



Panorama International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Movies

Animation

TV Series

Music Video

Documentary



www.panorama.com.hk

2002

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First Quarterly Report

For the three months ended 30 June 2002

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

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.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the directors of Panorama International Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Panorama International Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**QUARTERLY RESULTS FOR THE PERIOD ENDED 30 JUNE, 2002
(UNAUDITED)**

The board of Directors (the “Board”) of Panorama International Holdings Limited (the “Company”) is pleased to announce the unaudited quarterly consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June, 2002 together with the comparative unaudited figures for the corresponding period of 2001 as follows:

		Three months ended	
		30 June,	
		2002	2001
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	13,733	14,237
Cost of sales		(6,254)	(8,418)
		<hr/>	<hr/>
Gross profit		7,479	5,819
Other revenue	2	181	141
Distribution costs		(463)	(232)
Administrative expenses		(5,086)	(3,855)
Other operating expenses		(387)	(189)
		<hr/>	<hr/>
Profit from operations		1,724	1,684
Finance costs		(69)	(209)
		<hr/>	<hr/>
Profit from ordinary activities			
before taxation		1,655	1,475
Taxation	3	(320)	(268)
		<hr/>	<hr/>
Profit attributable to shareholders		1,335	1,207
		<hr/>	<hr/>
Earnings per share – Basic	4	0.33 HK cent	0.30 HK cent
		<hr/>	<hr/>

1. Basis of preparation

(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 30 June, 2002, the Company has not carried out any business transaction save for the incurring of expenses related to the Reorganization as defined in note 1(b) below.

(b) Group reorganization and listing on GEM

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 GEM of the Stock Exchange, the Company became the holding company if the subsidiaries now comprising the Group on 23 April, 2002. Further details of the Reorganization are set out in the Company’s prospectus dated 30 April, 2002 (the “Prospectus”).

(c) Basis of presentation

The unaudited consolidated profit and loss accounts for the three months ended 30 June, 2001 and 2002 have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

The financial information presented has been prepared in accordance with accounting policies which conform with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules of the Stock Exchange as applicable to quarterly reports.

The unaudited consolidated results of the Group have been prepared on a merger basis as if the Company had always been the holding company of the respective subsidiaries now comprising the Group.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover and other revenue

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

Turnover and revenue recognized during the period under review are as follows:

	Three months ended	
	30 June,	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sales of goods	12,746	13,659
Sub-licensing of film rights	987	578
	<u>13,733</u>	<u>14,237</u>
Other revenue		
Bank interest income	7	4
Net exchange (loss)/gain	(4)	1
Sundry income	178	136
	<u>181</u>	<u>141</u>
	<u>13,914</u>	<u>14,378</u>

3. Taxation

	Three months ended	
	30 June,	
	2002	2001
	HK\$'000	HK\$'000
Overseas taxation	(50)	(89)
Hong Kong profits tax	(270)	(179)
	<u>(320)</u>	<u>(268)</u>

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

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

4. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$1,335,000 (2001: HK\$1,207,000) and the 400,000,000 ordinary shares in issue (2001: 400,000,000 ordinary shares) after the Group's Reorganization and capitalization issue as if those shares had been in issue for each period presented.

No fully diluted earnings per share for the three months ended 30 June, 2001 and 2002 has been presented, as there were no diluted potential ordinary shares during these periods.

5. Reserves

	Share premium account <i>HK\$'000</i>	Foreign exchange translation reserve <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Revenue reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2001	15,134	–	(4,694)	90	10,530
Profit for the period	–	–	–	1,207	1,207
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	–	(3)	–	–	(3)
At 30 June, 2001	<u>15,134</u>	<u>(3)</u>	<u>(4,694)</u>	<u>1,297</u>	<u>11,734</u>
At 1 April, 2002	15,134	(4)	(4,694)	15,135	25,571
Profit for the period	–	–	–	1,335	1,335
Movement during the period	<u>12,857</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,857</u>
At 30 June, 2002	<u>27,991</u>	<u>(4)</u>	<u>(4,694)</u>	<u>16,470</u>	<u>39,763</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 30 June, 2002 (2001: Nil).

BUSINESS AND FINANCIAL REVIEW AND PROSPECTS

Business and financial review

On 9 May, 2002, the Group was successful listed on the GEM of the Stock Exchange. This event represented a major milestone in the Group's history and development and has also heralded a year of alliances, ventures and expansion.

On the financial side, the turnover of the Group for the three months (the "Three-Month Period") ended 30 June, 2002 amounted to approximately HK\$13.73 million (2001: HK\$14.24 million), representing approximately 3.58% decrease as compared to that of the same period in 2001. Sales of goods for the Three-Month Period amounted to approximately HK\$12.75 million (2001: HK\$13.66 million), representing a drop of approximately 6.66% over the corresponding Three-Month Period last year. Sub-licensing income for the Three-Month Period was approximately HK\$0.99 million (2001: HK\$0.58 million), representing an approximately 70.69% increase when

compared to that of the same period in 2001. Net profit for the Three-Month Period amounted to HK\$1.34 million (2001: HK\$1.21 million), representing an increase of approximately 10.74% over the corresponding Three-Month Period last year.

During the Three-Month Period under review, the Group also recorded approximately HK\$5.09 million administrative expenses (2001: HK\$3.86 million), representing an increase of approximately 31.87% when compared to that of the corresponding period in 2001. Such increase could be attributed to the hiring of high caliber executives to head up various mission-critical business functions. The Group believed that the recruitment decision was necessary for building up a strong team of professionals and for maintaining growth and profitability. Therefore, despite the decline in turnover and increase in administrative expenses, the net profit increased as a result of improved production cost control and higher staff productivity.

On the business operation side, with the proceeds obtained from the placing exercise of 100,000,000 shares at HK\$0.33 per share in May 2002 and the support of a profitable business, the Group is ready to foster strategic partnerships, acquire popular film rights, and establish new channels to become the leading entertainment provider in Asia.

Since the beginning of this financial year, the Group has already established multiple strategic alliances with major players in the region to strengthen its foothold as a leading entertainment distributor in Asia. In June 2002, the Group obtained exclusive rights from Shochiku Co., Ltd., one of the largest entertainment companies in Japan, for video distribution on all formats throughout Hong Kong and Macau. The titles acquired under the agreement include the smash hit “Tora-San series”, “The Yellow Handkerchief”, “Fall Guy” and “Vengeance Is Mine”. In addition to the agreement for rights to Shochiku’s entire film library of over 4,000 titles, the Group also owns the exclusive rights to Shochiku’s other label, Classic Movies, that includes many well-known masterpieces by such renowned directors as Yasujiro Ozu, Akira Kurosawa and Oshima Nagisa.

Apart from the arrangement with Shochiku, the Group also entered into agreement with several famous Asian film production companies to release their films, including Paradise TV from Japan, SBS Production Inc. from South Korea, and Applause Pictures from Hong Kong. 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 Adventure” series, add tremendous value to the existing library. Furthermore, the programme releases of 15 soccer legends, during the World Cup months of May and June, was conducted in a timely manner to capitalise on the anticipated football mania.

In respect of new releases in other genres such as music, the Group has fostered the strongest tie ever with Universal Music Limited, holder of prominent brands such as Polygram, Universal Music, Mercury and Polydor, has authorized the Group to become the exclusive distributor of their products in Hong Kong. Mutual agreement was reached to release approximately 25 new titles this year and all of the back catalogue in the future. The title “All Access Europe” by EMINEM was released in early July and titles from other famous artists will soon follow. Subsequently, music from Universal’s leading artists such as Elton John, Sting, Santana, Bee Gees, and Brian Adams will be brought to Hong Kong music lovers jointly by the two companies under the agreement. With the strategic alliance with Universal, the Group has become the market leader in music video distribution in Hong Kong with approximately 300 titles.

The team that created the historical Korean box office champion “Friend” (with 8.2 million admissions) has done it again. This time director, Mr. Kwak Kyung-taek and his crew, told the story of a Korean boxing legacy – Kim Deuk-gu in their new movie “Champion”. The Group has acquired the theatrical, as well as all other, distribution rights for the movie in Hong Kong and Macau.

New film rights and new releases as mentioned above would not be complete without new channels. Thus, the Group has also made tremendous strides in exploring new channels of content distribution. The Group’s corporate portal, www.panorama.com.hk, was launched in May 2002 to provide a new platform for conducting e-business and cultivating strong stakeholder relationships. Sub-licensing film rights to cable operators and streaming content 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.

The online presence is also accompanied with similar off-line expansion. The Group has established a branch office in Guangzhou to spearhead its development in Mainland China. This, together with the other prospects, will reinforce the Group’s strategies in building up strategic alliances, enriching its programme library, and expanding its distribution network.

Prospects

Promising growth is expected to derive from the releases of locally produced titles such as “Three”. The releases of these new titles reflect the Group’s commitment to strengthen its library in other genres besides its fortes of Animation, Adult, and Music. The release of “The Eye”, a ghost story and a box office success produced by

Applause Pictures in June 2002, was very well received, signifying a major milestone in the Group's endeavor to boost its distribution in locally produced titles. "Three", already a box office success in Thailand since its release, was a joint effort put together by three prominent Asian directors, namely Mr. Peter Chan Ho-Sun from Hong Kong, Mr. Nonzee Nimibur from Thailand and Mr. Kim Jee-Woon from South Korea. The movie, a trilogy of ghost stories, brings together three tales of life beyond death, each of them exploring the beliefs, superstitions, and mysteries of three different Asian culture. The Group expects another box office sensation when the movie debuts in Hong Kong.

Another area of promising growth will come from the PRC as time goes by. Looking forward, the Group is 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 the PRC, thus creating ample opportunities for the Group to expand into the market. To further expand its distribution network, the Directors are considering establishing additional branch offices in Beijing and Shanghai in the PRC in the near future, after having opened the first mainland office in Guangzhou.

DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

As at 30 June, 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 (the "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	Personal interests	Family interests	Corporate interest	Other interests	Total interests
Mr. Fung Yu Hing, Allan	18,331,500	-	233,340,000 ^(Note 1)	-	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.

Save as disclosed above, the Company had not received notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 30 June, 2002.

(b) Share options

Each of the Directors (Including executive, non-executive and independent non-executive) had 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” below.

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.

SHARE OPTION SCHEMES

(a) Share options scheme

Pursuant to the share option scheme (the “Share Option Scheme”) of the Company adopted on 25 April, 2002, 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”). All of these options have a duration of 10 years from and including the date on which dealings in the Company’s shares on GEM first commence on 9 May, 2002, but each shall lapse in accordance with the terms of the Pre-IPO Share Option Scheme if the relevant grantee ceases to be an eligible participant or on any other grounds set out in the Pre-IPO Share Option Scheme as defined in the Prospectus. All share options granted under the Pre-IPO Share Option Scheme can only be exercised after twelve months from 9 May, 2002. The particulars of the share options granted under the Pre-IPO Share Option Scheme to the Directors are set out below:–

Name of Directors	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)
Mr. Fung Yu Hing, Allan	25 April, 2002	7,000,000 (4,000,000 to Pool A Options and 3,000,000 to Pool B Options)	1.7500%
Ms. Leung Siu Kuen, Janet	25 April, 2002	6,000,000 (4,000,000 to Pool A Options and 2,000,000 to Pool B Options)	1.5000%
Mr. Fung Yee Sang	25 April, 2002	6,000,000 (4,000,000 to Pool A Options and 2,000,000 to Pool B Options)	1.5000%
Mr. Au Lik Man, Simon	25 April, 2002	2,000,000 (1,000,000 to Pool A Options and 1,000,000 to Pool B Options)	0.5000%
Dr. Lo Wing Yan, William	25 April, 2002	2,300,000 (1,800,000 to Pool A Options and 500,000 to Pool B Options)	0.5750%
Ms. Fung Suen Lai, Jacqueline	25 April, 2002	500,000 (to Pool B Options)	0.1250%
Mr. Chan Koon Chung, Johnny	25 April, 2002	500,000 (to Pool B Options)	0.1250%
Mr. Chau, Stephen	25 April, 2002	500,000 (to Pool B Options)	0.1250%

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 30 June, 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%

Notes:

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.
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.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30 June, 2002.

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.

SPONSOR'S INTEREST

As at 30 June, 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 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 the sponsorship agreement dated 29 April, 2002 entered into between the Company and the Sponsor, the Sponsor has received and will receive fees for acting as the Company's retained sponsor for the period from 9 May, 2002 to 31 March, 2005 or until the sponsorship agreement is terminated upon the terms and conditions set out therein.

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

During the three months ended 30 June, 2002, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's listed securities.

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. The primary duties of the Committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board. The Committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

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.

By Order of the Board
Fung Yu Hing, Allan
Chairman

Hong Kong, 9 August, 2002