31st March 2002 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	<b>32,047</b>	612,140
Motion picture production		<b>38,627</b>	24,426
Goodwill		<b>3,934</b>	2,768
Interest in an associate	10	<b>41,522</b>	–
Investment in securities	11	<b>18,397</b>	1,211
		<b>134,527</b>	640,545
Current assets			
Inventories		–	244,558
Trade and other receivables	12	<b>16,187</b>	79,475
Taxation recoverable		<b>8,660</b>	5,030
Bank deposits		<b>184,888</b>	80,315
Bank balances and cash		<b>30,305</b>	75,692
		<b>240,040</b>	485,070
Current liabilities			
Trade and other payables	13	<b>42,630</b>	110,830
Taxation payable		<b>118</b>	5,594
Obligations under finance leases		–	10,338
– due within one year		–	10,338
Bank borrowings – due within one year	14	<b>51,059</b>	65,838
		<b>93,807</b>	192,600
Net current assets		<b>146,233</b>	292,470
Total assets less current liabilities		<b>280,760</b>	933,015
Minority interests		<b>461</b>	748



		<b>30th September 2002 (unaudited) HK\$'000</b>	31st March 2002 (audited) HK\$'000
Non-current liabilities			
Obligations under finance leases			
– due after one year		–	7,175
Bank borrowings – due after one year	14	<b>13,610</b>	49,500
Deferred taxation		<b>518</b>	518
		<b>14,128</b>	57,193
Net assets		<b>266,171</b>	875,074
Capital and reserves			
Share capital	15	<b>68,819</b>	68,799
Reserves		<b>197,352</b>	806,275
Shareholders' funds		<b>266,171</b>	875,074

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th September 2002*

	Share capital	Share premium	Merger reserve	Dividend reserve	Translation reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001	67,717	269,173	909	61,314	-	411,643	810,756
Exercise of share options	410	1,512	-	-	-	-	1,922
Net profit for the period	-	-	-	-	-	160,688	160,688
Dividend declared	-	-	-	23,844	-	(23,844)	-
Dividend paid	-	-	-	(61,314)	-	-	(61,314)
At 30th September 2001	68,127	270,685	909	23,844	-	548,487	912,052
Exercise of share options	672	5,675	-	-	-	-	6,347
Net loss for the period	-	-	-	-	-	(19,267)	(19,267)
Underprovision for 2001 final dividend	-	-	-	214	-	(214)	-
Dividend paid	-	-	-	(24,058)	-	-	(24,058)
At 31st March 2002	68,799	276,360	909	-	-	529,006	875,074
Arising from the translation of overseas operations 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)
<b>At 30th September 2002</b>	<b>68,819</b>	<b>170</b>	<b>909</b>	<b>-</b>	<b>198</b>	<b>196,075</b>	<b>266,171</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2002

	<b>Six months ended 30th September</b>	
	<b>2002 HK\$'000 (unaudited)</b>	<b>2001 HK\$'000 (unaudited and restated)</b>
Net cash (used in) from operating activities	<b>(124,285)</b>	100,981
Net cash from (used in) investing activities	<b>857,854</b>	(46,257)
Net cash used in financing activities	<b>(674,975)</b>	(19,256)
Net increase in cash and cash equivalents	<b>58,594</b>	35,468
Cash and cash equivalents at beginning of the period	<b>156,007</b>	197,212
Cash and cash equivalents at end of the period	<b>214,601</b>	232,680
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents as previously reported		219,145
Effect of reclassification of trust receipt loans		13,535
Cash and cash equivalents as restated		232,680

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

### 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 2002, except as described below.

In the current period, the Group adopted for the first time a number of new and revised SSAPs, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statements and the replacement of the statement of recognised gains and losses with the statement of changes in equity, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

#### Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends which were previously presented under a separate heading, are now classified as operating and financing cash flow, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

In addition, the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling at the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative figures shown in the cash flow statement.

## Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period and now require them to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation, if any, are classified as equity and transferred to the Group’s translation reserve. Income and expense items are translated at the average exchange rates for the period. Such translation differences are recognised as income or expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

## Discontinuing operations

SSAP 33 “Discontinuing Operations” is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Polices”. Under SSAP 33, the amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of this SSAP has not had any material effect on the results for the current or prior accounting periods.

## Employee benefits

In the current period, the Group has adopted SSAP 34 “Employee Benefits” which introduces measurement rules for employee benefits, including retirement benefit plans. The adoption of this SSAP has not had any material effect on the results for the current period or prior accounting period.

### 3. SEGMENTAL INFORMATION

Analysis of the Group’s turnover and contribution to operating profit by business segments is as follows:

#### Business segments

For management purpose, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

Christmas trees	–	manufacture and sale of Christmas trees and accessories
Leisure furniture	–	manufacture and sale of leisure furniture
Motion pictures	–	production and licensing of computer graphics animation pictures
Management consultancy services	–	provision of management consultancy services

Segmental information about these businesses is presented below.





For the six months ended 30th September 2002

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

As described in note 5, the Group disposed of its entire Christmas trees and leisure furniture businesses during the current period. Upon the completion of the disposal, the business segments of manufacture and sale of Christmas trees and leisure furniture products were regarded as discontinued operations.



For the six months ended 30th September 2001

	<b>Christmas trees</b> <i>HK\$'000</i>	<b>Leisure furniture</b> <i>HK\$'000</i>	<b>Motion pictures</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>TURNOVER</b>				
External sales	780,612	24,987	–	805,599
<b>RESULT</b>				
Segment results	221,271	3,420	–	224,691
Other operating income				1,411
Unallocated corporate expenses				(51,288)
Profit from operations				174,814
Bank interest income				1,118
Finance costs				(4,570)
Profit before taxation				171,362
Taxation				(10,620)
Profit before minority interests				160,742

#### 4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	<b>For the six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
Amortisation of motion picture production	<b>2,997</b>	–
Amortisation of goodwill	<b>165</b>	154
Depreciation of property, plant and equipment	<b>18,694</b>	19,862

## 5. GAIN ON DISPOSAL OF BUSINESSES

During the period, the Company entered into certain agreements with the effect of selling its entire Christmas trees and leisure furniture businesses to the group headed by Greenland Investment Holdings Limited (which had subsequently changed its name to Boto International Holdings Limited) ("GIHL"), a company incorporated in the British Virgin Islands in which the Group had a 25% equity interest. Details of these transactions are described in the Company's circular dated 2nd August 2002.

The results of the Christmas trees and leisure furniture businesses for the interim reporting period, which had been included in the condensed consolidated financial statements, were as follows:

	<b>Six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>476,320</b>	805,599
Profit from operations	<b>80,488</b>	174,814

## 6. TAXATION

	<b>For the six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	<b>5,905</b>	9,120
Overseas taxation	-	1,500
	<b>5,905</b>	10,620
Share of taxation attributable to an associate	<b>2,750</b>	-
	<b>8,655</b>	10,620

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.

Overseas tax is calculated at the tax rates prevailing in the respective jurisdictions.

In connection with a tax field audit, the Inland Revenue Department in Hong Kong ("IRD") issued a Notice of Additional Assessment for the year of assessment 1994/95 to a subsidiary of the Company in March 2001. Subsequent to the lodgment of an objection and a holdover request, the IRD had granted a holdover and only requested for a partial payment of the sum originally demanded. The IRD had not taken further action until March 2002 when a Notice of Additional Assessment for the year of assessment 1995/96 was issued. An objection and a holdover request was lodged and a substantial portion of the tax originally demanded was unconditionally held over by the IRD. The IRD subsequently issued the Notices of Additional Assessment for the years of assessment 1996/97 to 2000/01 to that subsidiary in August 2002.

Up to the date of this report, the tax demanded under the Notices of Additional Assessment for the years of assessment 1994/95 to 2000/01 amounted to an aggregate sum of approximately HK\$104,790,000. Subsequent to the subsidiary's lodgment of objections and holdover requests in regards to respective Notices of Additional Assessment, the IRD has granted unconditional holdovers in the aggregate sum of approximately HK\$59,860,000. Of the remaining balance, HK\$20,730,000 was settled by the purchase of tax reserve certificates and HK\$24,200,000 has not been paid by that subsidiary, however, a bank guarantee in favour of the IRD in the same amount has been arranged by the Group. The above Notices of Additional Assessment were mainly in relation to the Group's income derived from non-Hong Kong sourced operations.

Although the outcome of this matter cannot be determined with reasonable certainty at this stage, the Company's directors consider that the Group had properly reported all its taxable income in Hong Kong to the IRD previously and therefore are not in agreement to the Additional Assessment. Accordingly, the amount paid by the purchase of tax reserve certificates up to the date of this report has been recorded as taxation recoverable in the books of the Company and no provision for additional tax in relation to this tax field audit has been made in the accounts.

## 7. DIVIDENDS

	<b>For the six months ended</b>	
	<b>30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Special cash dividend paid (2001: nil) (Note)	<b>894,641</b>	-
Interim dividend paid – nil (2001: HK0.7 cent per share) of HK\$0.02 each	-	23,844
	<b>894,641</b>	23,844

Note: On 4th September 2002, a special cash dividend of HK\$0.26 per share was paid to each shareholder 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>For the six months ended 30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<i>Earnings:</i>		
Net profit for the period	<b>285,350</b>	160,688
Effect of dilutive potential ordinary shares in respect of interest on and provision for premium payable on redemption of convertible notes	<b>—</b>	16
	<b>285,350</b>	160,704
<i>Number of shares:</i>		
Weighted average number of ordinary shares of HK\$0.50 each for the purposes of basic earnings per share	<b>137,608,296</b>	136,149,940
Effect of dilutive potential ordinary shares in respect of Convertible notes	<b>—</b>	220,274
Share options	<b>10,544</b>	60,864
	<b>137,618,840</b>	136,431,078

No share options were granted during the six months ended 30th September 2002.

The denominators for both periods for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the Share Consolidation of the Company as described in note 15.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$70,418,000 on the additions of property, plant and equipment.

The Group disposed of property, plant and equipment in an aggregate carrying value of approximately HK\$629,852,000 upon the sale of the entire Christmas trees and leisure furniture businesses of the Group as detailed in note 5.

## 10. INTEREST IN AN ASSOCIATE

During the period, the Group subscribed for a 25% equity interest in GIHL. The principal activities of the group headed by GIHL are the designing, manufacturing and distribution of Christmas festive products and leisure furniture products, which were previously conducted by the Group. Details of this subscription are set out in the Company's circular dated 2nd August 2002.

## 11. INVESTMENT IN SECURITIES

During the period, the Group entered into a subscription agreement and a call option agreement with relevant 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\$16,614,000).

The Group has been granted the right to purchase all the common shares of the issuer of the Note, which was 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 issue 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 Group allows its trade customers credit periods normally ranging from 30 days to 90 days, subject to the terms specified in the contract.

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

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
0 to 30 days	<b>3,559</b>	30,089
31 to 60 days	<b>761</b>	12,289
61 to 90 days	<b>369</b>	1,411
Over 90 days	<b>2,640</b>	1,220
	<b>7,329</b>	45,009
Other receivables and prepayments	<b>8,858</b>	34,466
	<b>16,187</b>	79,475

## 13. TRADE AND OTHER PAYABLES

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

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
0 to 30 days	-	37,595
31 to 60 days	-	10,692
61 to 90 days	-	159
Over 90 days	-	360
	-	48,806
Other payables and accrued charges	<b>42,630</b>	62,024
	<b>42,630</b>	110,830

#### 14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately HK\$197,733,000 and made repayments of approximately HK\$54,968,000. The loans bear interest at market rates and are repayable by instalments over a period of one to two years.

In addition, borrowings in the aggregate amount of approximately HK\$194,434,000 were disposed of upon the sale of the Group's Christmas trees and leisure furniture businesses as detailed in note 5.

#### 15. SHARE CAPITAL

Pursuant to an ordinary resolution passed at the Special General Meeting held on 11th November 2002, on 21st November 2002, the Company's issued and unissued shares of HK\$0.02 each were consolidated on the basis that every twenty-five (25) issued ordinary shares of par value of HK\$0.02 each were consolidated into one (1) issued ordinary share of par value of HK\$0.50 each (a "Consolidated Share") and every twenty-five (25) unissued ordinary shares of par value of HK\$0.02 each were consolidated into one unissued Consolidated Share (collectively the "Share Consolidation").

All of the Consolidated Shares resulting from the Share Consolidation rank pari passu in all respects with each other and have the rights and privileges as set out in, and be subject to, the Company's bye-laws.

#### 16. SHARE OPTION SCHEME

As at 30th September 2002, there were no outstanding options to subscribe for shares under the Company's share option scheme.

#### 17. CONTINGENCIES AND COMMITMENTS

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

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
Authorised but not contracted for	-	15,575
Contracted for but not provided in the financial statements	<b>3,531</b>	4,941
	<b>3,531</b>	20,516

#### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the period ended 30th September 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The global business environment remains very uncertain and highly competitive. The major export markets for artificial Christmas trees and leisure furniture were still striving for recovery during the period under review.

On 23rd August 2002 the Group disposed of its Christmas festive products business and leisure furniture business ("the Disposal") to GIHL with the resolution approving the Disposal duly passed by the Shareholders of the Company at the First Special General Meeting held on 19th August 2002. GIHL is owned as to 75% by the limited partnerships affiliated with The Carlyle Group, and the Company as to 25% by the Group through its wholly owned subsidiary Topway Asset Limited. Following the Disposal, the development in its computer graphics animation business becomes the key focus of the Group from 23rd August 2002 onwards.

Compared to the prior period, the recorded turnover of the Group for the current period decreased by 40% to HK\$484 million because the applicable period for the sale of the Group's Christmas festive products and leisure furniture was 5.5 weeks short of last period and ceased on 23rd August 2002 upon the Disposal. Nevertheless, the leisure furniture sales had increased by about 122% in the current period.

The Group's gross profit margin for the period dropped from 40.1% to approximately 36.0%. During the period, the Group's average selling prices of the Christmas festive products declined by about 4.5% as a result of the severe market competition. The total factory labour cost in the People's Republic of China for the period had increased by approximately 40% due to the full six months impact of the new stringent labour benefits legislation which were effective from August 2001. Nevertheless, the adverse gross profit margin effect of these factors was partly negated by the average drop in raw material prices during the same period, in particular, that of the PVC powder, light sets, steel sheets, and paper, which were the Group's major raw materials.

The increase in the relative proportion of the turnover of the leisure furniture to the Group's total sales had also caused the Group's total gross profit margin to shift downward.

Profit attributable to shareholders increased by 77.6% to HK\$285 million, and this was mainly attributed to the Disposal from which the Group has gained a profit of HK\$196 million, net of HK\$65 million which was an unrealised gain attributable to the Group's continuous holding of 25% of the disposed interest.





### *Christmas Festive Products*

Sale of artificial Christmas festive products accounted for the majority of the turnover of the Group during the period prior to the disposal date, turnover generated from these products amounted to HK\$421 million, a decrease of 46%, or HK\$360 million.

### *Leisure Furniture*

Contributing to 11.5% of the total turnover, sale of leisure furniture recorded a growth of 122% from HK\$25.0 million to HK\$55.5 million during the period as a result of expanded customer base and increased sales orders. However, the leisure furniture business derives lower profit margins to the Group.

As the Board has previously explained to the shareholders in the circular for the Disposal, notwithstanding the substantial increase in the sales volume in leisure furniture, the market competition has been intensive. So far the Group has been able to procure its furniture business growth principally from the specialty stores which traditionally purchase the Group's furniture products offering higher profit margins, which therefore allowed the Group to maintain a steady marginal profit during the period.

### *Motion Pictures*

The Group continued to earn royalty income from the licensing of the distribution and broadcasting rights in the European territory over "Zentrix™", its first 3-Dimensional ("3D") computer graphics animation television series of 26 episodes. Turnover derived from this core business amounted to HK\$5.6 million for the period ended 30th September 2002.

The contribution from motion picture business is expected to gain more momentum in the second half of the financial year ending 31st March 2003 as the revenue terms contained in various agreements entered into by the Group become effective in subsequent months and more contracts are expected to be entered into by the Group with potential distributors later this financial year.

## **Prospects**

To reinforce the Group's commitment to establishing itself as a leader in the digital animation and entertainment industry in Asia and to enhance shareholders' value, the Group continues to penetrate new distribution channels around the world and exploits various business opportunities for its first animation production "Zentrix™". In September 2002, Imagi (Zentrix) Licensing B.V., a wholly-owned subsidiary of the Group, entered into a licensing agreement with Televix Entertainment, a cartoon animation distributor based in Beverly Hills, the United States of America, for the broadcasting and merchandising distribution rights of "Zentrix™" in the territory of Latin America.

Also, the Group is currently at the advanced stage in finalising a license agreement with a global leader in toys manufacturing and electronic gaming for the licensing of "Zentrix™" in Japan. The agreement would enable "Zentrix™" to be broadcasted on television and distributed in all media format in the territory; creative characters embraced in the television series will be further manufactured into toys for merchandising in Japan and incorporated into TV console games for worldwide release. This business alliance would help position the Group's computer animated productions in the dynamic and creative entertainment industry of the territory and augment its corporate presence in Japan.

Since broadcasting at M6, a leading French TV channel, from September 2002 at 10:10 a.m. every Sunday, "Zentrix™" receives a very good rating in terms of the number of viewers and the quality of production. It gained a 9.2 rating and a 35.7 share on Sunday, 20th October 2002. With this rating, "Zentrix™" became the No. 1 kids' program this season at M6. The television series is also expected to be on air at Super RTL, one of the largest German TV channels, in the middle of 2003.

In view of this break-through and success of "Zentrix™" in Europe, the Group is confident about the prospects of its business development in the high growth digital animation and entertainment industry and has commenced the production of a new 3D computer graphics animated cartoon television series of 52 episodes, namely "XSI", in October 2002.

In addition to our own proprietary projects, with a vision to enhance our global presence in the industry, the Group is exploring the possibility of co-production business opportunities and is seeking to team up with the world-renowned studios in the United States of America.

### **Major Customers and Suppliers**

For the six months ended 30th September 2002, sales attributable to the largest and the five largest customers accounted for 19.0% (2001: 44.5%) and 60.1% (2001: 69.2%) of the total turnover respectively. Purchases attributable to the largest and the five largest suppliers accounted for 26.4% (2001: 25.1%) and 50.2% (2001: 54.4%) of the total purchases respectively.

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 2002, the Group had available aggregate banking facilities of HK\$70 million of which approximately HK\$65 million was utilized. The Group's cash

deposits and bank balances as at that date amounted to HK\$215 million. The Board believes that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditure.

The Group has maintained a sound capital structure, achieving a long-term gearing ratio of 5.1% and a current ratio of 2.6 as of the period end date.

### **Employees and Remuneration Policies**

As at 30th September 2002, the Group has more than 120 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. At the Annual General Meeting of the Company held on 16th August 2002, the resolutions as set out in the notice of the Annual General Meeting of the Company dated 18th July 2002, which were relating to the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme, were duly passed by the shareholders of the Company.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will not be closed for any period until further notice.

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

As at 30th September 2002, the interests of the directors and chief executives and their associates in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities transactions by Directors of Listed Companies in the Listing Rules were as follows:

<b>Name of directors</b>	<b>Number of shares held</b>		
	<b>Personal interest</b>	<b>Corporate interest</b>	<b>Other interest</b>
Mr. Kao Cheung Chong, Michael	2,482,200	1,249,736 (note (i))	74,988,599 (note (ii))
Mr. Lam Pak Kin, Philip	271,200	–	–
Mr. Kao Wai Ho, Francis	100,000	700,000	–

*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, 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 are discretionary objects. The remaining 73,362,201 shares are beneficially owned by Sunni International Limited, 51% of whose issued share capital is beneficially owned by Happy Nation Limited.

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 SDI Ordinance as at 30th September 2002.

### **SUBSTANTIAL SHAREHOLDERS**

Other than as disclosed in note (ii) of the section "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES", as at 30th September 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance discloses no person having an interest in shares representing 10% or more of the issued share capital of the Company.

### **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 2002. The review was conducted in conjunction with the Company's external auditors, Deloitte Touche Tohmatsu, in compliance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" as issued by the Hong Kong Society of Accountants.



## CHANGE OF COMPANY NAME AND SHARE CONSOLIDATION

The Board announced on 19th November 2002 that the Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in Bermuda evidencing the change of name of the Company to IMI Global Holdings Limited with effect from 13th November 2002. The Share Consolidation, as a result, was taken place with effect from 21st November 2002.

## PROPOSED CHANGE IN DIRECTORSHIP

As stated in the circular dated 2nd August 2002, it was intended that Mr. Tse Chi Man, the current Corporate Development Director, will join the Board as executive director. However, in view of the Group's latest strategic development, it was agreed that Mr. Tse will take on added responsibilities in relation to the Group's overseas' operations and as a result, his appointment to the Board shall be postponed until further notice.

## CODE OF BEST PRACTICE

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, I would like to extend our sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank our directors and staff for their dedication and contribution in the first half of the financial year ending 31st March 2003.

On behalf of the Board  
**LAM Pak Kin, Philip**  
*Company Secretary*

Hong Kong, 16th December 2002