



Panorama International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

A stylized media player interface with a green and grey color scheme. At the top, there are labels for 'Animation', 'TV Series', 'Movies', 'Documentary', 'Music Video', and 'Adult'. Below these labels is a central area with a silhouette of a person's head in profile, facing right. The head is filled with a green-to-yellow gradient. A large play button is overlaid on the right side of the head. Below the head is a horizontal bar representing a video timeline, with a play button and the text 'Play 00:00:00'. The year '2002' is displayed in large, white, outlined digits across the bottom of the interface. The website address 'www.panorama.com.hk' is visible in the bottom left corner.

www.panorama.com.hk

Play 00:00:00

2002

Annual Report

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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BOARD OF DIRECTORS

Executive Directors

Mr. Fung Yu Hing, Allan
Ms. Leung Siu Kuen, Janet
Mr. Fung Yee Sang
Mr. Au Lik Man, Simon

Non-executive Directors

Dr. Lo Wing Yan, William, JP
Ms. Fung Suen Lai, Jacqueline

Independent Non-executive Directors

Mr. Chan Koon Chung, Johnny
Mr. Chau, Stephen

COMPANY SECRETARY

Ms. Lau Wai Ping AHKSA, ACCA

AUTHORISED REPRESENTATIVES

For the purpose of the GEM Listing Rules

Mr. Fung Yu Hing, Allan
Ms. Leung Siu Kuen, Janet

COMPLIANCE OFFICER

Mr. Fung Yee Sang

QUALIFIED ACCOUNTANT

Ms. Lau Wai Ping AHKSA, ACCA

AUDIT COMMITTEE

Mr. Chau, Stephen
Dr. Lo Wing Yan, William, JP
Mr. Chan Koon Chung, Johnny

REGISTERED OFFICE

P. O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor, Union Building
112 How Ming Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited

27th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Hang Seng Bank Limited

Head Office
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER
OFFICE IN HONG KONG**Tengis Limited**

4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong



AUDITOR

RSM Nelson Wheeler

Certified Public Accountants

7th Floor, Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

SPONSOR

First Shanghai Capital Limited

19th Floor, Wing On House

71 Des Voeux Road Central

Hong Kong

LEGAL ADVISER

As to Hong Kong law:

Sit, Fung, Kwong & Shum

Suite 4428, COSCO Tower

Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

As to Cayman Islands law:

Maples and Calder Asia

1504 One International Finance Centre

1 Harbour View Street

Hong Kong

STOCK CODE

8173

COMPANY WEBSITE

<http://www.panorama.com.hk>



CORPORATE MISSION

The mission of Panorama International Holdings Limited (“Panorama” or together with its subsidiaries referred to as the “Group”) is to become one of the leading distributors and entertainment programme providers to deliver high quality filmed entertainment, via the widest variety of channels and formats, to audiences in Asia. To realize the Group’s mission and to take advantage of the market opportunities, the Board of Directors (the “Directors”) has formulated the following strategies:

- To enhance the Group’s video programme library
- To expand the Group’s distribution network
- To diversify distribution channels
- To develop the Internet and e-commerce business

COMPANY PROFILE

The Group is principally engaged in the distribution of video programmes mainly in VCD and DVD formats for home entertainment in Hong Kong and other Asian countries, including Taiwan, Singapore, Macau, South Korea, Indonesia, Malaysia and Thailand, through its well-established and extensive distribution network. In Hong Kong, the Group’s products can be found in over 1,200 sales outlets. Outside of Hong Kong, the Group has distributed its music video products under its label through reputable partners, “EMI” in Malaysia, “SRE Corporation” in South Korea, “BMG” in Indonesia and “Himalaya” in Taiwan. The Group has also established its own representative offices through a wholly owned subsidiary in Singapore and a branch in Taiwan.

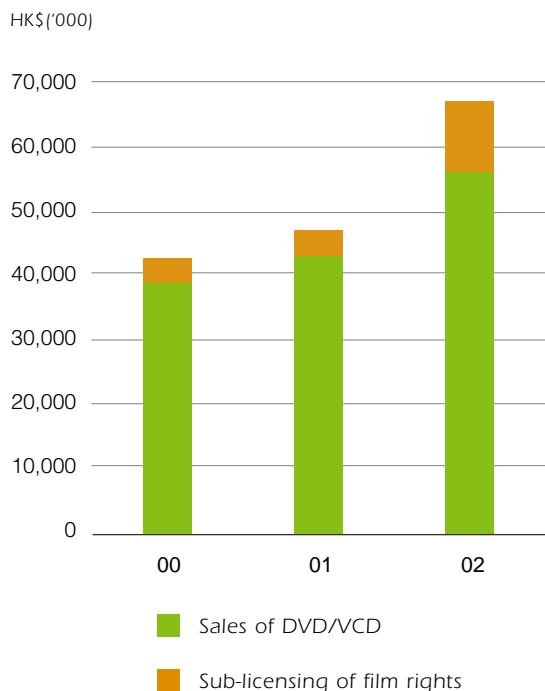
Over the years, the Group has built an impressive catalogue of over 1,700 titles covering various genres, including drama, action, comedy, cartoon, horror, sports, adults, documentaries and music. These titles are licensed exclusively from major licensors and producers such as HBO, Playboy, Canal+, and Toei Animation.

The Group’s business also includes sub-licensing of distribution rights to operators of other channels, such as VOD and cable television. Currently, the Group’s notable sub-licensing partners include Hong Kong Cable Television Limited and Pacific Century Cyber Works.

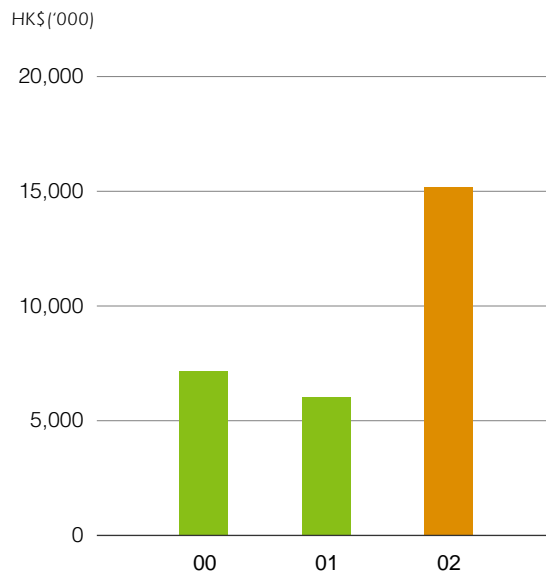


For the year ended 31 March

TURNOVER



PROFIT CONTRIBUTABLE TO SHAREHOLDERS



KEY FINANCIAL FIGURES

(HK\$'000)

	2002	2001	+/-
Turnover	65,275	45,891	+42%
Gross profit	34,395	19,770	+74%
Profit from operations	18,336	7,577	+142%
Profit attributable to shareholders	15,045	6,044	+149%
Proforma earnings per share (in HK cents)	3.8	1.5	+153%



THE YEAR IN REVIEW

On behalf of the Directors of the Group, it gives me great honor to report that the Group has been successfully listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 May, 2002. This is a major milestone for the Group, and such kind of accomplishment would not have been possible had the Group not spent years of hard work in acquiring film rights, releasing compelling titles, and establishing a widespread distribution network. Consequently, for the year ended 31 March, 2002, the Group recorded a turnover of approximately HK\$65 million, an approximate increase of 42% from the previous year, and a net profit of HK\$15 million, an approximate increase of 149% from the previous year.

In film right licensing, the Group has entered into agreement with several famous Asian film production companies, Paradise TV from Japan, SBS Production Inc from South Korea, and Applause Pictures from Hong Kong, to release their films. Given the current "Asian" trend in movie-going, these new licenses will, on top of the Group's outstanding repository in Japanese Animation, such as the "Digimon" series, add tremendous value to the existing library. Furthermore, the distribution rights of 15 soccer legend programmes during this World Cup year was acquired in a timely manner to capitalise on the anticipated football mania.

In respect of new releases, numerous titles have been put on the market by the Group at a pace that keeps up with consumers' demands for both variety and quality. The Group's music videos featuring popular artists such as the Bee Gees, Paul McCartney, the Eagles, Tina Turner, Diana Krall and the multi Grammy Award winner "Santana" is just another example of how versatile the Group can be.





New film rights and new releases, as mentioned above, would not be complete without new channels. Thus, the Group has also made big strides in exploring new channels of content distribution. The Group's corporate portal, www.panorama.com.hk, was launched to provide a new platform for conducting e-business and cultivating stakeholder relationships. Sub-licensing film rights to cable operators and VOD service providers is another effort made by the Group to reach audiences outside the traditional VCD and DVD arena who subscribe to these alternative formats of entertainment.

CHOICE IS KING

All said and done, what it boils down to is one word — choice. In the coming era, as many have said, change is the only constant. The paradox of the statement tells us a truth about survival and excellence in the new century and the new economy. Only the versatile and pragmatic wins. As Hong Kong is undergoing tremendous structural changes in its economy and society, business organisation can only hope to sustain its competitive advantage by remaining flexible and responsive to the market. The Group will continue to provide a vast array of entertainment choices to meet the preferences of different customers. This theme will drive our sourcing, releasing, and distributing strategies for the next few years.

BUSINESS OUTLOOK

With the proceeds obtained from the Placing and the support of a profitable operation, the Group is ready to pursue our strategies in becoming the leading entertainment provider in Asia.

In the coming year, the Group will begin an exciting business relationship with Shochiku Co., Ltd., one of the largest entertainment companies in Japan by holding the exclusive distribution rights to its film library of over 4,000 titles.

The Group is also committed to diversify beyond its strong suit of three — Animation, Adult, and Music into other genres. The release of "The Eye" [見鬼], a locally produced ghost story and a box office success made by Applause Pictures, is a step in this direction.



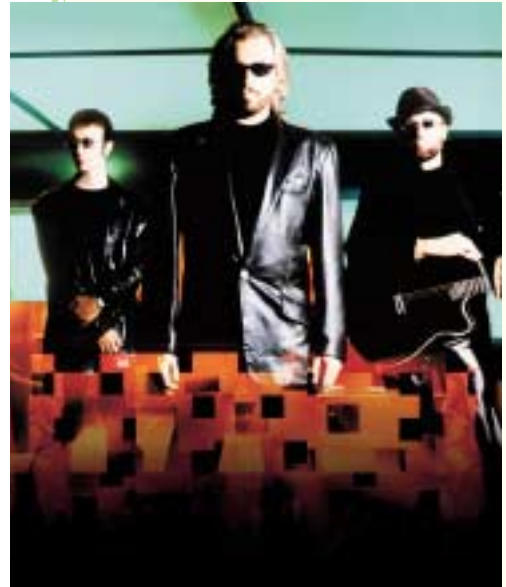
Looking forward, the Directors are confident of the continuous economic growth in the PRC, with the tremendous purchasing power of 1.3 billion people. WTO entry will spur further deregulation and liberalization for foreign companies to conduct business in PRC, thus creating ample opportunities for the Group to expand into the market. To further expand its distribution network, the Directors are considering the establishment of representative offices in Beijing and Shanghai in the near future, after having opened the first mainland office in Guangzhou.

Finally, I, on behalf of the Directors, would like to take this opportunity to express our gratitude to the management and staff for their commitment and dedication to the Group. I would like to extend my sincere appreciation to our shareholders, business partners, customers, and suppliers for their continuous support.

Fung Yu Hing, Allan

Chairman

Hong Kong, 26 June, 2002





TURNOVER AND NET PROFIT

Turnover of the Group for the year ended 31 March, 2002 amounted to approximately HK\$ 65 million, representing a significant increase of approximately 42% when compared to that of the previous financial year. Sales of home video products in the VCD and DVD format accounted for approximately 84% of the Group's turnover for the same period, representing an increase of approximately 30% when compared to that of the previous financial year. Sub-licensing income for the year amounted to approximately HK\$11 million, representing a significant increase of approximately 167% when compared to that of the previous financial year.



Profit attributable to shareholders for the year ended 31 March, 2002 was approximately HK\$15,045,000, representing a significant increase of approximately 1.5 times over that of the previous financial year and proforma earnings per share was HK3.8 cents, representing a significant increase of approximately 1.5 times over that of the previous financial year.

The improvement resulted from music and cartoon programmes had been less competitive in the market, so that selling prices of which could be set higher and the unit production cost of VCDs and DVDs decreased as the quantity sold increased significantly during the year, resulting in economy of scale.

Sales and net profit from the Hong Kong operation accounted for approximately 90% and approximately 99% of the total sales and total net profit generated by the Group respectively. Sales and net profit from the Singapore and Taiwan operations contributed to the rest. The Singapore and Taiwan offices are still in the initial stage of their development. Thus, Hong Kong is still the main focus in the Group's total operation in terms of geographical segment.

In terms of number of new programmes, 107 cartoon programmes and 65 music programmes were released to the market for the year ended 31 March, 2002, representing an increase of approximately 6% and 103% respectively when compared to that of the previous financial year.



LIQUIDITY AND FINANCIAL RESOURCES

In respect of the Group's liquidity position, its current ratio as at 31 March, 2002 was approximately 147%, representing an increase of approximately 47% when compared to that of the previous financial year. Gearing ratio, calculated based on long term liabilities of approximately HK\$509,000 (2001: HK\$444,000) and shareholders' funds of approximately HK\$25,572,000 (2001: HK\$10,531,000), was approximately 2.0% as at the balance sheet date, representing a decrease of approximately 2.2% as compared to the previous year figure. The increase in current ratio and decrease in gearing ratio was largely due to an increase in accounts receivable and increase in film right acquisition.

The net proceeds from the listing of the Company's shares on GEM, which amounted to approximately HK\$16.7 million, will be used to enhance the Group's video programme library, expand its distribution network, diversify distribution channels, and strengthen general working capital.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

BORROWING FACILITIES

As at 31 March, 2002, the Group had outstanding borrowings of approximately HK\$11.6 million, comprising secured/guaranteed bank loans of approximately HK\$1.0 million, secured bank overdrafts of approximately HK\$4.0 million, obligations under finance leases of approximately HK\$0.5 million, amount due to a related company, Panorama Entertainment Holdings Limited, for an interest free, unsecured and no fixed repayment loan of approximately HK\$1.9 million, and amount due to directors, namely Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang of approximately HK\$4.2 million, under unsecured, interest-free loans with no fixed repayment term.



At 31 March, 2002, the Group had borrowings and banking facilities to the extent of approximately HK\$5,150,000 for which the following collateral and security are provided by related parties:

- a. A property owned by a director; and
- b. Personal guarantees executed by three directors.

Save as disclosed above, there was no charge on the Group's assets.

The Group generally finances its operation with internally generated resources and banking facilities provided by its bankers in Hong Kong.

As at 31 March, 2002, the Group had aggregated composite banking facilities of approximately HK\$5.2 million, of which HK\$5.0 million had been utilised.

As at 31 March, 2002, the Group's bank borrowings of approximately HK\$4.6 million are repayable on demand or within one year.

The Directors are of opinion that, taking into account its internally generated funds, its current available banking facilities and estimated net proceeds of the Placing, the Group has sufficient working capital to satisfy its present requirements.

The Group's business transaction involves either Hong Kong Dollars, United States Dollars, or Japanese Yen. Other currency may be involved in film rights acquisition. However, it is the Group's policy to manage its foreign currency risk whenever the financial impact of such transaction is material to the Group. The Group does not engage in foreign currency speculative activities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March, 2002, the Group, headquartered in Hong Kong, had 63 staff (2001: 56 staff) in total working for the Hong Kong, Singapore, and Taiwan offices. The sales and marketing department has the largest number of staff, 17 in total.



Remuneration is reviewed annually according to market terms and staff performance. In addition to basic salaries, staff compensations include discretionary bonus, contribution to mandatory provident fund, medical care, and share option scheme.

Staff salaries and allowance increased by approximately 25%, an increase of approximately HK\$1.8 million, which was in line with the increase of staff head-count to cope with the Group's business expansion during the year, for the period ended 31 March, 2002.

CONTINGENT LIABILITIES

The termination of all the employees eligible for long service payments under the Hong Kong Employment Ordinance, should it occur, will make the Group liable for the amount of HK\$887,000 as at 31 March, 2002. This represents an increase of approximately 13% over the last financial year.

As at 31 March, 2002, certain film rights liabilities amounting to approximately HK\$0.9 million have not been included in the financial statements on the basis that such payments are unlikely to materialize as part of common commercial practices within the film distribution industry.

As a result of late reporting in connection with withholding tax on licence fees paid to non-resident film owners for film rights used in Hong Kong, the Group might face a tax penalty. However, the Inland Revenue Department may exercise its discretion not to penalize the Group for full voluntary disclosure.

Although there are outstanding contingent liabilities, Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet have pursuant to a deed of indemnity dated 29 April, 2002 given joint and several indemnities in favor of the Group if the liabilities relating to the above mentioned film rights liabilities and tax penalties ever arise.



REORGANIZATION

Pursuant to a group reorganization (the “Reorganization”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on the 23 April, 2002.

The Reorganization was accomplished by acquiring the entire share capital of Panorama BVI, which is, at the date of this report, the intermediate holding company of the subsidiaries in consideration of and in exchange for the issue and allotment of 99,999 shares to Mr. Fung Yu Hing, Allan, AFAL and Designate Success, the former shareholders of Panorama BVI or their nominees. Further details of the Reorganization are set out in the Prospectus dated 30 April, 2002.

LISTING

The Company obtained a listing on GEM on 9 May, 2002.

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

Since the Listing of the Company, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

BOARD PRACTISES AND PROCEDURES

The Company has complied with the board practices as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on 9 May, 2002.

OPERATIONS

In respect of the VCD and DVD distribution business, the Group currently has over 160 customers in Hong Kong consisting of video shops, video wholesalers, convenience chain stores, drug store chains and supermarket chains; including those largest in Hong Kong; and over 1,000 newspaper stands, which in total cover over



1,200 sales outlets. Outside of Hong Kong, the Group has developed a well-established and extensive distribution network for the distribution of home video products in Taiwan, Singapore and other Asian countries, including South Korea, Indonesia, Malaysia and Thailand.

In respect of the sub-licensing business, the Group's customers mainly cover an operator of pay-TV and a VOD service provider in Hong Kong and video product distributors in Taiwan, Thailand, Indonesia, Malaysia and South Korea. For theatrical releases, the Group currently engages an agent to arrange for the release of the films in various theatres.

Income generated from the sub-licensing business grew, when compared to that of the previous financial year, because the Group has commenced expansion of this line of business in view of its fast-enriching film right library. Sub-licensing to cable operators and VOD service providers has been an important revenue generating development.

In respect of the Internet and e-commerce business, the Group launched a website, www.panorama.com.hk, in May 2002 and continued to enrich its content and to develop the e-commerce of video, audio and home entertainment related products on the Internet.

The Group is also committed to strengthen its library in other genres besides its fortes of Animation, Adult, and Music. The release of "The Eye" 「見鬼」 in July, a ghost story and a box office success produced by Applause Pictures, signifies a major milestone in the Group's endeavor to boost its distribution in locally produced titles.

GROWTH STRATEGIES AND FUTURE PROSPECTS

The home entertainment industry in Hong Kong is competitive, with a large number of distributors of both Chinese and foreign language video programmes. The principal bases of competition are pricing, distribution capability, quality and the ability to identify





or source video programmes with good potential. The Directors believe that the Group is one of the leading distributors of video programmes in the home entertainment industry in Hong Kong, especially in the area of cartoon, music and adult programmes and has established good relationships with programme producers and licensors to secure distribution rights. The Group competes favourably in the home entertainment industry given the experience and expertise of its management in, and their in-depth knowledge of, such industry. The Group has also over the years built up its library with an extensive selection of programmes and intends to acquire further distribution rights to quality programmes for distribution through diversified channels such as theatre, cable TV, VOD, and web in order to enhance its competitive position in the industry.

In the coming year, the Group will begin an exciting business relationship with Shochiku Co., Ltd., one of the largest entertainment companies in Japan. Over 4,000 titles from Shochiku's film library, including "The Yellow Handkerchief", "Fall Guy", and "Tora-San" series, will be exclusively available for selection and release by the Group in VCD and DVD formats throughout Hong Kong and Macau. The Group has obtained the rights to sub-license the same titles to others in VOD format in the same region.

The Group's ongoing sub-licensing venture with Hong Kong Cable Television Limited is scheduled to release two Pay-Per-View programmes on a weekly basis. Eight titles will also be released per month under another sub-licensing agreement with Pacific Century Cyber Works through their VOD delivery platform. The response from these ventures have so far proved to be highly encouraging.

Promising growth will also come from the release of locally produced titles such as "The Eye" [見鬼] and "Three" [三更]. Another area of tremendous potential will come from PRC as time goes by. The Group has established an office in Guangzhou to spearhead its development in the PRC. This, together with the other prospects, will reinforce the Group's strategies in enriching its programme library, diversifying its channels, and expanding its distribution network.



EXECUTIVE DIRECTORS

Mr. Fung Yu Hing, Allan, aged 52, is the chairman and chief executive officer of the Company and the founder of the Group. Mr. Allan Fung is responsible for the Group's overall strategic planning, formulation of corporate policies, overall management and acquisition of film rights. Mr. Allan Fung was educated in the field of Communication Arts at Mohawk College in Canada and Film Studies at Southern Methodist University in the U.S.. He started his film production career in 1973, and has produced a number of award-winning programmes, such as "The Tale of Walled City" and "Good Morning Sir" which earned global recognition from the International Film & TV Festival of New York in 1982 and London Film Festival in 1981 respectively. He has also been a member of the Hong Kong Directors' Guild since its establishment in 1988 and was a member of its executive committee from 1989 to 1994. He was also a member of the Hong Kong Film Advisory Board from 1995 to 1998 and Hong Kong Film Archive honorary adviser from 1993 to 1996.

Ms. Leung Siu Kuen, Janet, aged 54, is an executive Director. Ms. Leung is responsible for overseeing the day-to-day operations of the Group. Ms. Leung graduated from Humber College in Canada majoring in photography. She has over 18 years of experience in the film and entertainment industry. Prior to joining the Group in 1992, she had been working for TV operators, film producers and studios for about 10 years. Ms. Leung is the wife of Mr. Allan Fung.

Mr. Fung Yee Sang, aged 47, is an executive Director and the compliance officer of the Company. Mr. Fung is responsible for the Group's overall operating and financial policies, formulation of sales and marketing strategies and business development plans. He has extensive experience and knowledge in administration management and business development. Mr. Fung graduated from Mohawk College in Canada majoring in business administration. Prior to joining the Group in July 2001, Mr. Fung worked for The Clearwater Bay Golf and Country Club from 1978 to 1983. His last position held was finance and administration manager. Upon completion of his five-year employment there, Mr. Fung established his own business covering import, retailing and wholesaling of fruits. Mr. Fung is the younger brother of Mr. Allan Fung.

Mr. Au Lik Man, Simon, aged 37, is an executive Director and is responsible for the sales and marketing of the Group. He has about 10 years of experience in the home video entertainment industry. Prior to joining the Group in 1992, Mr. Au worked for a number of entertainment companies in the area of sales and marketing, including Citymax Video Productions Limited.



NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan, William, *JP*, aged 41, was appointed as a non-executive Director in April, 2002. Dr. Lo is at present the non-executive chairman of WPP Greater China. WPP Group Plc is a communications services group providing a range of advertising, marketing, specialist communications and public relations services to clients worldwide. Dr. Lo was the chairman and chief executive officer of Notalone.com Limited. Before founding Notalone.com Limited, Dr. Lo was the chief executive officer of Citibank's Global Consumer Banking business for Hong Kong and Macau from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founding managing director of Hong Kong Telecom IMS Limited, and was responsible for developing and launching the world's first commercial broadband interactive TV service. Dr. Lo graduated with degrees in master of philosophy and doctor of philosophy from Cambridge University in the United Kingdom. He was a Commonwealth scholar, a Crouched Foundation Fellow, and a Bye-Fellow of Downing College of Cambridge University in the United Kingdom. Dr. Lo is a member of the GEM Listing Committee. He is also a government-appointed board member of the Hong Kong Applied Science and Technology Research Institute as well as The Hong Kong Jockey Club Institute of Chinese Medicine Limited. Dr. Lo is also an independent non-executive director of a number of publicly listed companies including SmarTone Telecommunications Holdings Limited, Softbank Investment International (Strategic) Limited and Universal Technologies Holdings Limited. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by the renowned global organisation World Economic Forum. In July 1999, Dr. Lo was appointed as a Justice of the Peace by the Government.

Ms. Fung Suen Lai, Jacqueline, aged 30, was appointed as a non-executive Director in April 2002. Ms. Fung has almost seven years of experience in the architectural industry, and has participated in design and construction work for the Kowloon station of Kowloon-Canton Railway. She was educated at Cornell University in the United States. Ms. Fung was a director of an architecture practice, 2 DN, for the period from January 1998 to April 2001 covering a full range of design projects in Hong Kong, Taiwan and the PRC. Ms. Fung is currently employed by Intergrated Design Associates as an architectural designer since July 2001. Ms. Fung is the daughter of Mr. Allan Fung and Ms. Janet Leung .

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Chung, Johnny, aged 49, was appointed as an independent non-executive Director in April 2002. Mr. Chan graduated with a bachelor degree in social science from the University of Hong Kong, and then further studied at Boston University in the U.S. majoring in journalism. He founded the trend-setting lifestyle "City Magazine" (formerly known as "Tabloid") in the 1970s . Mr. Chan is currently employed by Karanetwork Limited as a director.

Mr. Chau, Stephen, aged 39, was appointed as an independent non-executive Director in April 2002. Mr. Chau graduated from the University of Southern California with a bachelor degree in business administration. He has worked in the advertising, public relation and banking industries. He worked for an advertising agency and then changed his career to private banking business with the Republic Bank of New York and Standard Chartered Bank. Mr. Chau has also worked in a major paging company, in charge of customer services. In 1997, Mr. Chau founded Starz People (HK) Limited, a well known talent and modeling agency in Hong Kong .



SENIOR MANAGEMENT

Mr. Au King Wai, aged 31, is the director of acquisition and business development and is mainly responsible for the acquisition of film rights from the Japanese market, as well as the development and implementation of Internet business, cable TV and VOD programming. Mr. Au holds a bachelor degree in economics from Thames Valley University in England. Mr. Au has over nine years of experience in the entertainment industry especially in Japanese programmes. Prior to joining the Group in June 2000, he worked for a radio operator in England, namely Spectrum Radio Limited, as a programme coordinator and a Japanese programming agent, Animation International Limited, in their multimedia sales and marketing department.

Mr. Suen Yiu Sin, Bernard, aged 43, is the director of information technology. Mr. Suen joined the Company in October 2001 and is responsible for overseeing web development and other emerging media-related technology. Mr. Suen has over 16 years of experience in information technology industry mainly in areas of network, database, multimedia, Internet and e-commerce solutions.

Mr. Ho Chung Lap, aged 51, is the director of regional and music and is responsible for overseeing the Group's overseas sales and marketing, the Group's Taiwan and Singapore operations and the development of the Group's business in respect of music video programmes. Mr. Ho holds a diploma in communication from the Baptist University, Hong Kong (formerly known as Baptist College). Prior to joining the Group in March 2002, Mr. Ho worked for Emperor Entertainment Group Limited, the shares of which are listed on GEM, as a senior vice president of international affairs and during the period from August 1996 to December 1998, he worked for Rock Record Company Limited in Taiwan. He has extensive experience in the area of sales, marketing and promotion of audio and video products.

Mr. Tai Tse Cheng, aged 53, is the production and operation manager and is responsible for overseeing the overall production and operation of the Group. Mr. Tai holds a bachelor degree in science from North Carolina State University in the U.S.. He has experience in the entertainment and copper tube manufacturing industries. Prior to joining the Group in May 2001, Mr. Tai worked for an international entertainment company, namely Hong Kong Entertainment (Overseas) Investments Limited, as director of human resources.

Ms. Lau Wai Ping, aged 27, is the financial controller, qualified accountant and company secretary of the Company. She is an associate member of Hong Kong Society of Accountants and member of the Association of Chartered Certified Accountants. Ms. Lau graduated with first class honours from the City University of Hong Kong with a Bachelor of Arts degree in Accountancy. Prior to joining the Group in December 2001, Ms. Lau worked for an international accounting firm, PricewaterhouseCoopers, in the assurance and business advisory division for over four years. Ms. Lau is primarily responsible for development of the Group's financial strategies and she also supervises the Group's accounting and financial reporting procedures and internal control system.



The directors of the Company (the “Directors”) take great pleasure in submitting their first annual report together with the audited financial statements of the Company for the period from 17 October, 2001 (date of incorporation) to 31 March, 2002. Attached to the audited financial statements is the proforma financial information of the Company and its subsidiaries (collectively referred to as the ‘Group’) for the year ended 31 March, 2002 prepared on the basis set out on page 44.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET

The Company was incorporated in the Cayman Islands on 17 October, 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to a reorganization (the “Reorganization”) of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group on 23 April, 2002.

Details of the Reorganization are set out in the prospectus issued by the Company dated 30 April, 2002 (the “Prospectus”).

The shares of the Company (the “Shares”) were listed on GEM on 9 May, 2002.

To facilitate comparison of the financial results and position of the Group with that presented in the accountants’ report in the Prospectus, proforma financial information comprising proforma combined income statement, balance sheet and cash flow statement in respect of the Group, based on the group structure following the Reorganization, are set out on pages 45 to 76 of the annual report. The basis of presentation of the proforma financial information is set out on page 44 of the annual report and the accounting policies set out on pages 51 to 55 have been consistently applied for presenting the proforma financial information in respect of the Group in this report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and has not carried out any business since its date of incorporation save for the incurring of certain expenditure relating to the Reorganization. Particulars of the companies which became the Company’s subsidiaries on 23 April, 2002 are set out in note 30 to the proforma financial information.

The analysis of the principal activities and geographical locations of the operations of the Group, based on the group structure following the Reorganization, are set out in note 4 to the proforma financial information.



RESULTS AND APPROPRIATIONS

No income statement of the Company has been prepared for the period from 17 October, 2001 (the date of incorporation) to 31 March, 2002 as the Company had not carried out any business. The state of the Company's affairs as at 31 March, 2002 are set out in the financial statements on pages 37 to 43. The proforma combined profit of the Group for the year ended 31 March, 2002 and the state of the Group's affairs as at that date, are set out in the proforma financial information on pages 45 to 76 of the annual report.

The Directors do not recommend the payment of a dividend for the period ended 31 March, 2002.

RESERVES

Movements in the reserves of the Group during the year are set out in the proforma financial information on page 46 of the annual report.

DISTRIBUTABLE RESERVES

At 31 March, 2002, the Company had no reserve available for distribution to its shareholders.

BORROWINGS

Details of the Group's borrowings as at 31 March, 2002 are set out in notes 18 and 19 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 30 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the proforma financial information on pages 64 of the annual report.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital of the Company since 17 October, 2001 (the date of incorporation), together with reasons therefor, are set out in note 7 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.



THREE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out below:

	Year ended 31 March		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
RESULTS			
TURNOVER	65,275	45,891	41,627
PROFIT BEFORE TAXATION	17,989	7,385	8,190
TAXATION	(2,944)	(1,341)	(1,009)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	15,045	6,044	7,181
ASSETS AND LIABILITIES			
As at 31 March			
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS	13,711	10,994	7,155
NET CURRENT ASSETS/(LIABILITIES)	12,370	(19)	10,746
NON-CURRENT LIABILITIES	(509)	(444)	(2,845)
NET ASSETS	25,572	10,531	15,056

Notes:

- The results of the Group for each of the three years ended 31 March 2000, 2001 and 2002 have been prepared on a proforma combined basis as if the Group structure immediately after the Group's Reorganization had been in existence throughout those years. The results of the Group for each of the two years ended 31 March 2000 and 2001 were extracted from the Prospectus dated 30 April 2002.
- The Company was incorporated in the Cayman Islands on 17 October 2001 and became the holding company of the companies now comprising the Group as a result of the Group's Reorganization which was completed on 23 April 2002.



PURCHASE, SALE OR REDEMPTION OF SHARES

Since trading of the Shares on GEM commenced on 9 May, 2002, neither the Company nor any of its subsidiaries has purchased, sold or repurchased any of the Shares.

SHARE OPTION SCHEMES

(a) Share Option Scheme

Pursuant to the share option scheme (the "Share Option Scheme") of the Company adopted on 25 April, 2002, the board of directors of the Company (the "Board") may grant options to the employees (whether full-time or part-time), directors (whether executive, non-executive or independent non-executive) and consultants or advisers of the Company and/or its subsidiaries to subscribe for Shares at such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices per Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share. An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than 10 years from the date of grant of the option.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes (including the Pre-IPO Share Option Scheme as described below) must not exceed 30% of the issued share capital of the Company from time to time.

As at the date of this report, no option has been granted or agreed to be granted to any person under the Share Option Scheme.

(b) Pre-IPO Share Option Scheme

Pursuant to another share option scheme (the "Pre-IPO Share Option Scheme") of the Company adopted on 25 April, 2002, the Board has granted options to 45 persons (comprising all eight directors (including executive, non-executive and independent non-executive), five senior management staff and thirty-two other full-time employees of the Group) to subscribe for an aggregate of 40,000,000 Shares as to 20,000,000 Shares at a subscription price per Share equal to 10% of the Placing Price (i.e. HK\$0.33) (as defined in the Prospectus) which subscription price is approximately equivalent to HK\$0.033 (options granted at this price being referred to below as "Pool A Options") and as to the remaining 20,000,000 Shares at a subscription price per Share equal to 70% of the Placing Price which subscription price is approximately equivalent to HK\$0.231 (options granted at this price being referred to below as "Pool B Options"). The particulars of the share options granted under the Pre-IPO Share Option Scheme to the employees of the Group entitling



them to acquire 800,000 or more Shares and to the Directors and senior management of the Group are set out below:—

Name of grantee	Title/Position	Date of grant	Number of underlying Shares attributable to both Pool A Options and Pool B Options	Appropriate percentage of shareholding (on the basis of 400,000,000 Shares in issue following the listing of Shares on GEM)
<i>Directors</i>				
Fung Yu Hing, Allan	Chairman and Executive Director	25 April, 2002	7,000,000 (as to 4,000,000 attributable to Pool A Options and 3,000,000 to Pool B Options)	1.7500%
Leung Siu Kuen, Janet	Executive Director	25 April, 2002	6,000,000 (as to 4,000,000 attributable to Pool A Options and 2,000,000 to Pool B Options)	1.5000%
Fung Yee Sang	Executive Director	25 April, 2002	6,000,000 (as to 4,000,000 attributable to Pool A Options and 2,000,000 to Pool B Options)	1.5000%
Au Lik Man, Simon	Executive Director	25 April, 2002	2,000,000 (as to 1,000,000 attributable to Pool A Options and 1,000,000 to Pool B Options)	0.5000%



Name of grantee	Title/Position	Date of grant	Number of underlying Shares attributable to both Pool A Options and Pool B Options	Appropriate percentage of shareholding (on the basis of 400,000,000 Shares in issue following the listing of Shares on GEM)
<i>Directors</i>				
Lo Wing Yan, William	Non-executive Director	25 April, 2002	2,300,000 (as to 1,800,000 attributable to Pool A Options and 500,000 to Pool B Options)	0.5750%
Fung Suen Lai, Jacqueline	Non-executive Director	25 April, 2002	500,000 attributable to Pool B Options	0.1250%
Chan Koon Chung, Johnny	Independent Non- executive Director	25 April, 2002	500,000 attributable to Pool B Options	0.1250%
Chau, Stephen	Independent Non- executive Director	25 April, 2002	500,000 attributable to Pool B Options	0.1250%
<i>Senior Management Staff</i>				
Ho Chung Lap	Director of Regional & Music	25 April, 2002	950,000 Shares (as to 300,000 Shares attributable to Pool A Options and 650,000 to Pool B Options)	0.2375%



Name of grantee	Title/Position	Date of grant	Number of underlying Shares attributable to both Pool A Options and Pool B Options	Appropriate percentage of shareholding (on the basis of 400,000,000 Shares in issue following the listing of Shares on GEM)
<i>Senior Management Staff</i>				
Suen Yiu Sin, Bernard	Director of Information Technology	25 April, 2002	950,000 Shares (as to 500,000 Shares attributable to Pool A Options and 450,000 to Pool B Options)	0.2375%
Au King Wai	Director of Acquisition & Business Development	25 April, 2002	1,000,000 Shares (as to 500,000 Shares attributable to Pool A Options and 500,000 to Pool B Options)	0.2500%
Tai Tse Cheng	Production and Operation Manager	25 April, 2002	800,000 Shares (as to 300,000 Shares attributable to Pool A Options and 500,000 to Pool B Options)	0.2000%
Lau Wai Ping	Financial Controller	25 April, 2002	500,000 Shares attributable to Pool B Options	0.1250%



Name of grantee	Title/Position	Date of grant	Number of underlying Shares attributable to both Pool A Options and Pool B Options	Appropriate percentage of shareholding (on the basis of 400,000,000 Shares in issue following the listing of Shares on GEM)
<i>Other Staff</i>				
Ngan Kwan Lok	Accounting & Admin. Manager	25 April, 2002	950,000 Shares (as to 500,000 Shares attributable to Pool A Options and 450,000 to Pool B Options)	0.2375%
Chow Chung Man	Production Manager	25 April, 2002	950,000 Shares (as to 500,000 Shares attributable to Pool A Options and 450,000 to Pool B Options)	0.2375%
<i>Senior Management Staff</i>				
Jor Man Wai	Sales Manager	25 April, 2002	950,000 Shares (as to 500,000 Shares attributable to Pool A Options and 450,000 to Pool B Options)	0.2375%
Cheung Lily	Sales Manager	25 April, 2002	950,000 Shares (as to 400,000 Shares attributable to Pool A Options and 550,000 to Pool B Options)	0.2375%



All share options granted under the Pre-IPO Share Option Scheme can only be exercised after twelve months from the date when the dealings in the Shares first commence on GEM. The Pre-IPO Share Option Scheme was expired on 9 May, 2002, being the date when dealings in the Shares first commence on GEM, but this does not affect the share options previously granted under the Pre-IPO Share Option Scheme which shall remain exercisable in accordance with and be subject to the terms of the Pre-IPO Share Option Scheme.

DIRECTORS

The Directors being appointed since 17 October, 2001 (the date of incorporation) and up to the date of this report were:

Executive Directors

Mr. Fung Yu Hing, Allan (Chairman and chief executive officer)	(appointed on 17 October, 2001)
Mr. Fung Yee Sang	(appointed on 28 November, 2001)
Ms. Leung Siu Kuen, Janet	(appointed on 28 November, 2001)
Mr. Au Lik Man, Simon	(appointed on 28 November, 2001)

Non-executive Directors

Dr. Lo Wing Yan, William, JP	(appointed on 25 April, 2002)
Ms. Fung Suen Lai, Jacqueline	(appointed on 25 April, 2002)

Independent Non-executive Directors

Mr. Chan Koon Chung, Johnny	(appointed on 25 April, 2002)
Mr. Chau Stephen	(appointed on 25 April, 2002)

In accordance with Article 116 of the Company's Articles of Association, Fung Yu Hing, Allan and Au Lik Man, Simon will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in note 5 to the financial statement and note 9 to the proforma financial information.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the proforma combined income statement for the year ended 31 March, 2002 are set out in note 10 to the proforma financial information.



SPONSOR'S INTEREST

As at 31 March, 2002, neither First Shanghai Capital Limited (the "Sponsor") nor its directors or employees or associates (as referred in Note 3 to Rule 6.35 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to an agreement dated 29 April, 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 9 May, 2002 to 31 March, 2005.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on 25 April, 2002 for an initial term of three years with retrospective effect commencing from 1 April, 2002 and thereafter be continuous until terminated by either party giving to the other not less than three months' prior written notice.

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company on 25 April, 2002. There is no fixed term of office for the appointment of Ms. Fung Suen Lai, Jacqueline as a non-executive Director and each of Mr. Chan Koon Chung, Johnny and Mr. Chau, Stephen as an independent non-executive Director, and their appointments will be continuous unless and until terminated by not less than three months' notice in writing given by any of them or the Company (as the case may be) subject to the vacation of office as required under the Articles of Association of the Company and/or the termination provisions under his/her letter of appointment. In relation to the appointment of Dr. Lo Wing Yan, William as a non-executive Director, his term of office will be for a fixed term of 24 months commencing from 25 April, 2002 subject to the vacation of office as required under the Articles of Association of the Company and/or the termination provisions under his letter of appointment and thereafter be continuous subject to similar termination provisions as the other non-executive and independent non-executive Directors as described above.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company or any of the companies which became its subsidiaries on 23 April, 2002, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save and except for agreements entered into for the purpose of the Reorganisation and those disclosed under "Related parties and connected transactions" below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out on pages 17 to 19.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 9 to the financial statement and note 11 to the proforma financial information.

As disclosed in the paragraphs headed “Exempt connected transactions” under the section headed “Business” of the Prospectus, Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet (both being executive Directors) have been providing financial support to the Group since the inception of the Group. In addition, Mr. Fung Yee Sang, an executive Director, has also been providing financial support to the Group. As at 31 March, 2002, the Group had outstanding amounts due to the following connected persons:—

- (i) Panorama Entertainment Holdings Limited (“Old Panorama Holdings”) for an amount of approximately HK\$1,934,000 which was unsecured and non-interest bearing, and has no fixed repayment term. Old Panorama Holdings is a company majority owned and controlled by Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline. Such amount represented advances from Old Panorama Holdings to the Group for acquiring film rights from Star East Multimedia Limited.
- (ii) three Directors, namely Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang for an amount of approximately HK\$1.4 million, approximately HK\$1.3 million and approximately HK\$1.5 million respectively. The aggregate amount of approximately HK\$4.2 million due to the three Directors was unsecured and non-interest bearing, and has no fixed repayment term. Such amount represented the aggregate of advances from the three Directors for financing the Group’s operation and expansion and/or the balance of unpaid dividend declared in their favour by Panorama Distributions Company Limited, a subsidiary of the Company prior to the listing of the Shares on GEM.

On 29 April, 2002, each of Old Panorama Holdings, Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang entered into an undertaking with the Company whereby they respectively agreed not to demand repayment of the amounts due by the Group from the date of listing of the Company’s shares on GEM unless certain conditions are fulfilled. Further details of the undertaking are set out in the paragraphs headed “Exempt connected transactions” under the section headed “Business” of the Prospectus. As of 9 May, 2002, the amount due to Old Panorama Holdings, Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang amounted to HK\$1,934,000, HK\$1,389,000, HK\$68,000 and HK\$1,475,000 respectively.



The Directors consider that the above indebtedness of the Group were incurred under normal commercial terms and in the ordinary and usual course of business, and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, certain Directors, namely Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline and an independent third party have together provided personal guarantees, and Ms. Leung Siu Kuen, Janet has given a charge over a property owned by her in favour of certain banks and financial institutions for guaranteeing (a) the repayment of debts and liabilities due by the Group under banking facilities granted to it and (b) the performance by the Group of its obligations under five financial leases entered into by it in respect of the purchase of computer systems.

While certain guarantees will be released and replaced by corporate guarantee or other securities from the Company or the Group after the date of this report, some securities, comprising the property owned by Ms. Leung Siu Kuen, Janet and guarantees given by Mr. Fung Yu Hing, Allan, Ms. Leung Siu Keun, Janet and Ms. Fung Suen Lai, Jacqueline have not been released or replaced by corporate guarantee but are still in force to guarantee the performance by the Group's obligations under the above mentioned banking facilities and financial leases following the listing of the Shares on GEM.

The provision of the financial assistance in the form of loans, guarantees and securities from the connected persons as mentioned above constitute connected transactions for the Company under Rule 20.12 of the GEM Listing Rules. The above transactions were exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules as the financial assistance provided by the connected persons is for the benefit of and on terms favourable to the Group, and no security over the assets of the Group has been granted to the connected persons in respect of the financial assistance.



DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

The Company only became a listed company on 9 May, 2002. The interests of the Directors in the shares 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 under Section 29 of the SDI Ordinance or as required, under Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Shares of the Company

Name of Directors	No. of Shares held				Total interests
	Personal interests	Family interests	Corporate interest	Other interests	
Mr. Fung Yu Hing, Allan	18,331,500	—	233,340,000 <i>(Note 1)</i>	—	251,671,500
Mr. Fung Yee Sang	31,663,500	—	—	—	31,663,500

Note 1: These Shares are beneficially owned by and registered in the name of Allan Fung Assets Limited, which is beneficially owned as to 75% by Mr. Fung Yu Hing, Allan, as to 20% by Ms. Leung Siu Kuen, Janet and as to 5% by Ms. Fung Suen Lai, Jacqueline. Ms. Leung Siu Kuen, Janet is the wife of Mr. Fung Yu Hing, Allan and is an executive Director. Ms. Fung Suen Lai, Jacqueline is the daughter of Mr. Fung Yu Hing, Allan and is a non-executive Director. Accordingly, Mr. Fung Yu Hing, Allan is deemed to be interested in the 233,340,000 Shares held by Allan Fung Assets Limited under the SDI Ordinance.

(b) Share options

Each of the Directors (including executive, non-executive and independent non-executive) has been granted certain share options under the Pre-IPO Share Option Scheme. Details of such share options are set out in the paragraph headed "Pre-IPO Share Option Schemes" under the section headed "Share Option Schemes" above.

Save as disclosed above, as at the date of this report, none of the Directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or its associated corporations as recorded in the register maintained under section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS

The Company became a listed company on 9 May, 2002. The register required to be kept under section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interest, being 10% or more of the issued share capital of the Company as at 9 May, 2002:

Name	Number of Shares Held	Approximate Percentage of shareholding
Allan Fung Assets Limited	233,340,000(<i>Note 1</i>)	58.34%
Mr. Fung Yu Hing, Allan	251,671,500(<i>Note 2</i>)	62.92%

Note 1: These 233,340,000 Shares are beneficially owned by and registered in the name of Allan Fung Assets Limited, which is beneficially owned as to 75% by Mr. Fung Yu Hing, Allan, as to 20% by Ms. Leung Siu Kuen, Janet and as to 5% by Ms. Fung Suen Lai, Jacqueline. Ms. Leung Siu Kuen, Janet is the wife of Mr. Fung Yu Hing, Allan and is an executive Director. Ms. Fung Suen Lai, Jacqueline is the daughter of Mr. Fung Yu Hing, Allan and is a non-executive Director. Accordingly, Mr. Fung Yu Hing, Allan is also deemed to be interested in the 233,340,000 Shares held by Allan Fung Assets Limited under the SDI Ordinance.

Note 2: Of these 251,671,500 Shares, 18,331,500 Shares are held by Mr. Fung Yu Hing, Allan personally and the remaining 233,340,000 Shares (in which Mr. Fung Yu Hing, Allan is deemed to be interested under the SDI Ordinance as mentioned in Note 1 above) are held by Allan Fung Assets Limited

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of proforma purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	6%
— five largest suppliers combined	25%

Sales

— the largest customer	13%
— five largest customers combined	35%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the Shares were listed on 9 May, 2002.



AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 25 April, 2002 with written terms of reference in compliance with the requirements as set out in Rule 5.23 of the GEM Listing Rules. In respect of the financial statements and the proforma financial information for the year ended 31 March, 2002, the Committee had met once to review the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

The Committee comprises one non-executive Director, namely Dr. Lo Wing Yan, William, JP and two independent non-executive Directors, namely Mr. Chan Koon Chung, Johnny and Mr. Chau Stephen.

The proforma combined income statement of the Group for the year ended 31 March, 2002 and the balance sheet of the Company and the proforma combined balance sheet of the Group at 31 March, 2002, together with the notes attached thereto have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors, the management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company, or any of their respective associates had any interest in a business which competes or may compete with the business of the Group.

SUBSEQUENT EVENTS

Details of the significant post balance sheet events are set out in note 31 to the proforma financial information.

OTHER MATTERS

Subsequent to the balance sheet date of 31 March, 2002, Shares were listed on GEM on 9 May, 2002.

AUDITORS

RSM Nelson Wheeler were first appointed as auditors of the Company on 17 May, 2002.

RSM Nelson Wheeler retire and being eligible, offer themselves for reappointment. A resolution for the reappointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Fung Yu Hing, Allan

Chairman

Hong Kong, 26 June, 2002



RSM Nelson Wheeler

Certified Public Accountants

羅申美會計師行

To The Shareholders Of

Panorama International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 37 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong. We have also audited the proforma financial information on pages 45 to 76. The proforma financial information has been prepared in accordance with the "Basis of presentation of the proforma financial information" set out on page 44 and the accounting policies set out on pages 51 to 55.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of the financial statements and proforma financial information which give a true and fair view. In preparing financial statements and proforma financial information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and proforma financial information and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and proforma financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and proforma financial information, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements and proforma financial information are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and proforma financial information. We believe that our audit provides a reasonable basis for our opinion.



OPINION

In our opinion

- (a) the financial statements set out on pages 37 to 43 give a true and fair view of the state of the Company's affairs as at 31 March, 2002 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

- (b) the proforma financial information set out on pages 45 to 76 has been properly prepared in accordance with the "Basis of presentation of the proforma financial information" set out on page 44 and the accounting policies set out on pages 51 to 55 and, on that basis, gives a true and fair view of the state of the Group's affairs as at 31 March, 2002 and of its results and cash flows for the year then ended as if the Group's reorganisation had been effected on 31 March, 2002 and the Group structure had been in existence then.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

26 June, 2002



BALANCE SHEET

As at 31 March, 2002

37

	Note	2002 HK\$'000
CURRENT ASSET		
Prepayments		1,917
CURRENT LIABILITY		
Amounts due to a related company	6	<u>(1,917)</u>
NET ASSETS		<u>—</u>
CAPITAL AND RESERVES		
Share capital	7	<u>—</u>

Approved and authorised for issue by the Board of Directors on 26 June, 2002.

Fung Yu Hing, Allan

Director

Leung Siu Kuen, Janet

Director

The notes on pages 38 to 43 form an integral part of these financial statements.



1. STATUS OF THE COMPANY

(a) The Company

The Company was incorporated in the Cayman Islands on 17 October, 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

During the period from 17 October, 2001 (date of incorporation) to 31 March, 2002, the Company has not carried out any business save for incurring of expenses related to the Reorganisation, as defined in note 1(b) below. The income statement of the Company has not been presented as the Company did not have any results for the period from 17 October, 2001 to 31 March, 2002. The expenses related to the Reorganisation have been accounted for as prepayments in the Company's balance sheet.

The financial statement of the Company as at 31 March, 2002 are presented on pages 37 to 43.

As the Company was incorporated on 17 October, 2001, no comparative figures are presented.

As the Reorganisation set out below was completed subsequent to 31 March, 2002, the Group did not exist as at that date. Accordingly, no Group financial statements have been presented.

(b) Group reorganisation and listing on the Growth Enterprise Market

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 23 April, 2002. Details of the Company's subsidiaries comprising the Group as from 23 April, 2002 are set out in note 30 to the proforma financial information.

The Reorganisation was accomplished by acquiring the entire share capital of Panorama Entertainment Group Limited ("Panorama BVI"), which is, at the date of this report, the intermediate holding company of the subsidiaries set out in note 30 to the proforma financial information, in consideration of and in exchange for the issue and allotment of 99,999 shares to Mr. Fung Yu Hing, Allan ("Allan Fung"), Allan Fung Assets Limited ("AFAL") and Designate Success Limited ("Designate Success"), the former shareholders of Panorama BVI or their nominees. Further details of the Reorganisation are set out in the Company's prospectus dated 30 April, 2002 (the "Prospectus"). The Company obtained a listing on GEM on 9 May, 2002.



(c) Basis of preparation

As the Reorganisation took place on 23 April, 2002, in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants the effect of the Reorganisation is not reflected in the Company's financial statements for the period ended 31 March, 2002.

However, since all entities which took part in the Reorganisation were under common control before and immediately after the Reorganisation, consequently, there was a continuation of the risk and benefits to the ultimate shareholders that existed prior to the Reorganisation, additional proforma financial information, prepared using the merger basis of accounting, has been presented on pages 45 to 76, as if the Group had always been in existence. Further details concerning the basis of presentation of the proforma financial information is set out on page 44.

The financial statements have been prepared under the historical cost convention.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in arriving at the financial statements are set out below. These policies conform with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements also conform with the applicable disclosure requirements of GEM. A summary of the significant accounting policies adopted by the Company is set out below.

(a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably.

(b) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(c) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date.



3. **TURNOVER AND REVENUE**

The principal activity of the Company is investment holding. The Company did not earn any income during the period from the date of incorporation to 31 March, 2002.

4. **TAXATION**

No provision for Hong Kong profits tax has been made as no income assessable to Hong Kong profits tax was earned during the period ended 31 March, 2002.

5. **EMOLUMENTS OF DIRECTORS**

17 October,
2001 to
31 March, 2002
HK\$'000

Fees	—
Basic salaries, allowances and benefits in kind	—
Discretionary bonuses	—
Retirement benefits	—
	—
	—

6. **AMOUNTS DUE TO A RELATED COMPANY**

The amounts due to a related company are unsecured, interest free and have no fixed repayment term.



7. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
On incorporation and at 31 March, 2002, ordinary shares of HK\$0.01 each	(a)	<u>35,000,000</u>	<u>350</u>
At 1 April, 2002		35,000,000	350
Increase in authorised capital, 17 April, 2002	(b)	<u>1,465,000,000</u>	<u>14,650</u>
At 9 May, 2002, the listing date		<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid:			
Shares issued upon incorporation, 17 October, 2001	(a)	<u>1</u>	<u>—</u>
At 31 March, 2002		<u>1</u>	<u>—</u>
At 1 April, 2002		1	—
Shares issued upon Reorganisation, 23 April, 2002	(c)	99,999	1
Capitalisation issue, 24 April, 2002	(d)	333,200,000	3,332
New issue and Placing of shares, 9 May, 2002	(e)	<u>66,700,000</u>	<u>667</u>
At 9 May, 2002, the listing date		<u>400,000,000</u>	<u>4,000</u>

(a) The Company was incorporated on 17 October, 2001 with an authorised share capital of HK\$350,000 divided into 35,000,000 shares of HK\$0.01 each, of which 1 share of HK\$0.01, credited as fully paid, was allotted and issued.

(b) On 17 April, 2002, the authorised share capital of the Company was increased from HK\$350,000 to HK\$15,000,000 by the creation of an additional 1,465,000,000 shares of HK\$0.01 each ranking pari passu with the then existing shares in all respects.



- (c) Pursuant to the Reorganisation mentioned in note 1 (b), on 23 April, 2002, the Company acquired the entire issued share capital of Panorama BVI in consideration for the issue and allotment of 99,999 shares to Mr. Allan Fung, AFAL and Designate Success, the former shareholders of Panorama BVI or their nominees. The Company became the holding company of the Group with effect from 23 April, 2002. The difference between the nominal value of shares issued and the fair value of Panorama BVI and its subsidiaries was credited to the share premium account.
- (d) Pursuant to a written resolution of all shareholders passed on 24 April, 2002, the directors were authorised to capitalise the sum of HK\$3,332,000 standing to the credit of the share premium account of the Company and 333,200,000 shares were allotted and issued to shareholders whose names appear on the register of members of the Company as at the close of business on 24 April, 2002 in proportion to their then respective shareholdings in the Company.
- (e) Pursuant to the listing of the shares of the Company on GEM on 9 May, 2002, 66,700,000 shares of the Company were issued by way of a Placing for cash of HK\$0.33 per share. The excess of the issued price over the par value of the shares issued has been credited to the share premium account of the Company.
- (f) All shares both issued and unissued rank pari passu in all respects at 9 May, 2002.

Share option schemes

Two share option schemes were adopted subsequent to 31 March, 2002. Details of the share option schemes are disclosed in notes 8(c) and (d).

8. SUBSEQUENT EVENTS

The following events took place subsequent to 31 March, 2002:

- (a) Subsequent to 31 March, 2002, there were movements in share capital set out in note 7 to the financial statements.
- (b) On 23 April, 2002, the Company completed the Reorganisation in preparation for the listing of the Company's shares on GEM. As a result of the Reorganisation, the Company has become the holding company of the Group. Further details of the Reorganisation are set out in the Prospectus dated 30 April, 2002.



- (c) On 25 April, 2002, the Company adopted an employee share option scheme (the “Pre-IPO Share Option Scheme”). An aggregate of 40,000,000 share options had been granted to a total of eight Directors (including four executive Directors, two non-executive Directors and two independent non-executive Directors), five senior management staff and 32 other full-time employees of the Group under the Pre-IPO Share Option Scheme. No further options will be offered or granted under the Pre-IPO Share Option Scheme as the right to do so had already expired on 9 May, 2002, the date when dealings in the Company’s shares first commenced on GEM. Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus dated 30 April, 2002.
- (d) On 25 April, 2002, the Company also adopted another Share Option Scheme (“Scheme”), further details of which are set out in the Prospectus dated 30 April, 2002. The Scheme became effective upon the listing of the Company’s shares on GEM on 9 May, 2002. As at the date of approval of these financial statements, no option has been granted or agreed to be granted under the Scheme.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the subsidiaries now comprising the Group on 23 April, 2002.

The Reorganisation was accomplished by acquiring the entire share capital of Panorama BVI, which is, at the date of this report, the immediate holding company of the subsidiaries set out in note 30 to the proforma financial information, in consideration and in exchange for the issue and allotment of 99,999 shares to Mr. Allan Fung, AFAL and Designate Success the former shareholders of Panorama BVI or their nominees. Further details of the Reorganisation are set out in the Prospectus dated 30 April, 2002.

10. ULTIMATE HOLDING COMPANY

The directors of the Company consider Allan Fung Assets Limited, a company incorporated in British Virgin Islands, to be the ultimate holding company of the Company.



Note 1(b) to the financial statements on page 38 describes the reorganisation of the Group that took place prior to its listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 9 May, 2002 (the "Reorganisation"). As stated in note 1(c) to the financial statements, since the Reorganisation took place on 23 April, 2002, in accordance with SSAP 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants, the effect of the Reorganisation is not reflected in the Company's financial statements for the period ended 31 March, 2002.

However, since all entities which took part in the Reorganisation were under common control before and immediately after the Reorganisation, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation, additional proforma information, prepared and using the merger basis of accounting, has been presented on pages 45 to 76.

The proforma combined income statement of the Group for the year ended 31 March, 2002 includes the financial results of the companies which now comprise the Group for the period from 1 April, 2001 (or the date of incorporation, if later) to 31 March, 2002 as if the current group structure had been in existence and remained unchanged throughout the period presented. The proforma combined balance sheet of the Group as at 31 March, 2002 has been prepared to present the combined assets and liabilities of the Group as at that date as if the current group structure had been in existence then. The comparative figures as at and for the year ended 31 March, 2001 have been presented on the same basis.

Although this proforma financial information does not form part of the financial statements for the year ended 31 March, 2002, it will form the basis of the comparative information in the financial statements for the year ending 31 March, 2003. This is because, when adopting the merger basis of accounting in accordance with SSAP 27, in the period in which the Reorganisation is first reflected in the financial statements, the financial statement items for any comparative periods should be included in the financial statements as if the Reorganisation had taken place from the beginning of the earliest period presented.



PROFORMA COMBINED INCOME STATEMENT

For the year ended 31 March, 2002

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	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	65,275	45,891
Cost of sales		30,880	26,121
Gross profit		34,395	19,770
Other revenue	3	138	339
Distribution costs		(864)	(659)
Administrative expenses		(14,091)	(10,669)
Other operating expenses		(1,242)	(1,204)
Profit from operations	5	18,336	7,577
Finance costs	6	(347)	(192)
Profit before taxation		17,989	7,385
Taxation	7	(2,944)	(1,341)
Profit attributable to shareholders		15,045	6,044
Dividends	23	—	11,000
Basic earnings per share (in HK cents)	8	4.5	1.8
Proforma earnings per share (in HK cents)	8	3.8	1.5

The notes on pages 50 to 76 form an integral part of these proforma financial information.



COMBINED STATEMENT OF MOVEMENTS IN EQUITY

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For the year ended 31 March, 2002

	Share premium account	Foreign exchange translation reserve	Merger reserves	Revenue reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2000	15,134	—	(5,124)	5,046	15,056
Profit for the year	—	—	—	6,044	6,044
Movement during the year	—	—	430	—	430
Dividends	—	—	—	(11,000)	(11,000)
	<u>15,134</u>	<u>—</u>	<u>(4,694)</u>	<u>90</u>	<u>10,530</u>
At 31 March, 2001	<u>15,134</u>	<u>—</u>	<u>(4,694)</u>	<u>90</u>	<u>10,530</u>
At 1 April, 2001	15,134	—	(4,694)	90	10,530
Profit for the year	—	—	—	15,045	15,045
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	—	(4)	—	—	(4)
	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>(4)</u>
At 31 March, 2002	<u>15,134</u>	<u>(4)</u>	<u>(4,694)</u>	<u>15,135</u>	<u>25,571</u>

Share premium account represents the excess of the fair value of subsidiaries acquired by the Group over the cost of investments at the date of acquisition.

Merger reserves of approximately HK\$4,694,000 represent the amount of reserves of subsidiaries that have been capitalised as a result of share-for-share exchange.

The notes on pages 50 to 76 form an integral part of these proforma financial information.



PROFORMA COMBINED BALANCE SHEET

As at 31 March, 2002

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	Note	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS			
Film rights	12	12,448	9,974
Fixed assets	13	1,263	1,020
		13,711	10,994
CURRENT ASSETS			
Current portion of film rights	12	5,663	4,066
Inventories	14	12,694	12,050
Trade and other receivables	15	16,224	5,862
Prepayments and deposits		3,861	1,723
Bank and cash balances		378	683
		38,820	24,384
CURRENT LIABILITIES			
Trade and other payables	16	12,426	8,062
Due to a related company	17	1,934	1,938
Short term borrowings	18	3,970	3,289
Current portion of secured bank loans	19	610	328
Current portion of obligations under finance leases	20	293	309
Due to directors	21	4,161	9,159
Provision for taxation	7	3,056	1,318
		26,450	24,403
NET CURRENT ASSETS/(LIABILITIES)		12,370	(19)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,081	10,975



PROFORMA COMBINED BALANCE SHEET

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As at 31 March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
NON-CURRENT LIABILITIES			
Secured bank loans	19	358	55
Obligations under finance leases	20	151	389
		509	444
NET ASSETS			
		25,572	10,531
CAPITAL AND RESERVES			
Share capital	22	1	1
Reserves		25,571	10,530
		25,572	10,531

Approved and authorised for issue by the Board of Directors on 26 June, 2002.

Fung Yu Hing, Allan

Director

Leung Siu Kuen, Janet

Director

The notes on pages 50 to 76 form an integral part of these proforma financial information.



PROFORMA COMBINED CASH FLOW STATEMENT

For the year ended 31 March, 2002

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	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	24	16,466	14,370
Returns on investments and servicing of finance			
Bank interest paid		(264)	(99)
Finance lease charges		(78)	(57)
Loan interest paid		(5)	(36)
Bank interest received		7	32
Net cash outflow from returns on investments and servicing of finance		(340)	(160)
Taxation			
Hong Kong profits tax paid		(1,206)	(1,032)
Investing activities			
Purchase of film rights		(10,092)	(8,874)
Purchase of fixed assets		(805)	(463)
Proceeds from disposal of fixed assets		—	114
Net cash outflow from investing activities		(10,897)	(9,223)
Net cash inflow before financing		4,023	3,955
Financing	25		
Capital injection		—	431
Repayment to directors		(4,998)	(6,387)
(Repayment of)/raise of secured bank loans		(264)	682
Repayment of obligations under finance leases		(596)	(368)
Net cash outflow from financing		(5,858)	(5,642)
Decrease in cash and cash equivalents		(1,835)	(1,687)
Cash and cash equivalents at 1 April,		(1,757)	(70)
Cash and cash equivalents at 31 March,		(3,592)	(1,757)
Analysis of the balances of cash and cash equivalents			
Bank and cash balances within three months of maturity		378	683
Bank overdrafts		(3,970)	(2,440)
		(3,592)	(1,757)

The notes on pages 50 to 76 form an integral part of these proforma financial information.

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF PROFORMA FINANCIAL INFORMATION

(a) The Company

The Company was incorporated in the Cayman Islands on 17 October, 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

During the period from 17 October, 2001 (date of incorporation) to 31 March, 2002, the Company has not carried out any business transactions save for the incurring of expenses related to the Reorganisation as defined in note 1(b) below.

(b) Group reorganisation and listing on the Growth Enterprise Market

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 23 April, 2002. Details of the Company's subsidiaries comprising the Group as from 23 April, 2002 are set out in note 30 to the proforma financial information.

The Reorganisation was accomplished by acquiring the entire share capital of Panorama BVI, which is, at the date of this report, the intermediate holding company of the subsidiaries set out in note 30 to the proforma financial information, in consideration of and in exchange for the issue and allotment of 99,999 shares to Mr. Allan Fung, AFAL and Designate Success, the former shareholders of Panorama BVI or their nominees. Further details of the Reorganisation are set out in the Prospectus dated 30 April, 2002. The Company obtained a listing on GEM on 9 May, 2002.

The proforma financial information have been prepared under the historical cost convention.



2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in arriving at the proforma financial information conform with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance.

The proforma financial information also conforms with the applicable disclosure requirements of GEM. A summary of the significant accounting policies adopted by the Group is set out below.

(a) Subsidiaries

Subsidiaries are companies in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

(b) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment and depreciated at a rate sufficient to write off their cost over their estimated useful lives on a straight line basis at 30% per annum.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the proforma combined income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are assessed annually and when factors indicating an impairment are present. If an impairment is present, the fixed assets are reported at the lower of carrying amount or recoverable amount. The Group determines the recoverable amount of assets by measuring discounted future cash flows.

The gain or loss on disposal of fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the proforma combined income statement.



(c) Film rights

Film rights represent licence fees prepaid and/or payable by installments under licensing agreements for the reproduction and distribution of video products, of films in theatre and television, and sub-licensing of film titles, in specified geographical areas and time periods.

Film rights are stated at cost less amortisation and impairment.

Licence fees paid in advance under licensing agreements for the distribution of video products and sub-licensing of film titles are accounted for as part of the cost of film rights. The balance payable under the licensing agreements where master copies have not been received is disclosed as a commitment.

The portion of film rights expected to be recouped within twelve months of the balance sheet date is reported as a current asset. The portion of film rights expected to be recouped in more than twelve months from the balance sheet date is reported as a non-current asset.

The attributable licence fees of purchased film titles are amortised on a systematic basis over the underlying licence periods, with reference to projected revenues, upon sales of video products.

(d) Impairment of assets

Fixed assets and film rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount.



(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(f) Revenue recognition

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Sub-licensing income is recognised on the transfer of risks and rewards of ownership, which generally is in accordance with the terms of the underlying license agreements.

Interest income is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired less advances from banks repayable within three months from the date of the advance.



(h) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases.

Fixed assets under finance lease are initially recorded at the present value of the minimum lease payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current and non-current liabilities.

Finance charges, which represent the difference between the minimum lease payments at the inception of the leases and the fair value of the assets, are allocated to accounting periods over the period of the relevant leases so as to produce a constant periodic rate of charge on the outstanding balances.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the proforma combined income statement on a straight line basis over the periods of the respective leases.

(j) Borrowing costs

Borrowing costs are expensed in the proforma combined income statement in the period in which they are incurred.

(k) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.



(l) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date.

The financial statements of overseas branch and subsidiary are translated at the rates ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(m) Staff retirement benefits

The costs of staff retirement benefits are recognised as an expense in the proforma combined income statements as and when incurred.

(n) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for items which are non-assessable or disallowable.

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(o) Provisions and contingencies

A provision is recognised when there is a present obligation (legal or constructive) as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the proforma financial information. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the proforma financial information but disclosed when an inflow of economic benefits is probable.



3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of the sales of goods and revenue arising from sub-licensing of film rights during the year, after allowance for returns and trade discounts, and after elimination of intra-group transactions.

Turnover and revenue recognised during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sales of goods	54,685	41,923
Sub-licensing of film rights	10,590	3,968
	65,275	45,891
Other revenue		
Bank interest income	7	32
Gain on disposal of fixed assets	—	114
Net exchange gain	11	—
Sundry income	120	193
	138	339
	65,413	46,230

4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group in making operation and financial decision.

(a) Geographical segment

The Group's business can be subdivided into Hong Kong, Taiwan and Singapore markets.

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets, liabilities, capital expenditures, depreciation, amortisation and impairment loss are based on the geographical locations of assets.



(b) Business segment

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 video formats and sub-licensing.

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by geographical areas is as follow:—

	Hong Kong		Singapore		Taiwan		Elimination		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
REVENUE										
External sales	58,508	43,312	3,865	2,579	2,902	—	—	—	65,275	45,891
Inter-segment sales*	2,239	1,499	—	—	—	—	(2,239)	(1,499)	—	—
	60,747	44,811	3,865	2,579	2,902	—	(2,239)	(1,499)	65,275	45,891
Result										
Profit before taxation	17,875	7,432	(33)	(47)	147	—	—	—	17,989	7,385
Taxation	(2,914)	(1,341)	(2)	—	(28)	—	—	—	(2,944)	(1,341)
Net profit/(loss)	14,961	6,091	(35)	(47)	119	—	—	—	15,045	6,044
ASSETS										
Segment assets	30,387	19,991	1,220	1,347	896	—	—	—	32,503	21,338
Unallocated assets	—	—	—	—	—	—	—	—	20,028	14,040
Total assets	—	—	—	—	—	—	—	—	52,531	35,378
LIABILITIES										
Segment liabilities	14,651	11,380	133	139	1,142	—	—	—	15,926	11,519
Unallocated liabilities	—	—	—	—	—	—	—	—	11,033	13,328
Total liabilities	—	—	—	—	—	—	—	—	26,959	24,847
OTHER INFORMATION										
Capital expenditure	785	445	14	487	348	—	—	—	1,147	932
Depreciation	647	599	149	146	104	—	—	—	900	745
Amortisation	5,252	2,773	334	158	251	—	—	—	5,837	2,931
Impairment loss	184	—	—	—	—	—	—	—	184	—

* Inter-segment sales are charged at cost.



5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) the following:

	2002 HK\$'000	2001 HK\$'000
Amortisation of film rights	5,837	2,931
Impairment of film rights	184	—
Auditors' remuneration	200	67
Bad debts written off	81	146
Cost of inventories sold	21,776	21,541
Depreciation		
Owned fixed assets	438	381
Leased fixed assets	462	364
Operating lease rentals		
Land and buildings	1,191	738
Office equipment	302	135
Provision for inventories	646	—
Staff costs including directors' emoluments	8,809	7,043
Gain on disposal of fixed assets	—	(114)
	<u> </u>	<u> </u>

6. FINANCE COSTS

Interest payable on:

Bank loans and overdrafts

— wholly repayable within five years

Other loan

— wholly repayable within five years

Obligations under finance leases

	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts		
— wholly repayable within five years	264	99
Other loan		
— wholly repayable within five years	5	36
Obligations under finance leases	78	57
	<u> </u>	<u> </u>
	<u>347</u>	<u>192</u>



7. TAXATION

(i) Taxation in the proforma combined income statement represents:

	2002	2001
	HK\$'000	HK\$'000
Overseas taxation	30	—
Hong Kong profits tax	2,922	1,339
(Over)/under provision in respect of prior years	(8)	2
	2,944	1,341
	2,944	1,341

(ii) Taxation in the proforma combined balance sheet represents:

	2002	2001
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax	2,922	1,339
Provision for profits tax in respect of prior years	104	(21)
Overseas tax	30	—
	3,056	1,318
	3,056	1,318

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year of the individual companies within the Group arising in Hong Kong.

Taxation arising in Singapore and Taiwan is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

No provision for deferred taxation has been made as the effect of all timing differences is immaterial.



8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the proforma combined profit attributable to shareholders of HK\$15,045,000 (2001: HK\$6,044,000) and on the 333,300,000 shares of the Company outstanding after the Reorganisation and capitalisation issue as if those shares had been outstanding for each year presented.

(b) Proforma earnings per share

Proforma earnings per share is calculated based on the proforma combined profit attributable to shareholders of HK\$15,045,000 (2001: HK\$6,044,000) and on the 400,000,000 shares of the Company outstanding on the assumption that the Reorganisation, capitalisation issue, and the listing of the Company's shares had been effective on 1 April, 2000.

(c) Reconciliations

	2002	2001
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	333,300,000	333,300,000
Issue of ordinary shares upon listing on GEM	66,700,000	66,700,000
	400,000,000	400,000,000
Number of ordinary shares used in calculating proforma earnings per share	400,000,000	400,000,000

(d) No diluted profit per share is presented as there was no dilutive potential ordinary shares during the years ended 31 March 2002 and 2001.



9. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid to the directors of the Company during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Fees	—	—
Basic salaries, allowances and benefits in kind	927	645
Discretionary bonuses	—	—
Retirement benefits	29	6
	<u>956</u>	<u>651</u>

Three executive directors received emoluments of approximately HK\$ Nil, HK\$83,000 and HK\$568,000 respectively for the year ended 31 March, 2001. Four executive directors received emoluments of approximately HK\$343,000, HK\$343,000, HK\$94,000 and HK\$ 176,000 respectively for the year ended 31 March, 2002.

No directors of the Company waived any emoluments during the year.

The number of directors of the Company whose emoluments fell within the following band is as follows:—

	2002	2001
Nil to HK\$ 1,000,000	<u>4</u>	<u>3</u>

No remuneration was paid to any non-executive directors of the Company during the year.

The five individuals whose emoluments were the highest in the Group are as follows:

	2002	2001
Directors	2	—
Non-director employees	3	5
	<u>5</u>	<u>5</u>



Information relating to the emoluments of the four directors has been disclosed above. Details of the emoluments of the three highest paid, non-director employees during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, allowances and benefits in kind	990	1,574
Discretionary bonuses	—	—
Retirement benefits	36	19
	<u>1,026</u>	<u>1,593</u>

The three highest paid, non-director employees whose emoluments fell within the following band:

	2002	2001
Nil to HK\$1,000,000	<u>3</u>	<u>5</u>

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. RETIREMENT BENEFITS

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December, 2000, the Group is required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries (monthly contribution is limited to 5% of HK\$20,000 for each eligible employees) as stipulated under the MPF legislation.

A subsidiary of the Group contributed to the Central Provident Fund Board ("CPF") of Singapore, which provides for retirement benefits to the eligible employees. Contributions to the CPF are calculated at 16% of the Singapore employees' basic salaries.

During the year, the retirement benefits contribution paid by the Group was approximately HK\$377,000 (2001: HK\$134,000).



11. RELATED PARTY TRANSACTIONS

Apart from the amounts due to a related company and directors as disclosed in notes 17 and 21 respectively, the Group had the following material transactions with related parties during the year.

At 31 March, 2002, the Group had borrowings and banking facilities to the extent of approximately HK\$5,150,000 for which the following collateral and security are provided by related parties:—

- a. A property owned by a director, Ms. Janet Leung; and
- b. Personal guarantees executed by three directors, Mr. Allan Fung, Ms. Janet Leung and Ms. Jacqueline Fung.

Mr. Allan Fung, Ms. Janet Leung and Ms. Jacqueline Fung are also beneficial shareholders of the Group.

Save as disclosed above, no other material related party transactions have been entered into by the Group during the year.

12. FILM RIGHTS

	2002	2001
	HK\$'000	HK\$'000
At 1 April	14,040	8,097
Acquired during the year, at cost	10,092	8,874
Amortisation for the year	(5,837)	(2,931)
Impairment	(184)	—
	18,111	14,040
At 31 March	(5,663)	(4,066)
Current portion	12,448	9,974
Non-current portion	12,448	9,974



13. FIXED ASSETS

	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 April, 2001	1,547	1,102	920	3,569
Additions	472	675	—	1,147
Exchange difference	(2)	(1)	(2)	(5)
At 31 March, 2002	<u>2,017</u>	<u>1,776</u>	<u>918</u>	<u>4,711</u>
Accumulated depreciation				
At 1 April, 2001	1,387	667	495	2,549
Charge for the year	211	414	275	900
Exchange difference	(1)	—	—	(1)
At 31 March, 2002	<u>1,597</u>	<u>1,081</u>	<u>770</u>	<u>3,448</u>
Net book value				
At 31 March, 2002	<u>420</u>	<u>695</u>	<u>148</u>	<u>1,263</u>
At 31 March, 2001	<u>160</u>	<u>435</u>	<u>425</u>	<u>1,020</u>

The aggregate net book value of the Group's fixed assets held under finance leases as at 31 March, 2002 is approximately HK\$352,000 (2001:HK\$621,000).

14. INVENTORIES

	2002 HK\$'000	2001 HK\$'000
Work in progress	1,717	1,292
Finished goods	10,977	10,758
	<u>12,694</u>	<u>12,050</u>

At 31 March, 2002, the carrying amount of inventories that are carried at net realisable value is HK\$794,000 (2001:HK\$Nil).



15. TRADE AND OTHER RECEIVABLES

	2002	2001
	HK\$'000	HK\$'000
Trade receivables	16,056	5,496
Other receivables	168	366
	<u>16,224</u>	<u>5,862</u>

Details of the ageing analysis of trade receivables are as follows:—

	2002	2001
	HK\$'000	HK\$'000
Within 30 days	7,342	2,520
Between 31 to 60 days	3,345	1,281
Between 61 to 90 days	2,863	438
Between 91 to 180 days	1,918	817
Over 180 days	588	440
	<u>16,056</u>	<u>5,496</u>

Customers of video sales business are generally granted with credit terms of 30 to 90 days.



16. TRADE AND OTHER PAYABLES

	2002	2001
	HK\$'000	HK\$'000
Trade payables	9,404	3,872
Other payables	1,862	3,835
Trade deposits received	1,160	355
	12,426	8,062
	12,426	8,062

Details of the ageing of trade payables are as follows:

	2002	2001
	HK\$'000	HK\$'000
Within 30 days	2,642	1,416
Between 31 to 60 days	1,269	531
Between 61 to 180 days	4,602	1,136
Over 180 days	891	789
	9,404	3,872
	9,404	3,872

17. DUE TO A RELATED COMPANY

The amount is due to Panorama Entertainment Holdings Limited ("PEHL"). The Group and PEHL have common beneficial shareholders, namely Mr. Allan Fung, Ms. Janet Leung, Ms Jacqueline Fung and Designate Success.

The amount due to the related company is interest free, unsecured and has no fixed repayment term. (see also note 31(e)).

18. SHORT TERM BORROWINGS

	2002	2001
	HK\$'000	HK\$'000
Secured bank loans	—	849
Bank overdrafts	3,970	2,440
	3,970	3,289
	3,970	3,289



19. SECURED BANK LOANS

	2002	2001
	HK\$'000	HK\$'000
The maturity of the secured bank loans is as follows:		
Within one year	610	328
After one year, but within two years	237	55
After two years, but within five years	121	—
	<hr/>	<hr/>
	968	383
Less: Amount due within one year shown under current liabilities	(610)	(328)
	<hr/>	<hr/>
Amount due after one year	358	55
	<hr/> <hr/>	<hr/> <hr/>

20. OBLIGATIONS UNDER FINANCE LEASES

	2002	2001
	HK\$'000	HK\$'000
Within one year	347	375
In the second year	75	288
In the third to fifth year	109	193
After fifth year	9	—
	<hr/>	<hr/>
	540	856
Future finance charges on finance leases	(96)	(158)
	<hr/>	<hr/>
Present value of finance lease liabilities	444	698
	<hr/> <hr/>	<hr/> <hr/>
The present value of finance lease liabilities is as follows:—		
Current portion		
Within one year	293	309
Non-current portion		
In the second year	58	325
In the third to fifth year	86	64
After fifth year	7	—
	<hr/>	<hr/>
	151	389
	<hr/>	<hr/>
	444	698
	<hr/> <hr/>	<hr/> <hr/>



21. DUE TO DIRECTORS

The amounts are due to Mr. Allan Fung, Ms. Janet Leung and Mr. James Fung.

The amounts due to directors are unsecured, interest-free and have no fixed repayment term. (see also note 31(f)).

22. SHARE CAPITAL

The following is a summary of movements in the authorised and issued share capital of the Company:

	<i>Note</i>	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
On incorporation and at 31 March, 2002, ordinary shares of HK\$0.01 each	(a)	35,000,000	350
Increase authorised capital, 17 April, 2002	(b)	<u>1,465,000,000</u>	<u>14,650</u>
At 9 May, 2002, the listing date		<u><u>1,500,000,000</u></u>	<u><u>15,000</u></u>
<i>Issued and fully paid:</i>			
Shares issued upon incorporation, 17 October, 2001	(a)	<u>1</u>	<u>—</u>
At 31 March, 2002		1	—
Shares issued upon Reorganisation, 23 April, 2002	(c)	99,999	1
Capitalisation issue, 24 April, 2002	(d)	333,200,000	3,332
New issue and Placing of shares, 9 May, 2002	(e)	<u>66,700,000</u>	<u>667</u>
At 9 May, 2002, the listing date		<u><u>400,000,000</u></u>	<u><u>4,000</u></u>

(a) The Company was incorporated on 17 October, 2001 with an authorised share capital of HK\$350,000 divided into 35,000,000 shares of HK\$0.01 each, of which 1 share of HK\$0.01, credited as fully paid, was allotted and issued.

(b) On 17 April, 2002, the authorised share capital of the Company was increased from HK\$350,000 to HK\$15,000,000 by the creation of an additional 1,465,000,000 shares of HK\$0.01 each ranking pari passu with the then existing shares in all respects.



- (c) Pursuant to the Reorganisation mentioned in note (b), on 23 April, 2002, the Company acquired the entire issued share capital of Panorama BVI in consideration for the issue and allotment of 99,999 shares to Mr. Allan Fung, AFAL and Designate Success, the former shareholders of Panorama BVI or their nominees. The Company became the holding company of the Group with effect from 23 April, 2002. The difference between the nominal value of shares issued and the fair value of Panorama BVI and its subsidiaries was credited to the share premium account.

- (d) Pursuant to a written resolution of all shareholders passed on 24 April, 2002, the directors were authorised to capitalise the sum of HK\$3,332,000 standing to the credit of the share premium account of the Company and 333,200,000 shares were allotted and issued to shareholders whose names appear on the register of members of the Company as at the close of business on 24 April, 2002 in proportion to their then respective shareholdings in the Company.

- (e) Pursuant to the listing of the shares of the Company on GEM on 9 May, 2002, 66,700,000 shares of the Company were issued by way of a Placing for cash of HK\$0.33 per share. The excess of the issued price over the par value of the shares issued has been credited to the share premium account of the Company.

- (f) All shares both issued and unissued rank pari passu in all respects at 9 May, 2002.

Share option schemes

Two share option schemes were adopted subsequent to 31 March, 2002. Details of the share option schemes are disclosed in notes 31(c) and (d) to the proforma financial information.

23. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation. The following company had paid or declared dividends to its then shareholders prior to the Reorganisation:

	2002	2001
	HK\$'000	HK\$'000
Panorama Distributions Company Limited	—	11,000



24. NET CASH INFLOW FROM OPERATING ACTIVITIES

Reconciliation of profit before taxation to net cash inflow from operating activities:—

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	17,989	7,385
Amortisation of film rights	5,837	2,931
Impairment of film rights	184	—
Depreciation	900	745
Gain on disposal of fixed assets	—	(114)
Bad debts written off	81	146
Bank interest paid	264	99
Loan interest paid	5	36
Finance lease charges	78	57
Bank interest received	(7)	(32)
Increase in inventories	(644)	(777)
(Increase)/decrease in trade and other receivables	(10,443)	732
Increase in prepayments and deposits	(2,138)	(669)
Increase in trade and other payables	4,364	1,893
(Decrease)/increase in due to a related company	(4)	1,938
	16,466	14,370
Net cash inflow from operating activities	16,466	14,370



25. ANALYSIS OF CHANGES IN FINANCING

	Amount due to directors	Amount due to a related party	Secured bank loans	Obligations under finance leases
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2000	2,087	2,459	550	597
Reclassification	2,459	(2,459)	—	—
Dividends	11,000	—	—	—
Cash inflow/(outflow), net	(6,387)	—	682	(368)
Inception of finance lease contracts	—	—	—	469
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2001	9,159	—	1,232	698
Cash outflow, net	(4,998)	—	(264)	(596)
Inception of finance lease contracts	—	—	—	342
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2002	<u>4,161</u>	<u>—</u>	<u>968</u>	<u>444</u>

26. MAJOR NON-CASH TRANSACTIONS

During the year the Group entered into finance leases in respect of fixed assets with a total capital value at the inception of the lease of HK\$342,000 (2001: HK\$469,000).



27. COMMITMENTS

(i) Operating lease commitments

The Group had operating lease commitments in respect of premises and equipment under various non-cancellable operating lease agreements. The total commitments payable under these agreements are analysed as follows:—

	2002	2001
	HK\$'000	HK\$'000
Amounts payable within a period of		
— within one year	1,078	1,231
— between one year to five years	1,194	1,488
	<u>2,272</u>	<u>2,719</u>

The commitments payable within the next twelve months are analysed as follows:—

	2002	2001
	HK\$'000	HK\$'000
Leasing expiring within a period		
— not exceeding one year	155	158
— within two years to five years	944	1,073
	<u>1,099</u>	<u>1,231</u>

(ii) Other commitments

	2002	2001
	HK\$'000	HK\$'000
Contracted for	<u>15,523</u>	<u>2,608</u>

Other commitments represent licence fees commitment to licensors for which film master materials have not been delivered to the Group.



28. CONTINGENT LIABILITIES

- (i) As at 31 March, 2002, 22 employees of the Group have completed the required number of years of service under the Hong Kong Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of all these employees met the circumstances required by the Ordinance, the Group's liability at 31 March, 2002 would be approximately HK\$877,000 (2001: HK\$786,000).
- (ii) As at 31 March, 2002, certain film rights liabilities amounting to approximately HK\$903,000 (2001: HK\$608,000) million have not been included in the financial statements on the basis that such payments are unlikely to materialise as part of common commercial practices within the film distribution industry.

Film rights liabilities represent potential extra royalty fees payable to film owners in addition to the minimum guarantee payment made pursuant to the license agreements.

- (iii) The Group was late in reporting liabilities in connection with withholding tax on licence fees paid to non-resident film owners for film rights used in Hong Kong. The Group has now reported the withholding tax liabilities to the Inland Revenue Department and has accrued these liabilities in the financial statements. As a result of late reporting, the Group might face a tax penalty.

However, the Inland Revenue Department may exercise its discretion not to penalise the taxpayers for full voluntary disclosure cases. Hence, it is difficult to predict precisely the amount of penalty, if any.

Mr. Allan Fung and Ms. Janet Leung have pursuant to a deed of indemnity dated 29 April, 2002 given joint and several indemnities, in favour of the Group in relation to any liabilities or tax penalties which might arise or in connection with the matters referred to in note 28 (ii) and (iii) above.

29. DISTRIBUTABLE RESERVES

The Company has not carried out any business since the date of its incorporation save for the incurring of expenses relating to the Reorganisation. Accordingly, there were no reserves available for distribution to the shareholders as at 31 March, 2002.



30. SUBSIDIARIES

Immediately following the completion of the Reorganisation on 23 April, 2002, the Company had the following subsidiaries:

All of these are controlled subsidiaries as defined under note 1(a) and have been included in the proforma financial information of the Group for the years ended 31 March, 2001 and 2002 in accordance with the basis of preparation set out in note 1 to the proforma financial information.

Company	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Subsidiaries:					
Panorama Entertainment Group Limited	British Virgin Islands 1 October, 2001	Ordinary US\$200	100%	—	Investment holding
Panorama Distributions Company Limited	Hong Kong 1 October, 1992	Ordinary HK\$10,000,002	—	100%	Distribution of video products
Panorama Entertainment Company Limited	Hong Kong 25 June, 1991	Ordinary HK\$10,000	—	100%	Holding of film rights
Panorama Entertainment (Singapore) Pte Ltd	Singapore 11 March, 2000	Ordinary S\$100,000	—	100%	Distribution of video products



31. SUBSEQUENT EVENTS

The following events took place subsequent to 31 March, 2002:

- (a) Subsequent to 31 March, 2002, there were movements in share capital the detail of which is set out in note 22 to the financial information.
- (b) On 23 April, 2002, the Company completed the Reorganisation in preparation for the listing of the Company's shares on GEM. As a result of the Reorganisation, the Company has become the holding company of the Group. Further details of the Reorganisation are set out in the Prospectus dated 30 April, 2002.
- (c) On 25 April, 2002, the Company adopted an employee share option scheme (the "Pre-IPO Share Option Scheme"). An aggregate of 40,000,000 share options had been granted to a total of eight Directors (including four executive Directors, two non-executive Directors and two independent non-executive Directors), five senior management staff and 32 other full-time employees of the Group under the Pre-IPO Share Option Scheme. No further options will be offered or granted under the Pre-IPO Share Option Scheme as the right to do so had already expired on 9 May, 2002, the date when dealings in the Company's shares first commenced on GEM. Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus dated 30 April, 2002.
- (d) On 25 April, 2002, the Company also adopted another Share Option Scheme (the "Scheme"), further details of which are set out in the Prospectus of the Company dated 30 April, 2002. The Scheme became effective upon the listing of the Company's shares on GEM on 9 May, 2002. As at the date of approval of these financial statements, no option has been granted or agreed to be granted under the Scheme.
- (e) On 29 April, 2002, Panorama Entertainment Holdings Limited, a related company, entered into an undertaking whereby it agreed not to demand repayment of the amount due by the Group from the date of listing of the Company's shares on GEM unless certain conditions are fulfilled. Further details of the undertaking are set out in the Prospectus dated 30 April, 2002. On the date of listing, the amount due to Panorama Entertainment Holdings Limited amounted to HK\$1,934,000.
- (f) On 29 April, 2002, Mr. Allan Fung, Ms. Janet Leung and Mr. James Fung, directors of the Company, entered into undertakings whereby they agreed not to demand repayment of the amounts due by the Group from the date of listing of the Company's shares on GEM unless certain conditions are fulfilled. Further details of the undertakings are set out in the Prospectus dated 30 April, 2002. On the date of listing, the amounts due to Mr. Allan Fung, Ms. Janet Leung and Mr. James Fung amounted to HK\$2,931,000.



32. ULTIMATE HOLDING COMPANY

The directors of the Company consider Allan Fung Assets Limited, a company incorporated in British Virgin Islands, to be the ultimate holding company of the Company.



NOTICE IS HEREBY GIVEN that the 2002 Annual General Meeting of the shareholders of Panorama International Holdings Limited (“the Company”) will be held at 7th Floor, Union Building, 112 How Ming Street, Kwun Tong, Kowloon, Hong Kong at 4:00 p.m. on Friday, 26 July, 2002 for the following purposes:

1. To receive, consider and adopt the audited financial statements and the reports of the directors (“Directors”) and auditors for the year ended 31 March, 2002.
2. To re-elect retiring Directors and to authorize the board of Directors (“Board”) to fix the remuneration of the Directors.
3. To re-appoint auditors of the Company and to authorize the Board to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. **“THAT:**

- (a) subject to paragraph (c) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“Shares”) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this resolution) or, (ii) the grant or exercise of any options under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of options to subscribe for, or rights to acquire Shares or, (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of the cash payment for any dividend on Shares pursuant to the articles of association of the Company in force from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the approval in paragraph (a) of the resolution shall be limited accordingly; and
- (d) for the purpose of this resolution:—
 “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:—
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; and
 - (iii) the date on which the authority given under this resolution is revoked, varied or renewed by an ordinary resolution of the shareholders of the Company in a general meeting.

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Company or the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange applicable to the Company).”

B. **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this resolution) of all the powers of the Company to repurchase its



own shares on the GEM or any other stock exchange on which the Shares may be listed and which is recognized by the Securities and Futures Commission of Hong Kong ("Securities and Futures Commission") and the Stock Exchange for such purpose, in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any such other stock exchange from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly ; and
- (c) for the purpose of this Resolution:—

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:—

 - (i) the conclusion of the next annual general meeting of the Company ;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held ; and
 - (iii) the date on which the authority given under this resolution is revoked, varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting."

C. **"THAT:**

subject to the passing of the ordinary resolutions Nos. 4A and 4B above being duly passed, the unconditional general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional Shares pursuant to resolution No. 4A above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 4B above, provided that such amount shall not exceed 10 percent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution."

By Order of the Board
Fung Yu Hing, Allan
Chairman

Hong Kong, 26 June, 2002

Principal Place of Business in Hong Kong:

7th Floor, Union Building
112 How Ming Street
Kwun Tong
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint a person or persons (if he holds two or more shares) as his proxy or proxies to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy need not be a member of the Company.
2. To be valid, a form of the proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be delivered at the Company's share registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forty-eight hours before the time appointed for holding the Meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. An Explanatory Statement containing further details regarding Ordinary Resolution No. 4B above as required by the Rules Governing the Listing of Securities on GEM will be dispatched to members of the Company together with the 2002 Annual Report.
4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the Meeting if the shareholder so desires and in such event the instrument appointing a proxy shall be deemed to be revoked.

