



IMI GLOBAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 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 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

Condensed Consolidated Income Statement

		Unaudited Six months ended 30th September	
	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	5,876	483,686
Cost of sales		(10,378)	(309,753)
Gross (loss) profit		(4,502)	173,933
Other operating income		1,201	5,714
Distribution costs		(136)	(58,927)
Administrative expenses		(9,228)	(43,444)
(Loss) profit from operations	3	(12,665)	77,276
Bank interest income		505	1,147
Finance costs		(1)	(1,717)
Gain on disposal of discontinuing operations	4	5,889	196,060
Share of profits of an associate		22,266	21,457
Profit before taxation		15,994	294,223
Taxation	5	(1,572)	(8,655)
Profit before minority interests		14,422	285,568
Minority interests		73	(218)
Net profit for the period		14,495	285,350
Dividends	6	–	894,641
Earnings per share	7		
Basic		HK\$0.105	HK\$2.074
Diluted		HK\$0.105	HK\$2.073

Notes:

1. Adoption of new and revised statements of standard accounting practice

The unaudited interim 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.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2003, except that the Group has adopted SSAP 12 (Revised) “Income Taxes” which is effective for accounting periods commencing on or after 1st January 2003. The adoption of SSAP 12 (Revised) had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. Segmental Information

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

Business segments

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

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

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

Segmental information about these businesses is presented below.

For the six months ended 30th September 2003

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

For the six months ended 30th September 2002

	Continuing operations		Discontinuing operations		
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	5,552	1,814	420,863	55,457	483,686
RESULTS					
Segment results	2,537	1,814	103,130	7,525	115,006
Other operating income					5,714
Unallocated corporate expenses					(43,444)
Profit from operations					77,276
Bank interest income					1,147
Finance costs					(1,717)
Gain on disposal of discontinuing operations					196,060
Share of profit of an associate					21,457
Profit before taxation					294,223
Taxation					(8,655)
Profit before minority interests					285,568
(Loss) profit from operations					
			For the six months ended 30th September		
			2003	2002	
			HK\$'000	HK\$'000	
(Loss) profit from operations has been arrived at after charging:					
Depreciation of property, plant and equipment			2,526	18,694	
Less: amounts capitalised in motion picture production			(2,136)	(16,370)	
Amortisation of goodwill			390	2,324	
Amortisation of motion picture production and after crediting:			227	165	
Amortisation of discount on held-to-maturity debt securities			6,743	2,997	
Gain on disposal of discontinuing operations			1,057	451	
On 23rd August 2002, the Group disposed of its Christmas festive products and leisure furniture businesses to Boto International Holdings Limited (“BIHL” and now the Group’s associate) (the “Disposal”) with a gain of approximately HK\$196,060,000 for the six months ended 30th September 2002. Pursuant to the relevant Disposal agreements, in the event that BIHL or any of the disposed subsidiaries receives any tax relief or refund of any tax paid which is referable to the above disposed businesses and to any period prior to 23rd August 2002, BIHL or such respective subsidiary shall pay to the Group a sum equal to such tax relief or refund. During the six months ended 30th September 2003, the Group received from its associate an aggregate amount of approximately HK\$5,889,000 in respect of such refund of tax, and such amount has been recognized in the current period as a further gain on the Disposal.					
Taxation			For the six months ended 30th September		
			2003	2002	
			HK\$'000	HK\$'000	
The charge comprises:					
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period			–	5,905	
Share of taxation attributable to an associate			1,572	2,750	
			1,572	8,655	

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

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

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

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

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

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

6. Dividends

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

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

7. Earnings Per Share

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Motion Pictures

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

Management Consultancy Services

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

Prospects

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

Human Resources

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

CLOSURE OF REGISTER OF MEMBERS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

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

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 announcement, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All information pertaining to interim results of the Group for the six months ended 30th September 2003 required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Lam Pak Kin, Philip
Deputy Chairman

Hong Kong, 11th December 2003

Website: www.imiglobal.com.hk