



Panorama International Holdings Limited

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

Documentary

TV Series

Adult

Movie

Animation

Sports

Music Video

Interim Report

2002-2003



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OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

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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.



INTERIM RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2002 — UNAUDITED

The Board of Directors (the "Board") of Panorama International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 September 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		For the three months ended 30 September		For the six months ended 30 September	
		2002	2001	2002	2001
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	10,517	17,657	24,250	31,894
Cost of sales		(7,004)	(8,059)	(13,258)	(16,477)
Gross profit		3,513	9,598	10,992	15,417
Other revenue	2	(1)	(134)	180	7
Distribution costs		(311)	(346)	(774)	(578)
Administrative expenses		(5,568)	(2,855)	(10,654)	(6,710)
Other operating expenses		(339)	(346)	(726)	(535)
(Loss)/profit from operations	4	(2,706)	5,917	(982)	7,601
Finance costs		(82)	20	(151)	(189)
(Loss)/profit before taxation		(2,788)	5,937	(1,133)	7,412
Taxation written back/(charge)	5	244	(1,059)	(76)	(1,327)
(Loss)/profit attributable to shareholders		(2,544)	4,878	(1,209)	6,085
(Loss)/earnings per share — Basic	6	(0.64 cents)	1.22 cents	(0.30 cents)	1.52 cents



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 September 2002 HK\$'000	(Audited) 31 March 2002 HK\$'000
NON-CURRENT ASSETS			
Film rights	7	23,045	12,448
Fixed assets	8	2,014	1,263
Other prepayments		342	—
		<u>25,401</u>	<u>13,711</u>
CURRENT ASSETS			
Film rights	7	5,289	5,663
Inventories		16,639	12,694
Trade and other receivables	9	12,386	16,224
Prepayments and deposits		2,134	3,861
Bank and cash balances		6,597	378
		<u>43,045</u>	<u>38,820</u>
CURRENT LIABILITIES			
Trade and other payables	10	15,432	12,426
Due to a related company		1,867	1,934
Short term borrowings		5,870	3,970
Secured bank loans	11	431	610
Obligations under finance leases	12	343	293
Due to directors		—	4,161
Provision for taxation		2,504	3,056
		<u>26,447</u>	<u>26,450</u>
NET CURRENT ASSETS		<u>16,598</u>	<u>12,370</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,999</u>	<u>26,081</u>
NON-CURRENT LIABILITIES			
Secured bank loans	11	208	358
Obligations under finance leases	12	528	151
		<u>736</u>	<u>509</u>
NET ASSETS		<u>41,263</u>	<u>25,572</u>
CAPITAL AND RESERVES			
Share capital	13	4,000	1
Reserves	14	37,263	25,571
SHAREHOLDERS' FUNDS		<u>41,263</u>	<u>25,572</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	(Audited)
	For the six months ended 30 September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	6,939	8,680
Net cash outflow from investing activities	(14,703)	(6,042)
Net cash (outflow)/inflow before financing activities	(7,764)	2,638
Net cash inflow/(outflow) from financing activities	12,083	(2,685)
Net increase/(decrease) in cash and cash equivalents	4,319	(47)
Effect of foreign exchange	—	1
Cash and cash equivalents at beginning of period	(3,592)	(1,757)
Cash and cash equivalents at end of period	<u>727</u>	<u>(1,803)</u>
Analysis of the balances of cash and cash equivalents:		
Bank and cash balances	6,597	426
Bank overdrafts	(5,870)	(2,229)
	<u>727</u>	<u>(1,803)</u>



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

	Share premium account <i>HK\$'000</i>	Foreign exchange translation reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	10,441	—	—	90	10,531
Profit for the period	—	—	—	6,085	6,085
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	—	10	—	—	10
At 30 September 2001	<u>10,441</u>	<u>10</u>	<u>—</u>	<u>6,175</u>	<u>16,626</u>
At 1 April 2002	15,134	(4)	(4,694)	15,135	25,571
Loss for the period	—	—	—	(1,209)	(1,209)
Movement during the period	<u>12,901</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,901</u>
At 30 September 2002	<u>28,035</u>	<u>(4)</u>	<u>(4,694)</u>	<u>13,926</u>	<u>37,263</u>



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 September 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 of 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 condensed consolidated financial statements for the six months ended 30 September 2001 and 2002 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements 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.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the preparation of the Group's audited financial statements for the year ended 31 March 2002.



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		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
Sales of goods	9,943	13,893	22,689	27,552
Sub-licensing of film rights	574	3,764	1,561	4,342
	<u>10,517</u>	<u>17,657</u>	<u>24,250</u>	<u>31,894</u>
OTHER REVENUE				
Bank interest income	5	—	12	4
Net exchange loss	(6)	(1)	(10)	—
Sundry (expenses)/ income	—	(133)	178	3
	<u>(1)</u>	<u>(134)</u>	<u>180</u>	<u>7</u>
	<u><u>10,516</u></u>	<u><u>17,523</u></u>	<u><u>24,430</u></u>	<u><u>31,901</u></u>



3. 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. In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers.

Segment information of the Group during the financial periods is as follows:

	Hong Kong		Singapore		Taiwan		Consolidated	
	6 months ended		6 months ended		6 months ended		6 months ended	
	30 September		30 September		30 September		30 September	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>20,690</u>	<u>27,845</u>	<u>1,369</u>	<u>2,411</u>	<u>2,191</u>	<u>1,638</u>	<u>24,250</u>	<u>31,894</u>
Results								
(Loss)/profit before taxation	(1,190)	6,802	57	435	—	175	(1,133)	7,412
Taxation charge	<u>—</u>	<u>(1,278)</u>	<u>(14)</u>	<u>(49)</u>	<u>(62)</u>	<u>—</u>	<u>(76)</u>	<u>(1,327)</u>
(Loss)/profit attributable to shareholders	<u>(1,190)</u>	<u>5,524</u>	<u>43</u>	<u>386</u>	<u>(62)</u>	<u>175</u>	<u>(1,209)</u>	<u>6,085</u>



4. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging the following:

	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of film rights	1,728	1,330	4,422	2,594
Bad debts written off	3	28	3	28
Cost of inventories sold	3,783	5,699	6,281	11,241
Depreciation				
Owned fixed assets	199	120	350	193
Leased fixed assets	165	130	329	232
Operating lease rentals				
Land and buildings	283	353	561	578
Office equipment	81	84	164	164
Provision for inventories	51	647	147	1,293
Staff costs including directors' emoluments	3,793	2,131	7,323	4,163
	<u>3,793</u>	<u>2,131</u>	<u>7,323</u>	<u>4,163</u>

5. Taxation written back/(charge)

	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overseas taxation written back/(charge)	36	40	(14)	(49)
Hong Kong Profits Tax written back/(charge)	270	(1,099)	—	(1,278)
Underprovision in respect of prior years	(62)	—	(62)	—
	<u>244</u>	<u>(1,059)</u>	<u>(76)</u>	<u>(1,327)</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.



6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of approximately HK\$1,209,000 (2001: profit of approximately HK\$6,085,000) 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 (loss)/earnings per share for the six months ended 30 September 2001 and 2002 had been presented, as there were no diluted potential ordinary shares during these periods.

7. Film rights

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
At 1 April	18,111	14,040
Additions	14,645	10,092
Amortisation for the period/year	(4,422)	(5,837)
Impairment	—	(184)
	<hr/>	<hr/>
At 30 September	28,334	18,111
Current portion	(5,289)	(5,663)
	<hr/>	<hr/>
Non-current portion	<u>23,045</u>	<u>12,448</u>



8. Fixed assets

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April 2002	2,017	1,776	918	4,711
Additions	365	322	743	1,430
At 30 September 2002	2,382	2,098	1,661	6,141
Accumulated depreciation				
At 1 April 2002	1,597	1,081	770	3,448
Charge for the period	141	234	304	679
At 30 September 2002	1,738	1,315	1,074	4,127
Net book value				
At 30 September 2002	644	783	587	2,014
At 31 March 2002	420	695	148	1,263

9. Trade and other receivables

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Trade receivables	12,284	16,056
Other receivables	102	168
	12,386	16,224

Details of the aging analysis of trade receivables as follows:—

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Within 30 days	4,239	7,342
Between 31 to 60 days	1,333	3,345
Between 61 to 90 days	1,923	2,863
Between 91 to 180 days	1,593	1,918
Over 180 days	3,196	588
	12,284	16,056



10. Trade and other payables

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Trade payables	11,024	9,404
Other payables	2,143	1,862
Trade deposits received	2,265	1,160
	<u>15,432</u>	<u>12,426</u>

Details of the aging analysis of trade payables are as follows:

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Within 30 days	2,463	2,642
Between 31 to 60 days	1,995	1,269
Between 61 to 180 days	2,847	4,602
Over 180 days	3,719	891
	<u>11,024</u>	<u>9,404</u>

11. Secured bank loans

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
The maturity of the secured bank loans is as follows:		
Within one year	431	610
After one year, but within two years	177	237
After two years, but within five years	31	121
	<u>639</u>	<u>968</u>
Less: Amount due within one year shown under current liabilities	<u>(431)</u>	<u>(610)</u>
Amount due after one year	<u>208</u>	<u>358</u>



12. Obligations under finance leases

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year	443	347
In the second year	380	75
In the third to fifth year	308	109
After fifth year	—	9
	<u>1,131</u>	<u>540</u>
Future finance charges on finance leases	(260)	(96)
	<u>871</u>	<u>444</u>
The present value of finance lease liabilities is as follows:—		
Current portion		
Within one year	343	293
Non-current portion		
In the second year	291	58
In the third to fifth year	237	86
After fifth year	—	7
	<u>528</u>	<u>151</u>
	<u>871</u>	<u>444</u>



13. 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 1 April 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 Reorganization, 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 30 September 2002		<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, Allan Fung Assets Limited 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.

14. Reserves

	Share premium account <i>HK\$'000</i>	Foreign exchange translation reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	10,441	—	—	90	10,531
Profit for the period	—	—	—	6,085	6,085
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	—	10	—	—	10
At 30 September 2001	<u>10,441</u>	<u>10</u>	<u>—</u>	<u>6,175</u>	<u>16,626</u>
At 1 April 2002	15,134	(4)	(4,694)	15,135	25,571
Loss for the period	—	—	—	(1,209)	(1,209)
Movement during the period	<u>12,901</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,901</u>
At 30 September 2002	<u>28,035</u>	<u>(4)</u>	<u>(4,694)</u>	<u>13,926</u>	<u>37,263</u>



15. 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:—

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Amounts payable within a period of		
— within one year	1,482	1,078
— between two year to five years	1,746	1,194
	<u>3,228</u>	<u>2,272</u>

(ii) Other commitments

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Contracted for	<u>19,088</u>	<u>15,523</u>

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

16. Contingent liabilities

As at 30 September 2002, 24 employees of the Group have completed the required number of years of service under the Hong Kong Employment Ordinance (the "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 30 September 2002 would be approximately HK\$2,011,000.

INTERIM DIVIDEND

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



BUSINESS AND FINANCE REVIEW

Despite the continuing downturn in consumer confidence due to a weak economy and pricing pressure from competition, the Group, with the proceeds obtained from the Placing and a robust operation, is prepared to weather the storm as one of the leading entertainment providers in Asia during this challenging time.

On the financial side, turnover of the Group for the six months (the "Six-Month Period") ended 30 September 2002 amounted to approximately HK\$24.25 million (2001: HK\$31.89 million), representing approximately 23.96% decrease as compared to that of the same period in 2001. Sales of goods for the Six-Month Period amounted to approximately HK\$22.69 million (2001:HK\$27.55 million), representing a drop of approximately 17.64% over the corresponding Six-Month Period last year. Sub-licensing income for the Six-Month Period was approximately HK\$1.56 million (2001:HK\$4.34 million), representing approximately 64.06% decrease when compared to that of the same period in 2001. Loss for the Six-Month Period amounted to approximately HK\$1.21 million (2001: profit of approximately HK\$6.09 million), representing a decrease of approximately 119.87% over the corresponding Six-Month Period last year.

The decline in turnover and profit is largely caused by the downturn in consumer spending and pricing pressure from competition. During the Six-Month Period under review, the Group also recorded approximately HK\$10.65 million administrative expenses (2001: HK\$6.71 million), representing an increase of approximately 58.72% when compared to that of the corresponding period in 2001. Such increase can be attributed to the hiring of high caliber executives to head up various mission-critical business functions. The Group believes that the recruitment decision was necessary for building up a strong team of professionals and for maintaining long-term growth and profitability.

On the operation side, the Group will continue to foster strategic partnerships, acquire popular film rights, and expand our channels to reach more audiences. In addition, the Group will become more involved with the productions of high quality local films.

Since the Group obtained exclusive distribution rights this June from Shochiku Co., Ltd., one of the largest entertainment companies in Japan, masterpieces such as "Fall Guy", "Toran-San series" and "Getting Any", by renowned directors — Fukasaku Kinji, Kobayashi Shunichi and Kitano Takeshi, have been released and well received by Japanese film lovers. Furthermore, the release of locally produced title "The Eye" from Applause Pictures turned out to be a great success. This confirms the Group's commitment to strengthen its library in other genres besides its fortes of Animation, Adult, and Music, and signifies a major milestone in the Group's endeavor to boost its distribution in locally produced titles.



“Three”, already a box office success in Thailand, has also done very well in South Korea and Hong Kong. The movie was a joint effort of three prominent Asian directors — Peter Chan Ho-Sun from Hong Kong, Nonzee Nimibur from Thailand, and Kim Jee-Woon from South Korea. The film, 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 success when the title debuts in late October this year.

After “The Eye” and “Three”, the Group will partner with Applause Pictures once again on the production of “The Story of Golden Chicken”. Starring Sandra Ng, the movie is jointly financed by Applause Pictures and the Group with Peter Chan Ho-Sun as the executive producer. The film is scheduled for theatrical release in December 2002.

“Tokyo Zance”, a mosaic of impressions about life in Tokyo, directed by six well-known Japanese directors from various genres and Kelly Chan, one of the hottest actresses from Hong Kong. The Group is proud to release this film to let the Hong Kong audiences see the other talents of their beloved Kelly Chan.

“Bend It Like Beckham”, a comedy directed by Gurinder Chadha, is the Group’s special offer for the World Cup year. New comer to the big screen — Parminder Nagra plays the main character Jesse who has to juggle between her dream to become a world-class soccer player and her family’s expectations for her to live a comfortable married life. The movie is funny and witty and appeals to the whole family. It will be released in November this year.

“Better Than Sex”, a comedy/love story full of hilarious scenes which was directed by the talented Su Chao-pin, is one of the most talked about movie in Taiwan this year. Some critics have even claimed it as the Taiwanese version of “American Pie”. The Group will release this title in Taiwan in November and in Hong Kong soon after. Besides “Better Than Sex”, the Group will also release its self-produced title during the same month in Taiwan called “Meeting With Vajrasattva”, which is a music video show of exotic dance and percussion instruments featuring a buddist theme. These two titles represent our latest effort to expand our presence in Taiwan.

In November, the Group will also release the movie “Champion”, the story of a Korean boxing legacy — Kim Deuk-gu and the box office winner in South Korea this summer. This film was created by Kwak Kyung-taek, a renowned director who set a record in the Korean box office with the movie “Friend” (with 8.2 million admissions). The group has received exclusive theatrical and video rights for the distribution of “Champion” in Hong Kong and Macau.



New film rights and new releases as mentioned above would not be complete without a distribution strategy. The Group has pursued new channels such as cross media bundling and operating a 24 hours cable channel. The bundling arrangement was established between the Group and Sing Pao Daily News, one of the major newspaper publishers in Hong Kong. Through the arrangement, the Group's Soccer Legend series VCD was distributed together with the publisher's newspapers during and after the world cup period between June and September. The 24 hour premium channel is another important move, jointly put together by the Group and I-Cable, to reach out to all I-Cable subscribers in Hong Kong. Thus, the Group has 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 an ongoing 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 sales office, currently with staff of six, in Guangzhou to spearhead its development in the Mainland. This, together with the other prospects, will reinforce the Group's strategies in building strategic alliances, enriching its programme library, expanding its distribution network, and producing high quality films.

PROSPECTS

Starting January 2003, the Group will release a series of ten action tele-features and one action movie jointly produced by Bob and Partners Co. Ltd and the Group. Mr. Wong Jing and Mr. Gordon Chan, both prominent producers and directors, are also on the team. This venture, in conjunction with the partnership with Applause Pictures as shown in the joint effort to produce "The Story of Golden Chicken", will set the pace and pattern for the Group to become more involved in producing mainstream movies by teaming up with famous local film makers.

Apart from local films, the Group has also acquired the rights to several Hollywood movies produced and directed by prominent film makers. Movies such as "Basic", "Human Stain", "Underworld" and "Jeepers Creepers II" will be released in the near future. The thriller "Basic", starring John Travolta and Samuel L. Jackson, is directed by John McTiernan who was also the directors of many box office hits such as the "Die Hard" series and "The Hunt for Red October". The "Human Stain" is the story of Coleman Silk, a classics professor with a terrible secret played by Anthony Hopkins. Hopkins' fans would surely not want to miss this film. Lovers of horror movies will have their appetites satisfied when the "Underworld" and "Jeepers Creepers II" are released. The former is a story about a vampire warrior falling in love with her enemy, a werewolf, while the latter is a sequel to the tale of scary flesh-eating beasts who feed on human parts.



The production of "Meeting With Vajrasattva" in Taiwan is a witness to the Group's intention to expand overseas market and to produce high quality titles suitable for world-wide distribution. Other developments in countries such as India, Malaysia, and Indonesia, especially in the release of music programs and signing up of sub-licensees, are also going well.

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 (approximately 7.8% increase in GDP) 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 offices in Beijing and Shanghai in the PRC in the near future, after having opened the first mainland office in GuangZhou.

LIQUIDITY AND FINANCIAL RESOURCES

In respect of the Group's liquidity position, its current ratio as at 30 September 2002 was approximately 163%, representing an increase of approximately 16% when compared to that of the previous financial year. Gearing ratio, calculated based on long term liabilities of approximately HK\$736,000 (As at 31 March 2002: HK\$509,000) and shareholders' funds of approximately HK\$41,263,000 (As at 31 March 2002: HK\$25,572,000), was approximately 2% as at the balance sheet date, representing no change in percentage as compared to the previous year's figure. The increase of current ratio and stable gearing ratio was largely due to the increase in bank and cash balances and equity position as a result of the placing.

PLEDGE OF ASSETS

As at 30 September 2002, the Group's bank deposit of amount of HK\$5,000,000 was pledged to a bank to secure banking facilities of the Group.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives	Actual Business Progress/change of objective (if any)
<p>Enhance Video Programme Library</p> <ul style="list-style-type: none"> • Acquire more distribution rights for Taiwan and Singapore market • Commence negotiation with local film producers 	<ul style="list-style-type: none"> • Rights to distribute the titles from the film library of Shochiku Co., Ltd • Will distribute "Better Than Sex" and "Meeting With Vajrasattva" in Taiwan and Hong Kong in November this year • After "The Eye" and "Three", the Group is partnering with Applause Pictures again on the production of "The Story of Golden Chicken, which will be released in December 2002 • "Bend It Like Beckham", a comedy to be released in October this year • "Tokyo Zance", Kelly Chan's first creative work as director, will debut at the beginning of next year • Will release a series of action tele-features (10 episodes with each individual story) and one action movie jointly produced by Bob and Partners Co. Ltd and the Group early next year • Movies such as "Basic", "Human Stain", "Underworld" and "Jeepers Creepers II", Hollywood box office hits directed and produced by renowned film makers, will be released in the near future
<p>Expand Distribution Network</p> <ul style="list-style-type: none"> • Continue to expand distribution network to 330 video stores and 1,000 retail chain outlets in Hong Kong • Set up a branch office in Guangzhou • Expand its sales office in Singapore to cover Malaysian market 	<ul style="list-style-type: none"> • Continue to expand distribution network in Hong Kong according to the business plan • Branch office in Guangzhou opened with six staff • Singapore office remains in status quo as the regional economy is bearish and uncertain
<p>Diversifying Distribution Channels</p> <ul style="list-style-type: none"> • Commence negotiation with iCable for sub-licensing of distribution rights • Release World Cup related titles 	<ul style="list-style-type: none"> • Operate a 24 hour cable channel through I-Cable subscription network • Bundled deal with Sing Pao Daily News to distribute the Soccer Legend series VCD during and after the world cup season
<p>Develop Internet and E-commerce Business</p> <ul style="list-style-type: none"> • Continue to enrich the content and provide more features to the Group's websites • Conduct research on business to business model • Continue to develop e-commerce of video, audio & home entertainment related products • Launch website www.panorama.com.hk 	<ul style="list-style-type: none"> • Besides bi-lingual support (Chinese and English), the Group's website has a very extensive catalog of old titles and new releases • Mini-sites of new releases and special features are also available as a coherent part of the corporate portal for detailed enquiry by consumers, members, and retailers • Website www.panorama.com.hk launched in May 2002 is positioned as a mediator between the consumer who needs product information and the retailers who need business referrals



USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on GEM were approximately HK\$16.7 million. Out of which, approximately HK\$4.0 million was used to repay short-term borrowing. Although such action was not mentioned in the Prospectus, the event has reflected top management's prudent cash management policy during a time of low saving interest rates. Also, an amount of approximately HK\$1.0 million was spent on purchasing fixed asset, of which approximately HK\$342,000 was spent in setting up the Guangzhou office and approximately HK\$676,000 for the Hong Kong head office. This was generally in accordance with what had been projected in the Prospectus. As at 30 September 2002, the Group had spent approximately HK\$13.7 million on film right acquisition, of which approximately HK\$5.5 million has been financed by the net proceeds from the placing. It represented in excess of approximately HK\$4.0 million beyond what was anticipated in the Prospectus. The variation was largely attributed to the changes in market conditions and opportunities, which required the Group to respond promptly. Good movies from prominent directors and producers would be quickly snapped up by competitors had we not reacted in a swift manner. The remaining balance of HK\$6.2 million would be spent based on an revised budget as at 30 September 2002. The budget for the enhancement to the video programme library would be adjusted downward to approximately HK\$4.0 million, as some of the planned acquisitions after 30 September 2002 had already been conducted. The expansion of distribution network, both off-line and online, would adhere to the limit set out in the revised budget by adjusting downward from approximately HK\$2.1 million to approximately HK\$1.0 million for off-line distribution and from approximately HK\$2.4 million to approximately HK\$1.2 million for web development. If market conditions and opportunities become favorable, the Group would consider financing its distribution expansion based on positive cash flow from operation.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2002, the Group, headquartered in Hong Kong had 76 staff (As at 31 March 2002: 63 staff) in total working for the Hong Kong, Singapore, Taiwan, and Guangzhou offices. The sales and marketing department has the largest number of staff, with 18 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 the mandatory provident fund, medical care, and share option scheme.

Staff salaries and allowance increased by approximately 76%, an increase of approximately HK\$3.16 million, which was in line with the increase of staff head-count to cope with the Group's business expansion during the period, for the period ended 30 September 2002.



DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

As at 30 September 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 interests	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 September 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 announcement, 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 announcement, 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 Share 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 Option"). 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 Option and Pool B Options	Appropriate percentage of shareholder (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, JP	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 register required to be kept under section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company as at 30 September 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 Share 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 September 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 September 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) has 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 six months ended 30 September 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, 11 November 2002