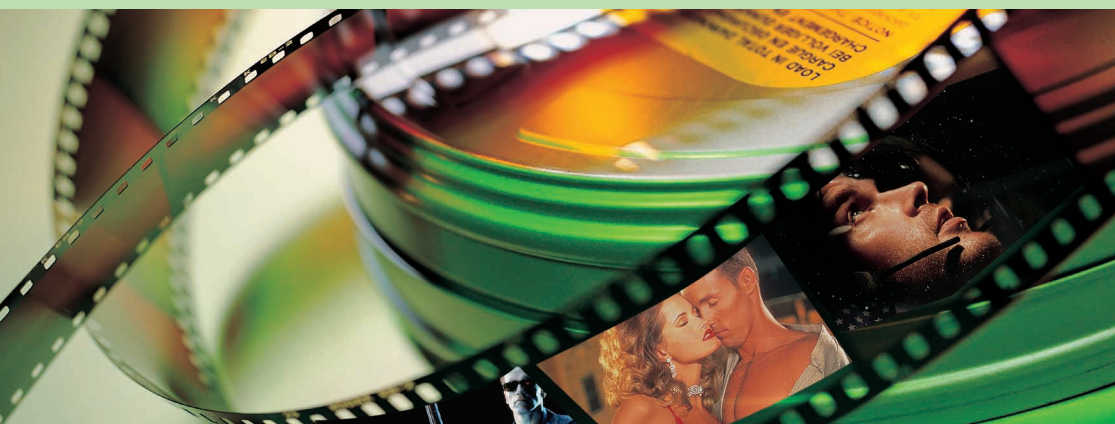




Panorama International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)



Third
Quarterly
Report
2002 - 2003

**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 report 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 31 DECEMBER 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 nine months ended 31 December 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	15,506	15,710	39,756	47,604
Cost of sales		(7,155)	(6,793)	(20,413)	(23,270)
Gross profit		8,351	8,917	19,343	24,334
Other revenue	2	23	3	203	10
Distribution costs		(407)	(122)	(1,181)	(700)
Administrative expenses		(5,643)	(3,648)	(16,297)	(10,358)
Other operating expenses		(484)	(248)	(1,210)	(783)
Profit from operations		1,840	4,902	858	12,503
Finance costs		(151)	(68)	(302)	(257)
Profit before taxation		1,689	4,834	556	12,246
Taxation	3	(144)	(838)	(220)	(2,165)
Profit attributable to shareholders		1,545	3,996	336	10,081
Earnings per share — Basic	4	0.39 cent	1.00 cent	0.08 cent	2.52 cent

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 31 December 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 consolidated profit and loss accounts for the nine months ended 31 December 2002 and 2001 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 other revenue recognized during the period under review are as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER				
Sales of goods	13,483	14,110	36,172	41,662
Sub-licensing of film rights	2,023	1,600	3,584	5,942
	<u>15,506</u>	<u>15,710</u>	<u>39,756</u>	<u>47,604</u>
OTHER REVENUE				
Bank interest income	22	2	34	6
Net exchange loss	(12)	—	(22)	—
Sundry income	13	1	191	4
	<u>23</u>	<u>3</u>	<u>203</u>	<u>10</u>
	<u><u>15,529</u></u>	<u><u>15,713</u></u>	<u><u>39,959</u></u>	<u><u>47,614</u></u>

3. Taxation

	For the three months ended 31 December		For the nine months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Overseas taxation	54	64	68	113
Hong Kong profits tax	86	774	86	2,052
Under provision in respect of prior years	4	—	66	—
	<u>144</u>	<u>838</u>	<u>220</u>	<u>2,165</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\$336,000 (2001: HK\$10,081,000) 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 nine months ended 31 December 2002 and 2001 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 reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	15,134	—	(4,694)	90	10,530
Profit for the period	—	—	—	10,081	10,081
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	—	10	—	—	10
At 31 December 2001	<u>15,134</u>	<u>10</u>	<u>(4,694)</u>	<u>10,171</u>	<u>20,621</u>
At 1 April 2002	15,134	(4)	(4,694)	15,135	25,571
Profit for the period	—	—	—	336	336
Movement during the period	<u>12,901</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,901</u>
At 31 December 2002	<u>28,035</u>	<u>(4)</u>	<u>(4,694)</u>	<u>15,471</u>	<u>38,808</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2002 (2001: Nil).

BUSINESS AND FINANCIAL REVIEW AND PROSPECTS

Business and financial review

Amidst the challenges presented by continuing weak consumer sentiment and the poor retail and economic environment in the region, the Group remains well-positioned to sustain our market standing as one of the leading entertainment providers in Asia. With our comprehensive range of quality entertainment content, the Group is able to offer extensive variety and choice to its audiences.

On the financial side, the Group's turnover for nine months ended 31 December 2002 amounted to approximately HK\$39.8 million, as compared with HK\$47.6 million in 2001. Sales of goods for the nine-month period amounted to approximately HK\$36.2 million, as compared to HK\$41.7 million for the corresponding period of last year. Sub-licensing income for the nine-month period was approximately HK\$3.6 million, as compared to HK\$5.9 million recorded last year. Profit attributable to shareholders declined from HK\$10.1 million in 2001 to HK\$336,000. The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2002 (2001: Nil).

The decline in turnover and profit over the last nine months can be largely attributed to the downturn in consumer spending as the global economy remains weak, as well as to increased pricing pressure from competition.

The third quarter of 2002, however, shows an improvement from the preceding quarter and a number of new strategies and initiatives have been devised. In terms of operations, the Group will continue to foster strategic partnerships, acquire popular film rights and expand our channels to reach a wider spectrum of audiences. Additionally, we have commenced in-house encoding work, in place of subcontracting it out, to streamline operations and enhance cost-effectiveness.

The Group has continued to concentrate tremendous efforts into improving our range of quality content and entertainment. Notably, Panorama has acquired the release rights for "Lantana", an impressive Australian production that has swept seven major awards including Best Film, Best Director, Best Actor, Best Actress, Best Supporting Actor, Best Supporting Actress and Best Adapted Screenplay at the 2001 AFI Awards.

The Group has successfully managed to acquire the video rights to release films by the renowned French director, Francois Truffaut. Encompassing a list of classics such as "400 Blows", "Jules and Jim", "Stolen Kisses", "Shoot the Piano Player", "Bed and Board" and "The Woman Next Door", these films are bound to appeal to discerning audiences in Asia. Both theatrical and video rights have been obtained for "Jules and Jim", and the Group looks forward to the theatrical release of this compelling movie in February 2003.

"The Twilight Samurai", an award-winning Japanese film directed by Yoji Yamada, and casted by Hiroyuki Sanda and Rie Miyazawa, has also been acquired by the Group. The movie has swept five major awards including Best Film, Best Director, Best Actor, Best Actress, Best Screenplay, and Best New Comer at the 2002 Kinema Junpo Best 10 — an award that is considered to be the most prestigious honor in the Japanese film industry.

After "The Eye" and "Three", the Group partnered with Applause Pictures once again on the production of "Golden Chicken". The movie turned out to be a box office success when it was released in December 2002. Again this reaffirms the Group's commitment to become one of the leaders in producing mainstream local movies by teaming up with famous local film makers.

In December 2002, Panorama released two animation box sets, targeted to appeal to younger female customers as retail spending improved during the Christmas festive season. The titles released include the "Creamy Mami TV series" and the "Magical Doremi TV series". The Group will continue to use creative marketing initiatives to drive sales of its home entertainment products.

Based on the immense success that Panorama has achieved with the Digimon animation series in the past, the Group has committed to release the new Digimon movie, "Digimon Tamers — Battle of Adventures". The animated feature film is currently scheduled to be launched in January 2003, and is poised to bring rich rewards to the Group.

Along with adhering to the Group's key strategy of acquiring more popular film rights and new releases, Panorama has been committed to strengthening its distribution network and expanding its channels to reach a broader range of audience. The Group has therefore pursued new channels such as cross media bundling and operating a 24-hour cable channel. In December 2002, the first Adult Premium Channels, CAT6, was launched in Hong Kong on Cable TV. As the operator of CAT89, one of the six CAT6 channels, Panorama is able to bring Japanese adult programs to Hong Kong audiences 24 hours a day, seven days a week.

Over the last year, a sales office has been established in Guangzhou to spearhead the Group's development in the PRC. Intense efforts continue to be exerted to enhance Panorama's presence in the lucrative China market, and the management is currently looking into expanding operations into other key cities. The Group remains devoted to building strategic alliances, enriching its program library, expanding its distribution network and producing high quality films. Our strategies for the upcoming future are designed with these clear objectives in mind as Panorama strives to become the leading entertainment provider in Asia.

Prospects

Despite the continued challenges presented by the operating environment in Asia, Panorama has formulated concrete strategies for sustained future growth. The Group plans to become more involved in the production of high quality local films and enhance its production role and capabilities. We will also continue to acquire more high quality Hollywood and foreign movies for the Asian market. The Group aims to increase the number of theatrical releases for 2003 to twenty, including six to seven wide releases.

Movies

Film buffs that enjoy classic comedies and musicals, especially those by superstars such as Lucilla You Min, Grace Chang, Julie Ye Feng, Linda Lin Dai, Jeanette Lin Cui, Betty Loh Ti, Chang Yung and Peter Chen Hou can indulge in a nostalgic journey when Panorama releases a series of movies from Cathay's film archive. A legacy of film classics, including famous titles such as "Sun, Moon and Star", "The Wild, Wild Rose" and "Sister Long Legs", have been exclusively licensed to Panorama for the Greater China territories, spanning Hong Kong, Taiwan and the Mainland. From 16 January — 5 February 2003, the Group will also be participating in 14 shows of Cathay's classics at the Hong Kong Arts Center.

Scheduled for release in 2003 are Hollywood blockbusters "Basic", "Human Stain", "Underworld" and "Jeepers Creepers II". The action war drama "Basic", starring John Travolta and Samuel L. Jackson, and directed by John McTiernan, who achieved major box office success with hits such as "Die Hard" and "Hunt for Red October". "Human Stain" is the story of Coleman Silk, a classics professor with a terrible secret, played by Anthony Hopkins. Horror movie fans will not be disappointed when "Underworld" and "Jeepers Creepers II" are released. The former tells the tale of a vampire falling in love with her enemy, a werewolf, while the latter is the sequel to the original feature film of scary flesh-eating beasts who feed on human parts.

Since the Group obtained exclusive distribution rights in June 2002 from Shochiku Co., Ltd., one of the largest entertainment companies in Japan, a number of movie masterpieces have been released and well-received by Japanese film lovers. A further 30 titles have been selected for video distribution in Taiwan and China, and will be released in the first quarter of 2003.

Also scheduled for theatrical release in 2003 are three new films acquired from Focus Films. These include: "21 Grams" starring Benicio Del Toro, Sean Penn and Naomi Watts and directed by Alejandro Gonzales Inarritu of "Amores Perros" fame; "Lost in Translation", a second film by Sophia Coppola; and "How To Deal", a coming of age romance directed Clare Kilner that stars Mandy Moore.

Animation

The Group will also continue to enhance its marketing directives to push sales. Panorama has committed to release a number of classic robotic animation titles from Japan including "Mobile Suit Gundam", "Macross" and "Neon Genesis Evangelion". A Substantial marketing campaign will be organized in April 2003 in conjunction with a major toy merchandiser to increase publicity and sales.

Music Programs

As for music programs, the Group will continue to release a plethora of titles to suit all tastes and interests. An Euroarts collection of 15 titles including Bach, Barenboim, Boulez, Verdi, Strauss and Walbuhne, will be released on video in 2003 in the Hong Kong, Macau, China, Singapore and Thailand markets. 15 pop music titles comprising Marilyn Manson, Fatboy Slim, Atomic Kitten, James Last, Soft Cell, Midge Ure, The Doors, Cypress Hill, Limp Bizkit, Etta James, Supershow and Live at Knebworth, will be released in the first half of 2003 on video throughout the Asian markets. Chiyu (齊豫) Live in Concert will also be released in February. A current Grammy Awards winning music documentary film, "Standing In the Shadows of Motown", exploring the development of legendary Motown music will be shown at the Hong Kong International Film Festival in April 2003, and theatrically released in the summer. Additionally, Panorama will continue to release a variety of Jazz programs.

Film Production

The Group clearly has a vast portfolio of new quality titles to be released in the coming months ahead. From January 2003, the Group will also release "New Option", a series of nine action tele-features and one action movie jointly produced with Bob and Partners Co. Ltd., thereby fulfilling Panorama's strategy of increasing its involvement in local film production.

Expansion in the PRC

In terms of increasing its market presence and geographical coverage, the Group remains intensely interested in the growth potential of the PRC market. Spurred by continuous economic growth, an immense consumer population of 1.3 billion and increased market deregulation and liberalization following entry to the WTO, the opportunities in China are tremendous. The Group therefore aims to establish additional offices in the key cities of Beijing and Shanghai to complement its existing presence in Guangzhou.

DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

As at 31 December 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 <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.

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 31 December 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 scheme" 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 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 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, 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 31 December 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 31 December 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 31 December 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 nine months ended 31 December 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 February 2003