

Adult

Music

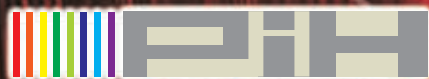
Sports

Movie

Documentary

TV Series

Animation



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

Annual Report 2002-2003

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Lau Wai Ping *AHKSA, ACCA, CPA*

AUTHORISED REPRESENTATIVES

For the purpose of the GEM Listing Rules

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

COMPLIANCE OFFICER

Mr. Fung Yee Sang

QUALIFIED ACCOUNTANT

Ms. Lau Wai Ping *AHKSA, ACCA, CPA*

AUDIT COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China
1 Garden Road
Central
Hong Kong

The Bank of East Asia, Limited
27th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
Head Office
83 Des Voeux Road Central
Hong Kong

Dao Heng Bank
Ground Floor, The Centre,
99 Queen's Road,
Central,
Hong Kong

Corporate Information

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8173

COMPANY WEBSITE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road
Central
Hong Kong

SPONSOR

First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Sit, Fung, Kwong & Shum
Suite 4428 COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Hong Kong

Corporate Mission and Company Profile

CORPORATE MISSION

The mission of Panorama International Holdings Limited (“Panorama” or the “Company”) is to become one of the leading entertainment program distributors and providers to deliver high quality filmed entertainment, via the widest variety of channels and formats, to audiences in Asia. To realize this defined mission and to take advantage of the market opportunities, the following strategies have been formulated:

- To enhance the video library of the Company and its subsidiaries (the “Group”)
- To expand the distribution network of the Group
- To diversify the Group’s distribution channels
- To enhance the production capabilities of the Group
- To develop the Internet and e-commerce business

COMPANY PROFILE

Panorama is a comprehensive entertainment program provider that is engaged primarily in the distribution of video programs in video compact disc (“VCD”) and digital video disc (“DVD”) formats for home entertainment in Hong Kong and other Asian countries, including Taiwan, Singapore, Macau, South Korea, Indonesia, Malaysia and Thailand, through its well-established and extensive distribution network.

The Group has successfully built an impressive entertainment library, comprising over 1,300 titles in a plethora of genres, including drama, action, comedy, cartoon, horror, sports, adult, documentaries and music. These titles are sourced and licensed from Panorama’s strong strategic partners, including HBO, Toei Animation, Playboy, Canal+, Shochiku and Cathay.

In addition to home distribution, Panorama also provides entertainment programs through other content providers, and the Group’s notable sub-licensing partners include Hong Kong Cable Television Limited and Pacific Century Cyber Works.

Recently, Panorama has achieved much critical acclaim and box office success through its efforts in producing and co-producing local films. With such films as ‘Three’ and ‘The Eye’, which are acquired from Applause Pictures and ‘Golden Chicken’, that it has jointly product with Applause Pictures, in its portfolio, Panorama is thriving forward with optimism.

Chairman's Statement



2002 represents another fruitful and productive year for Panorama. However our business performance for the last financial year has been hampered by the poor economic circumstances in the Asia Pacific region and the ensuing weak consumer sentiment. For the year ended 31 March, 2003, the Group recorded a turnover of approximately HK\$61,862,000 an approximate decrease of 5% over the previous year, and a net profit of HK\$301,000 an approximate decrease of 98% over 2001. However, we remain well-positioned to sustain our status as one of the leading entertainment content providers in Asia.

With our comprehensive range of quality entertainment content, Panorama is able to bring an extensive variety of choices to our audiences. We continue to leverage on our strong sourcing power, impressive content library, extensive sales and distribution network, multi-channels of reach and visionary management team to provide quality entertainment at competitive prices.

The 2002 financial year has brought the Group a plethora of major business developments and highlights. In terms of film rights licensing, the Group has secured contracts with content sources and film producers such as Shochiku Co., Ltd., one of the largest entertainment companies in Japan, SBS Production Inc. from South Korea and Applause Pictures from Hong Kong. We have also acquired the renowned French director Francois Truffaut's film library. With respect to our new releases, numerous titles covering the different genres of feature film, adult, animated programs and music videos, have been released by the Group at a pace that keeps up with our consumers' demand for both variety and quality.

Sub-licensing film rights to cable operators and streaming content providers, as evidenced by the 24-hour cable channel and CAT6, is another effort made by the Group to reach a wider audience.

Chairman's Statement

Over the last year, one of our most successful initiatives has been our development in the arena of Chinese film production. Involvement in producing entertainment content is a personal pursuit of mine, and is a strategic direction that Panorama is committed to. The success of our co-production in the local Christmas hit "Golden Chicken" has fuelled our confidence in the local film production market.

Looking ahead to 2003, Panorama is devoted to continuous expansion in Asia, particularly in the Greater China area. Having established a presence in these markets, we aim to develop and diversify the scope of our businesses to encompass theatrical and TV distribution, as well as video distribution. We will also pursue opportunities in the co-production and production of Chinese films to strengthen our market standing in the genre of local movies and to secure a strong source of quality Chinese films.

On behalf of the directors of the Group (the "Directors"), I would like to take this opportunity to express our sincere gratitude to our management and staff for their commitment and dedication to the Group. May I also extend my warmest appreciation to our shareholders, business partners, customers, and suppliers for their continuous support.

Fung Yu Hing, Allan
Chairman

Hong Kong, 25 June, 2003

Management Discussion and Analysis

TURNOVER AND NET PROFIT

Turnover of the Group for the year ended 31 March, 2003 amounted to approximately HK\$61,862,000 (2002: HK\$65,275,000), representing approximately a 5% decrease as compared to that of the same period in 2002. Sales of goods for the year ended amounted to approximately HK\$51,969,000 (2002: HK\$54,685,000), representing a drop of approximately 5% over the corresponding period of last year. Sub-licensing income for the year ended was approximately HK\$6,512,000 (2002: HK\$10,590,000), representing an approximate 39% decrease when compared to that of the same period in 2002. Net profit for the year amounted to approximately HK\$301,000 (2002: HK\$15,045,000), representing a decrease of approximately 98% over the corresponding period last year. Earnings per share was HK0.08 cent, representing a decrease of 98% over that of the previous financial year.

The decline in turnover and profit, by and large, reflects the poor economic operating environment in Asia where spending power has remained weak. This has resulted in increased pricing pressure from competition and lower profit margins for Panorama. Reduced selling prices and volumes have directly impacted on our business.

LIQUIDITY AND FINANCIAL RESOURCES

In respect of the Group's liquidity position, its current ratio as at 31 March, 2003 was approximately 108%, (excluding the current portion of film right) representing a decrease of approximately 14% when compared to that of the previous financial year. Gearing ratio, calculated based on non-current liabilities of approximately HK\$1,756,000 (2002: HK\$509,000) and shareholders' funds of approximately HK\$42,768,000 (2002: HK\$25,572,000), was approximately 4% as at the balance sheet date. The decrease in current ratio was largely due to an increase in bank and other borrowings. The increase in gearing ratio was largely due to an increase in obligations under finance leases.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on GEM, which amounted to approximately HK\$16,700,000 have been used to enhance the Group's video program library, expand its distribution network, diversify its distribution channels, and strengthen general working capital. So far, approximately HK\$4,000,000 has been used to repay bank overdraft borrowings. 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\$1,000,000 was spent on purchasing fixed assets for the Hong Kong head office and the setting up of the Guangzhou office. This was generally in accordance with what had been projected in the Prospectus. As at 31 March, 2003, the Group spent approximately HK\$31,284,000 on film right acquisition, of which approximately HK\$6,500,000 had been financed by the net proceeds from the placing. It represented an excess of approximately HK\$3,400,000 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 have been snapped up by competitors had we not reacted in a swift manner. Approximately HK\$500,000 was spent on developing the Internet and e-commerce business. The remaining balance of HK\$4,700,000 would be spent based on a revised budget as at 31 March, 2003. The budget for the enhancement to the video program library would be adjusted downward to approximately HK\$3,000,000, as some of the planned acquisitions after 31 March, 2003 have already been conducted. The expansion of the distribution network, both off-line and online, would adhere to the limit set out in the revised budget by adjusting downward from approximately HK\$2,100,000 to approximately HK\$1,200,000 for web development. An amount of approximately HK\$500,000 has been budgeted for the enhancing of the website in the future. If market conditions and opportunities become favorable, the Group will consider financing its distribution expansion based on positive cash flow from its operation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March, 2003, the Group, headquartered in Hong Kong, had 65 staff (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 20 in total.

Remuneration is reviewed annually according to market terms and staff performance. In addition to basic salaries, staff benefits include discretionary bonus, contribution to the mandatory provident fund, medical insurance, and the grant of share options under a share option scheme.

Management Discussion and Analysis

Staff salaries and allowance increased by approximately 85%, an increase of approximately HK\$7,779,000. Such increase can be attributed to the hiring of 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.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

BORROWING FACILITIES

As at 31 March, 2003, the Group had outstanding borrowings of approximately HK\$22,973,000, comprising bank and other borrowings of approximately HK\$1,031,000, bank overdrafts of approximately HK\$18,730,000, obligations under finance leases of approximately HK\$2,354,000 and amount due to a related company of approximately HK\$858,000.

As at 31 March, 2003, the Group had borrowings and banking facilities to the extent of approximately HK\$22,500,000 for which the following collateral and security are provided by related parties:

- a. A property owned by a Director; and
- b. Personal guarantees executed by two Directors

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

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

As at 31 March, 2003, the Group had aggregated composite banking facilities of approximately HK\$22,500,000, of which HK\$19,761,000 had been utilized.

As at 31 March, 2003, the Group's bank borrowings of approximately HK\$19,362,000 are repayable on demand or within one year.

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

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March, 2003, the Group's bank deposit of HK\$10,045,000 was pledged to banks to secure banking facilities of the Group.

FOREIGN CURRENCIES

The Group conducts its business mainly in the denomination of Hong Kong dollars. For transactions in other foreign currencies, the Group has not made any arrangement to hedge the Group's exchange rate risks. In addition, as the majority of the Group's assets are situated in Hong Kong. Thus, our exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

As at 31 March, 2003, the Company's contingent liabilities were corporate guarantees given to banks in respect of approximately HK\$23,300,000 for banking facilities granted to the Group.

REORGANIZATION

Pursuant to group reorganisation (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 23 April, 2002.

The Group Reorganisation was accomplished by acquiring the entire share capital of Panorama Entertainment Group Limited, which is, at the date of this report, the intermediate holding company of the subsidiaries, in consideration of and in exchange for the issue and allotment of a total of 99,999 Shares to Mr. Fung Yu Hing, Allan, Allan Fung Assets Limited and Designate Success Limited, the former shareholders of Panorama Entertainment Group Limited or their nominees. Further details of the Group Reorganisation are set out in the prospectus issued by the Company dated 30 April, 2002 (the "Prospectus").

Management Discussion and Analysis

BOARD PRACTICES AND PROCEDURES

The Company has complied with the practices of the board of Directors (the "Board") as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") since the shares (the "Shares") of the Company were listed on 9 May, 2002.

LISTING

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

DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

OPERATIONS REVIEW

Year 2002 has been a challenging year not only for businesses in Hong Kong, but also throughout the world due to the continuing sluggishness of the global economy. However, Panorama remained able to maintain its status as one of the leading entertainment providers in Asia. With our comprehensive range of quality entertainment content and extensive channels of distribution, the Group is able to offer a tremendous spectrum of variety and choice to our audiences.

On the operations side, the Group has continued to sustain its leading market position in entertainment content provision for the Asia Pacific region by fostering strategic partnerships, acquiring popular film and program rights, expanding our channels to reach more audiences and becoming more involved in the production of high quality local films.

Management Discussion and Analysis

Strategic Partnerships

The Group has entered into a number of strategic partnerships with film production companies in order to secure a steady source of high quality entertainment programs and films that will satisfy audiences' demands for choice and variety.

In June 2002, Panorama 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 the rights to Shochiku's extensive film library of over 4,000 titles, Panorama also holds exclusive rights to Shochiku's other label, Classic Movies, that includes many well-known masterpieces by renowned directors such as Yasujiro Ozu, Akira Kurosawa and Oshima Nagisa.

During the financial year of 2002/03, Panorama has also entered into agreement with several well established Asian film production companies such as Cathay from Singapore, SBS Production Inc. from South Korea and Applause Pictures from Hong Kong to release their films.

Title Acquisitions

One of Panorama's key strategies is to acquire more popular film rights and new releases and the Group is committed to strengthening its film library in all genres.

FILMS

Panorama has successfully strengthened and enhanced its film library during the financial year of 2002/03, and currently holds the distribution rights to over 530 movies. Key highlights of acquisitions are as follows.

In October 2002, 'Three' was released in cinemas throughout Hong Kong to much critical acclaim. The movie represented the 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. A trilogy of ghost stories, the film brings together tales of life beyond death, each exploring the beliefs, superstitions and mysteries of three different Asian cultures.



Tora — San series



Vengeance Is Mine



Ozu Yasujiro

Management Discussion and Analysis



Twilight Samurai



Jules and Jim



Sun, Moon and Star

The Group released the film 'Champion' theatrically as well as through other media in Hong Kong and Macau. A top box office title in Korea, this film was directed by Mr. Kwak Kyung-taek and tells the story of Kin Deuk-gu, a Korean boxing legacy.

Notably, Panorama has also 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 theatrical and 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 appeal to discerning audiences in Asia.

Panorama has successfully acquired and released a series of films from Cathay's film archive. A legacy of film classics, including such famous titles as "Sun, Moon and Star", "The Wild, Wild Rose" and "Sister Long Legs" starring Lucilla You Min, Grace Chang, Julie Ye Feng, Linda Lin Dai, Jeanette Lin Cui, Betty Loh Ti, Chang Yung and Peter Chen Hou, have been exclusively licensed to Panorama for the Greater China territories, spanning Hong Kong, Taiwan and the Mainland.

Panorama has acquired and released 'Twilight Samurai', an award-winning Japanese film directed by Yoji Yamamda. The film accumulated over 40 awards in Japan including: Best Film, Best Director, Best Actor, Best Actress, Best Screenplay and Best Newcomer at the 2002 Kinema Junpo Best 10 — an award that is considered to be the most prestigious honor in the Japanese film industry.

To coincide with the football World Cup, 'Bend it Like Beckham' a witty independent film, was released by the Group. To strengthen Panorama's presence in Taiwan, 'Better Than Sex', a comedy/love story, and 'Meeting with Vajrasattva', a Buddhist-themed music video program featuring a combination of drama, drum beating, martial art and dance, have been released in Taiwan.

Management Discussion and Analysis

ANIMATION

The Group possesses an outstanding animation library of 260 titles that includes the ever-popular 'Digimon Adventure' series that has been immensely successful. Panorama theatrically released the new Digimon movie 'Digimon Tamers — Battle of Adventures' in January 2003, and it proved a tremendous hit over the Lunar New Year period.

In December 2002, the Group released two animation box sets, targeted to appeal to younger female customers and to fuel retail spending over the festive Christmas season. The titles released include the 'Creamy Mami TV series' and the 'Magical Doremi TV series'. Such creative marketing initiatives will be continued to be employed by the Group in order to drive sales of the Group's home entertainment products.



*Digimon Tamera
— Battle of Adventures*

MUSIC PROGRAMS

In the arena of music programs, Panorama has continued to release a plethora of titles to suit all tastes and interests of customers and the library currently contains 170 titles.

A collection of classical titles that include Bach, Barenboim, Boulez, Verdi, Strauss and Waldbuhne are being released on video during the financial year of 2002/03 in the Hong Kong, Macau, China, Singapore and Thailand markets. Fifteen pop music titles comprising Marilyn Manson, Fatboy Slim, Atomic Kitten, James Last, Soft Cell, Midge Ure, The Doors, Usher, Supershow and the Beach Boys have also been released on video throughout the Asia markets. In February 2003, Chyi Yu Live in Concert was released.



Chyi Yu Live in Concert

Distribution Network and New Channels

During the last year, Panorama 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.

Management Discussion and Analysis



Golden Chicken

The sub-licensing of film rights to cable operators and streaming content providers represents another effort made by the Group to reach audiences outside the traditional VCD and DVD arena. The 24-hour premium channel, put together by Panorama and i-Cable to reach all i-Cable subscribers in Hong Kong, represents an important move in this direction. In December 2002, the first Adult Premium Channels, CAT6, was launched in Hong Kong on Cable TV. By operating CAT89, one of the six CAT6 channels, Panorama has been able to bring Japanese adult programs to audiences in Hong Kong, 24 hours a day, 7 days a week.

In terms of geographical distribution, Panorama has forged an alliance with a new distribution partner in Thailand, United Video, for programs in the VCD and DVD formats.

Chinese Film Production and Theatrical Releases

Given the promising growth and opportunity offered by locally produced titles, Panorama plans to become more involved in the production of high quality local films by partnering with renowned production companies, and enhancing its production role and capabilities in synergy with our existing distribution business.



Three

'The Eye', a ghost story, was an astounding box office success produced by Applause Pictures in June 2002 and successfully released in video format by the Group. This represents a major milestone in the Group's initiative in boosting its distribution in locally produced titles. The picture was awarded Best Actress and Best Visual Effects at the Golden Horse Awards, Best Actress at the Golden Bauhinia Awards and Best Actress at the Hong Kong Film Awards. 'Three', a trilogy of ghost stories, marked another box office sensation released on video by Panorama and won Best Actor and Best Cinematography at the Golden Horse Awards. In December 2002, 'Golden Chicken', starring Sandra Ng, was released and was met with tremendous popularity and critical acclaim. The film was co-produced by Panorama and was nominated for Best Film, Best Actress, Best Supporting Actress, Best Art Director and Best Costumer and Make-up Design at the Hong Kong Film Awards.



The Eye

Since January 2003, the Group has released 'New Option', a series of nine action tele-features and one action movie produced by Bob and Partners Co. Ltd.

Management Discussion and Analysis

PRC Development

Given the growth potential of the PRC market and its lucrative 1.3 billion consumer base, Panorama has established a branch office in Guangzhou to spearhead its development in China.

INDUSTRY REVIEW

The continuing weak economic environment in the region has still presented challenges for all businesses, including Panorama. The retail market in Hong Kong and throughout Asia Pacific has been stagnant, and consumer sentiment remains poor. In spite of this, Panorama has been able to sustain its market standing as one of the leading entertainment content providers in Asia.

The weak spending power of consumers has had an impact on the Group's performance, and profit margins have been reduced to enhance Panorama's competitiveness in this poor economic climate. In such circumstances, the video rental market has seen a resurgence in Hong Kong, while the sales of VCDs and DVDs have slumped.

Turning to the film industry in Hong Kong, the year 2002 has been somewhat of a paradox. While total box office receipts recorded an all-time low of approximately HK\$870,000,000, representing a 13.7% drop from 2001, the action thriller "Infernal Affairs" took home more than HK\$55,000,000 and is one of Hong Kong's all-time highest-grossing blockbusters. Of the 331 films shown during the year, 239 were foreign films that accounted for 60% of the total releases. With a substantial drop in local production, the box-office receipts of home-produced movies were approximately HK\$350,000,000, representing a decrease of 24% from the previous year. Notwithstanding this, three local films, "Infernal Affairs", "Hero" and "Golden Chicken", surprised Hong Kong audiences in December 2002 with an outstanding aggregate box office achievement not seen in recent years.

Management Discussion and Analysis



About Schmidt



The Pianist

A growing worldwide enthusiasm for high-quality Chinese films has emerged since the release of Director Ang Lee's "Crouching Tiger, Hidden Dragon", one of the most acclaimed Asian movies made in recent years. The booming Korean film industry and the emerging PRC market have sparked the imaginations and excitement of local filmmakers. Indeed, the HKSAR government has given new incentives to rejuvenate the local film industry. Furthermore, in January 2003, a HK\$50 million Film Guarantee Fund was set up to stimulate the development of a local film-financing infrastructure. Tremendous inducements are therefore fuelling massive developments in a local industry that continues to provide a multitude of opportunities.

FUTURE PROSPECTS

Panorama has formulated strategies for sustained future growth and is well-poised to weather the challenging operating environment in Asia and to maintain its market standing as the leading entertainment content provider in the region. In this weak operating environment, Panorama's risks are diversified and hedged through its immense range of variety in program content and format. The Group is confident that it will be able to weather this economic downturn and emerge triumphant with an increased market share. The recent outbreak of Severe Acute Respiratory Syndrome has further affected the economic landscape of the region, and challenges will continue in the next financial year.

The Group will continue to foster strategic partnerships, acquire popular film rights and expand our channels to reach a wider spectrum of audiences. Panorama also aims to become more involved in the production of high quality local films and to enhance its production capabilities.

FILMS

Our strategy is to continue to acquire high quality Hollywood and foreign films for the Asian market. We also aim to increase the number of theatrical releases in 2003 to twelve, including six to seven wide releases.

Scheduled for video release in 2003 are 'About Schmidt', starring Jack Nicholson and 'The Pianist', an Oscar-winning classic from famed director Roman Polanski.

Management Discussion and Analysis

As for theatrical releases during the year, 'Basic' and 'Twilight Samurai' were released during May 2003.

We have also entered into a strategic alliance with Golden Scene, a leader in foreign film distribution, thereby securing a stable source of popular movies for video distribution. In terms of new acquisitions, Panorama has also obtained distribution rights to the Japanese master Yasujiro Ozu's film library and the library of films made by the renowned French director Francois Truffaut.

ANIMATION

New marketing directives and initiatives to drive sales will be utilized to strengthen the Group's strength in animation. Notable for the upcoming year, Panorama will distribute the ever popular Digimon TV series on VCD and DVD formats. The Group will also release the new Digimon movie throughout cinemas in Hong Kong in the summer of 2003.

MUSIC PROGRAMS

The Group will continue to augment its music library in order to reach audiences of all tastes and interests. Upcoming releases for the year include the popular Music Mix series and classics such as Roy Orbison, Marvin Gaye and Eric Clapton.

Panorama has also opened two new markets for its music business in India and Indonesia through strategic alliances with local distributors.

CHINESE FILM PRODUCTION

One of the Group's key expansion directions is to increase its involvement in the production and co-production of local films. This will strengthen Panorama's market position in the genre of local movies, which have proven highly popular as seen from the box office success of local films.

We aim to produce approximately ten or more Chinese films during the year of ended 2003 and 2004, and three productions have already been completed. Notably, this includes 'Erotica', a film starring Louis Koo and Eason Chan and scheduled to be released in 2003 summer.



Basic



Twilight Samurai

Management Discussion and Analysis

DISTRIBUTION CHANNELS

We are currently in negotiation with a number of potential strategic partners that require quality content for their channels. There is plenty of opportunity in the realm of content distribution as the HKSAR Government has approved and licensed the setting up of more premium channels. Such channels will always require a variety of high quality entertainment programs and Panorama looks forward to supplying them.

NEW MARKET EXPANSION

Panorama has forged an alliance with a new distribution partner, Catalyst Logic Company Limited, a leading video distributor in Taiwan, and this will increase the Group's reach in the Taiwanese market.

The Group has already established its business presence in most key Asian markets, and is now looking to expand the scope of its operations vertically. In China, Panorama plans to set up additional regional offices in Beijing and Shanghai and thereby entrench its market position. We also hope to explore opportunities for theatrical releases in the People of Republic China ("PRC") as well as to extend our scope of business in the Greater China region.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the Group's actual business progress to date compared with the business objectives set out in the Prospectus for the period from 25 April, 2002, being the latest practicable date, to 31 March, 2003.

Management Discussion and Analysis

BUSINESS OBJECTIVES

ACTUAL BUSINESS PROGRESS

Enhance video programme library

- | | |
|---|---|
| <ul style="list-style-type: none">• Acquire more distribution rights for Taiwan and Singapore markets
• Commence negotiation with local film producers | <ul style="list-style-type: none">• Distribution rights for over 20 programmes were acquired for the Taiwan and Singapore markets
• The Group has achieved great box office success and received critical acclaim for the films, 'The Eye' and 'Three', which are acquired from Applause Pictures and 'Golden Chicken', that it has jointly produced with Applause Pictures. The Group has negotiated to release 'New Option', a series of nine action tele-features and one action movie by Bob and Partners Co. Ltd. |
| <ul style="list-style-type: none">• Continue to expand product base and acquire distribution rights for quality foreign language films | <ul style="list-style-type: none">• Over 400 foreign language films were acquired, including the video rights for Francois Truffaut, the renowned French director's films. 'The Twilight Samurai', an award-winning Japanese film directed by Yoji Yamada was also added to our portfolio |
| <ul style="list-style-type: none">• Acquire distribution rights for the PRC market | <ul style="list-style-type: none">• Distribution rights for over 30 programmes were acquired for the PRC market |
| <ul style="list-style-type: none">• Acquire more distribution rights for video-on-demand ("VOD") | <ul style="list-style-type: none">• Distribution rights for 128 programmes were acquired for the Group's VOD channels |

Management Discussion and Analysis

Expand distribution network

- Continue to expand distribution network to 360 video stores and 1,100 retail chain outlets in Hong Kong
- The Group's releases reach major video stores and retail chain outlets in Hong Kong including approximately 130 video stores and 730 retail chain outlets. The Group will further expand its market penetration and distribution network
- Set up a branch office in Guangzhou
- The first PRC office of the Group was set up in Guangzhou in July 2002
- Expand its sales office in Singapore to cover Malaysian market
- The Group is negotiating with a company in Malaysia to distribute the Group's content as an agency in Malaysia
- Set up a branch office in Beijing
- Negotiations and preparatory work are currently under way in anticipation of the opening of the Group's Beijing branch office

Diversify distribution channels

- Commence negotiation with i-Cable for sub-licensing of distribution rights
- The Group has already partnered with i-Cable to put together a 24-hour premium channel to reach all i-Cable subscribers in Hong Kong. In December 2002, the first Adult Premium Channels, CAT6, was launched in Hong Kong on Cable TV. Through operating CAT89, one of the CAT6 channels, the Group has been able to bring Japanese adult programs to audiences in Hong Kong, 24 hours a day, 7 days a week

Management Discussion and Analysis

- Release World Cup related titles
- To coincide with the football World Cup, 'Bend it Like Beckham', a witty independent film, was released by the Group. The Group also released a Soccer Legend series in VCD format through a bundling arrangement with Sing Pao newspaper during and after the World Cup period
- Increase video release to 32 titles per month and 6 theatrical titles for the second half of the financial year ended 2003
- During the second half of the financial year ended 2003, 31 video programmes were released on average per month. 12 theatrical titles were released
- Release at least 3 Chinese movies for the second half of the financial year ended 2003
- During the second half of the financial year ended 2003, 3 Chinese movies were released, including the award-winning 'Golden Chicken'
- Release the famous cartoon programme of 'Digimon' volume III
- The Group's release of the ever-popular 'Digimon Adventure' series has been extremely successful. The new Digimon movie 'Digimon tamers — Battle of Adventures' was released in January 2003 and proved a tremendous hit over the Lunar New Year period

Management Discussion and Analysis

Develop Internet and e-commerce business

- Launch website *www.panorama.com.hk*
- Continue to enrich the content and provide more features to the Group's website
- Conduct research on business to business model
- Continue to develop e-commerce of video, audio and home entertainment related products
- Provide online sneak preview and synopsis of latest release
- Establish interactive
- 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
- The Group's website has been continually enhanced and enriched with bilingual (English and Chinese) versions and a search engine supporting different search criteria
- The Group is exploring business opportunity via business to business model, and business to customers
- *www.panorama.com.hk* is an excellent tool to market and promote the Group's products
- The website enables the Group to provide updates on the latest releases
- The website also acts as an interactive platform between the Group and its clients

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Fung Yu Hing, Allan, aged 53, is the chairman and chief executive officer of the Company and the founder of the Group. Mr. Allan Fung is responsible for the Group's overall strategic planning, formulation of corporate policies, overall management and acquisition of film rights. Mr. Allan Fung was educated in the field of Communication Arts at Mohawk College in Canada and Film Studies at Southern Methodist University in the U.S.. He started his film production career in 1973, and has produced a number of award-winning programmes, such as "The Tale of Walled City" and "Good Morning Sir" which earned global recognition from the International Film & TV Festival of New York in 1982 and London Film Festival in 1981 respectively. He has also been a member of the Hong Kong Directors' Guild since its establishment in 1988 and had been a member of its executive committee from 1989 to 1994. He had also been a member of the Hong Kong Film Advisory Board from 1995 to 1998 and Hong Kong Film Archive honorary adviser from 1993 to 1996.

Ms. Leung Siu Kuen, Janet, aged 55, is an executive Director. Ms. Leung is responsible for overseeing the day-to-day operations of the Group. Ms. Leung graduated from Humber College in Canada majoring in photography. She has over 18 years of experience in the film and entertainment industry. Prior to joining the Group in 1992, she had been working for TV operators, film producers and studios for about 10 years. Ms. Leung is the wife of Mr. Allan Fung.

Mr. Fung Yee Sang, aged 48, is an executive Director and the compliance officer of the Company. Mr. Fung is responsible for the Group's overall operating and financial policies, formulation of sales and marketing strategies and business development plans of the Group. He has extensive experience and knowledge in administration management and business development. Mr. Fung graduated from Mohawk College in Canada majoring in business administration. Prior to joining the Group in July 2001, Mr. Fung worked for The Clearwater Bay Golf and Country Club from 1978 to 1983. His last position held was finance and administration manager. Upon completion of his five-year employment there, Mr. Fung established his own business covering import, retailing and wholesaling of fruits. Mr. Fung is the younger brother of Mr. Allan Fung.

Mr. Au Lik Man, Simon, aged 38, is an executive Director and is responsible for the sales and marketing of the Group. He has about 10 years of experience in the home video entertainment industry. Prior to joining the Group in 1992, Mr. Au had worked for a number of entertainment companies in the area of sales and marketing, including Citymax Video Productions Limited.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan, William, JP, aged 42, is currently the executive director of China Unicom Ltd., a telecommunications operator in China, which is listed on both the stock exchange of Hong Kong and New York. He is also the Non-executive Chairman of WPP Greater China, a division of WPP Group Plc., which is a communication services group and the shares of which are listed on the London Stock Exchange and NASDAQ. Dr. Lo is a Board Member of the Hong Kong Applied Science and Technology Research Institute as well as the Hong Kong Jockey Club Institute of Chinese Medicine Ltd. He is also a non-executive director of a number of listed companies in Hong Kong including Softbank Investment International (Strategic) Limited, Capital Publications Limited, Panorama International Holdings Limited and Superdata Software Holdings Limited. Dr. Lo was the Chief Executive Officer of Citibank's Global Consumer Banking Business for Hong Kong, Macau from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founding Managing Director of Hongkong Telecom IMS Ltd. Dr. Lo holds a M.Phil. degree in Molecular Pharmacology and a Ph.D. degree in Genetic Engineering, both from Cambridge University, England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (H.K.), and a Bye-Fellow of Downing College, Cambridge. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by World Economic Forum. In 1999, Dr. Lo was appointed as a Justice of the Peace (JP) of Hong Kong.

Ms. Fung Suen Lai, Jacqueline, aged 31, was appointed as a non-executive director of the Company in April 2002. Ms. Fung has almost seven years of experience in the architectural industry, and had participated in design and construction work for the Kowloon station of Kowloon-Canton Railway. She was educated at Cornell University in the United States. Ms. Fung had been a director of architectural design practice, 2 DN, for the period from January 1998 to April 2001 covering a full range of design projects in Hong Kong, Taiwan and the PRC. Ms. Fung worked for Integrated Design Associates as architectural designer on several airport projects in the years 2001 and 2002. Ms. Fung is the daughter of Mr. Allan Fung and Ms. Janet Leung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Chung, Johnny, aged 50, was appointed as an independent non-executive director of the Company in April 2002. Mr. Chan graduated with a bachelor degree in social science from the University of Hong Kong, and then further studied at Boston University in the U.S. majoring in journalism. He founded the trend-setting lifestyle "City Magazine" (formerly known as "Tabloid") in 1970's. Mr. Chan is currently employed by Karanetwork Limited as a director.

Mr. Chau, Stephen, aged 40, was appointed as an independent non-executive director of the Company in April 2002. Mr. Chau graduated from the University of Southern California with a bachelor degree in business administration. He has worked in the advertising, public relation and banking industries. He worked for an advertising agency and then changed his career to private banking business in Republic Bank of New York and Standard Chartered Bank. Mr. Chau had also worked in a major paging company and was in charge of customer service. In 1997, Mr. Chau founded Starz People (HK) Limited, a well-known talent and modeling agency in Hong Kong.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ho Chung Lap, aged 52, is the director of regional and music and is responsible for overseeing the Group's overseas sales and marketing, the Group's Taiwan and Singapore operations and the development of the Group's business in respect of music video programmes. Mr. Ho holds a diploma in communication from the Baptist University, Hong Kong (formerly known as Baptist College). Prior to joining the Group in March 2002, Mr. Ho has worked for Emperor Entertainment Group Limited, the shares of which are listed on GEM, as a senior vice president of international affairs and during the period from August 1996 to December 1998, he worked for Rock Record Company Limited in Taiwan. He has extensive experience in the area of sales, marketing and promotion of audio and video products.

Mr. Suen Yiu Sin, Bernard, aged 44, is the director of information technology. Mr. Suen joined the Company in October 2001 and is responsible for overseeing web development and other emerging media-related technology. Mr. Suen has over 16 years of experience in information technology industry mainly in areas of network, database, multimedia, Internet and e-commerce solutions.

Mr. Tai Tse Cheng, aged 54, is the production and operation manager and is responsible for overseeing the overall production and operation of the Group. Mr. Tai holds a bachelor degree in science from North Carolina State University in the U.S.. He has experience in the entertainment and copper tube manufacturing industries. Prior to joining the Group in May 2001, Mr. Tai had worked for an international entertainment company, namely Hong Kong Entertainment (Overseas) Investments Limited, as director of human resources.

Ms. Lau Wai Ping, aged 28, is the financial controller, qualified accountant and company secretary of the Group. She is an associate and a certified public accountant of the Hong Kong Society of Accountants and member of the Association of Chartered Certified Accountants. Ms. Lau graduated with first class honours from the City University of Hong Kong with a Bachelor of Arts degree in Accountancy. Prior to joining the Group in December 2001, Ms. Lau had worked for an international accounting firm, PricewaterhouseCoopers, in the assurance and business advisory division for over four years. Ms. Lau is primarily responsible for development of the Group's financial strategies and she also supervises the Group's accounting and financial reporting procedures and internal control system.

Mr. Wong Wing Kwong, aged 37, is now the head of strategic development department and is responsible for overseeing the sales and marketing of the Group. He has about 16 years experience in the home video entertainment industry. Prior to joining the group in 2003, Mr. Wong worked for Universe Films Distribution Company as acquisition manager and during the period from October 1987 to November 1998, he worked for KPS Retail Store as product manager. He also worked for Hong Kong Record as business development manager from 1998 to 1999.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March, 2003.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("GEM")

Pursuant to the Group Reorganisation to rationalise the group structure in preparation for the listing of the Company's Shares on the GEM, the Company became the holding company of the companies now comprising the Group on 23 April, 2002.

Details of the Group Reorganisation are set out in the Prospectus.

The shares of the Company were listed on GEM on 9 May, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in notes 32 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March, 2003 are set out in the consolidated income statement on page 38 of this annual report.

The Directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Company during the year are set out in note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March, 2003, the Company's reserve available for distribution amounted to HK\$38,322,000.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 70 of this annual report.

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

Other than in connection with the Company's initial public offering on GEM, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the listing of its Shares on GEM on 9 May, 2002 to 31 March, 2003.

SHARE OPTIONS

The Company has two share option schemes, the Share Option Scheme and the Pre-IPO Share Option Scheme. Particulars of the Company's share option schemes are set out in note 23 to the financial statements.

Under the Share Option Scheme, no options have been granted.

The Pre-IPO Share Option Scheme was adopted on 25 April, 2002 for the purpose of recognising the contribution of certain Directors, employees, consultants and advisors of the Group to the growth of the Group and/or to the listing of the Company's Shares on GEM. The Pre-IPO Share Option Scheme was expired on 9 May, 2002, being the date when dealings in the Company's Shares first commence on GEM. Options granted prior to such expiry shall continue to be valid and exercisable in accordance with and be subject to the terms of the Pre-IPO Share Options Scheme during the exercise period.

Options granted under the Pre-IPO Option Scheme are categorised into two types, Pool A Options and Pool B Options, based on the exercise prices of the share options granted (See note 23 to the financial statements). The following table discloses the details of the Company's Pre-IPO share options held by the Directors and employees and movements in such holdings during the year:

Directors' Report

SHARE OPTIONS (continued)

Directors	Option type	Outstanding at beginning of the year	Granted during the year	Lapsed during the year	Outstanding at end of the year
Mr. Fung Yu Hing, Allan	Pool A Options	—	4,000,000	—	4,000,000
	Pool B Options	—	3,000,000	—	3,000,000
Ms. Leung Siu Kuen, Janet	Pool A Options	—	4,000,000	—	4,000,000
	Pool B Options	—	2,000,000	—	2,000,000
Mr. Fung Yee Sang	Pool A Options	—	4,000,000	—	4,000,000
	Pool B Options	—	2,000,000	—	2,000,000
Mr. Au Lik Man, Simon	Pool A Options	—	1,000,000	—	1,000,000
	Pool B Options	—	1,000,000	—	1,000,000
Dr. Lo Wing Yan, William, JP	Pool A Options	—	1,800,000	—	1,800,000
	Pool B Options	—	500,000	—	500,000
Ms. Fung Suen Lai, Jacqueline	Pool A Options	—	—	—	—
	Pool B Options	—	500,000	—	500,000
Mr. Chan Koon Chung, Johnny	Pool A Options	—	—	—	—
	Pool B Options	—	500,000	—	500,000
Mr. Chau, Stephen	Pool A Options	—	—	—	—
	Pool B Options	—	500,000	—	500,000
Total Directors		—	24,800,000	—	24,800,000
Employees					
	Pool A Options	—	5,200,000	(300,000)	4,900,000
	Pool B Options	—	10,000,000	(1,300,000)	8,700,000
Total Employees		—	15,200,000	(1,600,000)	13,600,000
Grand total		—	40,000,000	(1,600,000)	38,400,000

Directors' Report

SHARE OPTIONS *(continued)*

The closing price of the Company's Shares at the date of listing, 9 May, 2002, was HK\$0.315. No market share price was available on the date of grant, 25 April, 2002.

The fair values of the Pool A Options and the Pool B Options granted in the current period measured at 25 April, 2002, the date of grant, were HK\$0.29 and HK\$0.19 respectively. The following significant assumptions were used to derive the fair values of the Pool A Options and the Pool B Options using the Black-Scholes option pricing model:

Expected life of options	2 years
Expected volatility	102%
Hong Kong Exchange Fund Notes rate	3.28%
Expected annual dividend yield	Nil

For the purposes of the calculation of the fair values, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of Shares in or debts securities (including debentures) of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18 had any rights to subscribe for securities of the Company or had exercised any such right during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Fung Yu Hing, Allan *(Chairman and Chief Executive Officer)*
Ms. Leung Siu Kuen, Janet
Mr. Fung Yee Sang
Mr. Au Lik Man, Simon

Non-executive Directors

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

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

Independent non-executive Directors

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

In accordance with Article 116 of the Company's Articles of Association, Mr. Fung Yee Sang and Ms. Leung Siu Kuen, Janet will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company or any of the companies which become its subsidiaries on 23 April, 2002 (being the date of the completion of the Group Reorganisation) which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save and except for agreements entered into for the purpose of the Group Reorganisation and those disclosed in note 31 to the financial statements, there were no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company has a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

Directors' Report

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM of the Stock Exchange) of the Company had an interest in a business which competes or may compete with the business of the Group during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 25 to 27 of this annual report.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March, 2003, the interests of the Directors in the share capital 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 pursuant to Section 29 of the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

(a) Shares of the Company

Name of Directors	Number of Shares held			Total interests
	Personal interests	Family interests	Corporate interests	
Mr. Fung Yu Hing, Allan	18,331,500	—	233,340,000 (<i>Note</i>)	251,671,500
Mr. Fung Yee Sang	31,663,500	—	—	31,663,500

Note:

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, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline are deemed to be interested in the 233,340,000 Shares held by Allan Fung Assets Limited under the SDI Ordinance.

(b) Share options

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

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2003, the register maintained by the Company under section 16(1) of the SDI Ordinance showed that the following person or corporate are interested in 10% or more of the issued share capital of the Company:

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

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

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

Saved as disclosed above, the Company had not been notified of the existence of any other interest representing 10% or more in the issued share capital of the Company as at 31 March, 2003.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers accounted for approximately 7% and approximately 31% of the Group's turnover for the year ended 31 March, 2003 respectively, and the largest and the five largest suppliers accounted for less than 30% of the Group's total purchase for the year ended 31 March, 2003.

None of the Directors, their associates or shareholders, who to the best knowledge of the Directors, own more than 5% of the Company's share capital have any beneficial interest in the five largest customers or suppliers of the Group.

Directors' Report

RELATED PARTY AND CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March, 2003, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in note 31 to the financial statements.

Since the inception of the Group, Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet (both being executive Directors) and Panorama Entertainment Holdings Limited ("Old Panorama Holdings"), whose majority interests are owned and controlled by Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline, have been providing financial support to the Group.

As at 31 March, 2003, the Group had outstanding amounts due to Old Panorama Holdings for an amount of approximately HK\$858,000 which was unsecured and non-interest bearing, and has no fixed repayment term. Such amount represented advances from Old Panorama Holdings to the Group for acquiring film rights from Star East Multimedia Limited.

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

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

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

BOARD PRACTICE AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its Shares on GEM from 9 May, 2002 to 31 March, 2003.

Directors' Report

SPONSOR'S INTERESTS

Pursuant to the agreement dated 29 April, 2002 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai acts as the Company's continuing sponsor for a period commencing from 9 May, 2002 to 31 March, 2005 and First Shanghai received, and will receive, fees for acting as the Company's continuing sponsor.

Neither the sponsor of the Company, First Shanghai, nor its directors, employees or associates (as referred to Note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in any class of securities of the Company or any other companies in the Group (including share options or rights to subscribe for such securities) as at 31 March, 2003.

AUDIT COMMITTEE

The Company established an audit committee on 25 April, 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee has three members comprising 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.

Four audit committee meetings were held since its establishment. The work undertaken by the audit committee was to review the Company's annual and interim financial reports and to provide advices and comments thereon to the Board.

The Group's financial statements for the year ended 31 March, 2003 have been reviewed by the audit committee, who was of the opinion that such financial statements complied with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures had been made.

AUDITORS

During the year, Messrs. RSM Nelson Wheeler, who had acted as the auditors of the Company for the past one year, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as the auditors of the Company to fill in the casual vacancy.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

By order of the Board

Chairman

Fung Yu Hing, Allan

Hong Kong, 25 June, 2003

Auditors' Report

德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wong On Centre
111 Connaught Road central
Hong Kong

香港中環干諾道中 111 號
永安中心 26 樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF PANORAMA INTERNATIONAL HOLDINGS LIMITED *(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 38 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 25 June, 2003

Consolidated Income Statement

For the year ended 31 March, 2003

		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	61,862	65,275
Cost of sales		(32,017)	(30,880)
Gross profit		29,845	34,395
Other operating income		224	138
Distribution costs		(1,406)	(864)
Administrative expenses		(22,351)	(14,091)
Other operating expenses		(2,986)	(1,058)
Impairment loss recognised in respect of film rights	13	(2,200)	(184)
Profit from operations	6	1,126	18,336
Finance costs	7	(584)	(347)
Profit before taxation		542	17,989
Taxation	10	(241)	(2,944)
Net profit for the year		<u>301</u>	<u>15,045</u>
Earnings per share — basic	11	<u>HK0.08 cent</u>	<u>HK4.50 cents</u>

Consolidated Balance Sheet

At 31 March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,216	1,263
Film rights	13	29,888	12,448
Trademark	14	60	—
Payment for acquisition of film rights		8,008	—
		41,172	13,711
CURRENT ASSETS			
Inventories	16	17,067	12,694
Film rights - current portion	13	—	5,663
Trade and other receivables	17	17,250	20,085
Pledged bank deposits		10,045	—
Bank balances and cash		1,079	378
		45,441	38,820
CURRENT LIABILITIES			
Trade and other payables	18	19,060	12,426
Amount due to a related company	19	858	1,934
Amounts due to directors	19	—	4,161
Taxation payable		1,812	3,056
Obligations under finance leases			
— due within one year	20	997	293
Bank and other borrowings			
— due within one year	21	19,362	4,580
		42,089	26,450
NET CURRENT ASSETS			
		3,352	12,370
		44,524	26,081
CAPITAL AND RESERVES			
Share capital	22	4,000	1
Reserves		38,768	25,571
		42,768	25,572
NON-CURRENT LIABILITIES			
Obligations under finance leases			
— due after one year	20	1,357	151
Bank and other borrowings			
— due after one year	21	399	358
		1,756	509
		44,524	26,081

The financial statements on pages 38 to 69 were approved and authorised for issue by the Board of Directors on 25 June, 2003 and are signed on its behalf by:

Fung Yu Hing, Allan
Director

Leung Siu Kuen, Janet
Director

Balance Sheet

At 31 March, 2003

		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	15	42,519	—
CURRENT ASSETS			
Other receivables		75	1,917
Bank balances		2	—
		77	1,917
CURRENT LIABILITIES			
Other payables		274	—
Amount due to a related company	19	—	1,917
		274	1,917
NET CURRENT LIABILITIES			
		(197)	—
		42,322	—
CAPITAL AND RESERVES			
Share capital	22	4,000	—
Reserves	24	38,322	—
		42,322	—

Fung Yu Hing, Allan
Director

Leung Siu Kuen, Janet
Director

Consolidated Statement of Changes In Equity

For the year ended 31 March, 2003

	Share capital (note 22)	Share premium	Special reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2001	1	—	10,440	—	90	10,531
Exchange differences arising from translation of operations outside Hong Kong and loss not recognised in the consolidated income statement	—	—	—	(4)	—	(4)
Net profit for the year	—	—	—	—	15,045	15,045
At 1 April, 2002	1	—	10,440	(4)	15,135	25,572
Exchange differences arising from translation of operations outside Hong Kong and loss not recognised in the consolidated income statement	—	—	—	(4)	—	(4)
Issue of shares	667	21,344	—	—	—	22,011
Issue of shares by capitalisation of share premium account	3,332	(3,332)	—	—	—	—
Share issue expenses	—	(5,112)	—	—	—	(5,112)
Net profit for the year	—	—	—	—	301	301
At 31 March, 2003	<u>4,000</u>	<u>12,900</u>	<u>10,440</u>	<u>(8)</u>	<u>15,436</u>	<u>42,768</u>

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation to rationalise the group structure in preparation of the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and the nominal value of the Company's Shares issued in exchange.

Consolidated Cash Flow Statement

For the year ended 31 March, 2003

	2003	2002
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	542	17,989
Adjustments for:		
Interest income	(59)	(7)
Interest and finance charges paid	584	347
Depreciation of property, plant and equipment	1,448	900
Impairment loss recognised in respect of film rights	2,200	184
Amortisation of film rights	9,299	5,837
Amortisation of trademark	15	—
Allowances for inventories	160	646
Allowances for bad and doubtful debts	—	81
Operating cash flow before movements in working capital	14,189	25,977
Increase in inventories	(4,533)	(1,290)
Decrease/(increase) in trade and other receivables	2,835	(12,581)
Increase in trade and other payables	6,634	4,364
Net cash generated from operations	19,125	16,470
Interest received	59	7
Hong Kong Profits Tax paid	(1,485)	(1,206)
NET CASH GENERATED FROM OPERATING ACTIVITIES	17,699	15,271
INVESTING ACTIVITIES		
Purchase of film rights	(23,276)	(10,092)
Increase in pledged bank deposits	(10,045)	—
Payment paid for acquisition of film rights	(8,008)	—
Purchase of property, plant and equipment	(443)	(805)
Purchase of trademark	(75)	—
NET CASH USED IN INVESTING ACTIVITIES	(41,847)	(10,897)

Consolidated Cash Flow Statement

For the year ended 31 March, 2003

	2003	2002
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	22,011	—
New bank loans raised	800	—
Share issue expenses	(5,112)	—
Repayment to directors	(4,161)	(4,998)
Repayment of amount due to a related company	(1,076)	(4)
Repayment of obligations under finance leases	(1,048)	(596)
Repayment of bank and other borrowings	(737)	(264)
Interest and finance charge paid	(584)	(347)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	10,093	(6,209)
DECREASE IN CASH AND CASH EQUIVALENTS	(14,055)	(1,835)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(3,592)	(1,757)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4)	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>(17,651)</u>	<u>(3,592)</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,079	378
Bank overdrafts	(18,730)	(3,970)
	<u>(17,651)</u>	<u>(3,592)</u>

Notes to the Financial Statements

For the year ended 31 March, 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands on 17 October, 2001. Its ultimate holding company is Allan Fung Assets Limited, a company incorporated in the British Virgin Islands.

Pursuant to the Group Reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Company became the holding company of the Group on 23 April, 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group are prepared on merger basis in accordance with the Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the Prospectus of the Company dated 30 April, 2002.

The Shares of the Company were listed on the GEM on 9 May, 2002.

The Group is principally engaged in the distribution of film rights by different audio-visual programmes mainly in VCD and DVD formats and sub-licensing of film rights.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, and the adoption of the following new and revised accounting policies has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries operating outside Hong Kong at the closing rate for the year which was the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has had no any material effect on the results for the current or prior accounting years.

Notes to the Financial Statements

For the year ended 31 March, 2003

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest which was previously presented under a separate heading, is classified as operating or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows operations and subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling at the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current or prior years.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has had no any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31 March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recognition of revenue

Sales of goods are recognised when goods are delivered and title has been passed.

Income from exhibition of film is recognised when the right to receive payment is established and the amount can be measured reliably.

Sub-licensing income is recognised on an accrual basis in accordance with the terms of the underlying license agreements.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at 30% per annum.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Film rights

Advances prepaid and paid by instalments under licensing agreements for reproduction and distribution of audio-visual products and for sub-licensing of film titles, in specific geographical areas and time periods, are recorded as prepayments. The balances of the contracted consideration under the licensing agreements are disclosed as commitments. Upon receipt of the master materials of films, all required payments under the licensing agreements are recorded as film rights. The balances payable under the licensing agreements are recorded as liabilities.

Film rights are stated at cost less amortisation and accumulated impairment.

The cost of film rights is amortised on a systematic basis over the underlying licence periods, with reference to projected revenues from the relevant film right.

Notes to the Financial Statements

For the year ended 31 March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trademark

Trademark represents license fee paid for the use of trademark and is stated at cost less amortisation and any identified impairment loss. The cost of trademark is amortised on a straight line basis over the license period of 5 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefit costs

Payment to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as expenses as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's operation outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31 March, 2003

4. TURNOVER

Turnover represents the net amounts received and receivable for sales of goods by the Group to outside customers, less returns and allowances, and revenue received and receivable from sub-licensing of film rights and film exhibition, and is analysed as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	51,969	54,685
Sub-licensing of film rights	6,512	10,590
Film exhibition	3,381	—
	<u>61,862</u>	<u>65,275</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as the Group has only one business segment which is the distribution of film rights by different audio-visual programmes and sub-licensing.

As the Group's turnover for the year ended 31 March, 2003 are substantially made to customers based in Hong Kong and the operations of the Group are substantially located in Hong Kong, no analysis for the geographical segment information is provided accordingly.

Notes to the Financial Statements

For the year ended 31 March, 2003

6. PROFIT FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs		
— Directors' remuneration (Note 8)	5,419	956
— Other staff costs	11,098	7,853
— Retirement benefit scheme contribution, excluding directors	419	348
Total staff costs	16,936	9,157
Depreciation		
— Owned assets	570	438
— Assets under finance leases	878	462
Amortisation of film rights included in cost of sales	9,299	5,837
Amortisation of trademark included in administrative expenses	15	—
Auditors' remuneration		
— Current year	290	200
— Overprovision in prior years	(60)	—
Allowances for inventories	160	646
Cost of inventories included in cost of sales	14,263	21,776
Impairment loss recognised in respect of film rights	2,200	184
and after crediting:		
Interest income	<u>59</u>	<u>7</u>

Notes to the Financial Statements

For the year ended 31 March, 2003

7. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	399	264
Other borrowings wholly repayable within five years	41	5
Finance leases	144	78
	<u>584</u>	<u>347</u>

8. DIRECTORS' REMUNERATION

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
— Executive Directors	—	—
— Non-executive Directors	541	—
— Independent non-executive Directors	200	—
	<u>741</u>	—
Executive Directors:		
— Salaries and other benefits	4,440	927
— Bonus	190	—
— Retirement benefit scheme contribution	48	29
	<u>4,678</u>	956
Total emoluments	<u>5,419</u>	<u>956</u>

During the year ended 31 March, 2003, the four executive Directors received individual emoluments of approximately HK\$1,904,000 (2002: HK\$343,000), HK\$1,270,000 (2002: HK\$94,000), HK\$1,012,000 (2002: HK\$343,000) and HK\$492,000 (2002: HK\$176,000) respectively. In addition, two non-executive Directors received remuneration of HK\$336,000 and HK\$205,000 respectively and two independent non-executive Directors received remuneration of HK\$100,000 each.

During the year, no emoluments were paid by the Group to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31 March, 2003

9. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals in the Group included four (2002: two) Directors, details of whose emoluments are set out in note 8 above. The emoluments of the remaining one (2002: three) individual were as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	600	990
Bonus	42	—
Retirement benefits scheme contributions	12	36
	<u>654</u>	<u>1,026</u>

The aggregate emoluments of each of the highest paid individuals during both years were within the emoluments band ranging from nil to HK\$1,000,000.

10. TAXATION

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	90	2,922
Overprovision in prior years	—	(8)
	<u>90</u>	<u>2,914</u>
Taxation in other jurisdictions	151	30
	<u>241</u>	<u>2,944</u>

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.

Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March, 2003

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$301,000 (2002: HK\$15,045,000) and the weighted average number of approximately 393,055,890 shares (2002: 333,300,000 shares) in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue of 333,200,000 shares as set out in Appendix V to the Prospectus had been effective on 1 April, 2001.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP COST				
At 1 April, 2002	2,017	1,776	918	4,711
Additions	498	1,611	1,292	3,401
At 31 March, 2003	2,515	3,387	2,210	8,112
DEPRECIATION				
At 1 April, 2002	1,597	1,081	770	3,448
Provided for the year	309	550	589	1,448
At 31 March, 2003	1,906	1,631	1,359	4,896
NET BOOK VALUES				
At 31 March, 2003	<u>609</u>	<u>1,756</u>	<u>851</u>	<u>3,216</u>
At 31 March, 2002	<u>420</u>	<u>695</u>	<u>148</u>	<u>1,263</u>

At 31 March, 2003, the net book value of the Group's furniture and fixtures, office equipment and motor vehicles includes an amount of HK\$280,000, HK\$1,008,000 and HK\$851,000 respectively in respect of assets held under finance leases.

At 31 March, 2002, the net book value of the Group's furniture and fixtures and office equipment included an amount of HK\$105,000 and HK\$247,000 respectively in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 March, 2003

13. FILM RIGHTS

	THE GROUP
	<i>HK\$'000</i>
<hr/>	
COST	
At 1 April, 2002	44,954
Additions	23,276
<hr/>	
At 31 March, 2003	68,230
<hr/>	
AMORTISATION AND IMPAIRMENT	
At 1 April, 2002	26,843
Provided for the year	9,299
Impairment loss recognised	2,200
<hr/>	
At 31 March, 2003	38,342
<hr/>	
NET BOOK VALUE	
At 31 March, 2003	<u>29,888</u>
At 31 March, 2002	<u>18,111</u>

Due to drastic and dramatic economic downturn, the entertainment business experienced a difficult time during the year. The directors reassessed the recoverable amount of films rights at the balance sheet date. Having taken into the estimated revenue to be generated from the films rights under the discounted cash flow method, the directors recognised an impairment loss of HK\$2,200,000 (2002: HK\$184,000).

As at 31 March, 2002, the net book value of film rights with an amount of HK\$5,663,000 was classified as current assets.

Notes to the Financial Statements

For the year ended 31 March, 2003

14. TRADEMARK

	THE GROUP
	<i>HK\$'000</i>
COST	
Additions during the year and balance at 31 March, 2003	75
AMORTISATION	
Provided for the year and balance at 31 March, 2003	15
NET BOOK VALUE	
At 31 March, 2003	<u>60</u>
At 31 March, 2002	<u>—</u>

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	25,572	—
Amounts due from subsidiaries	16,947	—
	<u>42,519</u>	<u>—</u>

The cost of the unlisted shares is based on the carrying values of the underlying net assets of the subsidiaries attributable to the Group as at the date the Group Reorganisation.

Details of the Company's subsidiaries as at 31 March, 2003 are set out in note 32.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are shown as non-current.

Notes to the Financial Statements

For the year ended 31 March, 2003

16. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Work in progress	2,885	1,717
Finished goods	14,182	10,977
	<u>17,067</u>	<u>12,694</u>

At 31 March, 2003, included above were finished goods of HK\$954,000 (2002: HK\$794,000) which were carried at net realisable value.

17. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. Details of aged analysis of trade receivables are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade receivables:		
0 - 30 days	7,176	7,342
31 - 60 days	3,598	3,345
61 - 90 days	1,981	2,863
91 - 180 days	1,031	1,918
Over 180 days	—	588
	<u>13,786</u>	<u>16,056</u>
Other receivables	3,464	4,029
	<u>17,250</u>	<u>20,085</u>

Notes to the Financial Statements

For the year ended 31 March, 2003

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade payables:		
0 - 30 days	2,649	2,642
31 - 60 days	2,324	1,269
61 - 180 days	3,956	4,602
Over 180 days	2,073	891
	11,002	9,404
Other payables	8,058	3,022
	19,060	12,426

19. AMOUNTS DUE TO A RELATED COMPANY/DIRECTORS

The amount due to a related company represents the amount due to Panorama Entertainment Holdings Limited, a company in which, Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline have beneficial interests. The amount is unsecured, non-interest bearing and is repayable on demand.

The amounts due to directors represented amounts due to Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang. The amounts were unsecured, non-interest bearing and were fully settled during the year.

Notes to the Financial Statements

For the year ended 31 March, 2003

20. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases are as follows:				
Within one year	1,206	347	997	293
In the second to fifth year inclusive	1,466	193	1,357	151
	2,672	540	2,354	444
Less: Future finance charges	318	96	—	—
Present value of lease obligations	<u>2,354</u>	<u>444</u>	2,354	444
Less: Amount due within one year shown under current liabilities			997	293
Amount due after one year			<u>1,357</u>	<u>151</u>

The average lease term was 2 years (2002: 2 years). Interest rates are fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under a finance lease were secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

For the year ended 31 March, 2003

21. BANK AND OTHER BORROWINGS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Bank overdrafts	18,730	3,970
Bank borrowings	965	501
Other borrowings	66	467
	<u>19,761</u>	<u>4,938</u>
Analysed as:		
Secured	10,045	—
Unsecured	9,716	4,938
	<u>19,761</u>	<u>4,938</u>
The maturity profile of the above loans and overdrafts is as follows:		
On demand or within one year	19,362	4,580
More than one year, but not exceeding two years	399	237
More than two years, but not exceeding five years	—	121
	<u>19,761</u>	<u>4,938</u>
Less: Amounts due within one year shown under current liabilities	(19,362)	(4,580)
Amounts due after one year	<u>399</u>	<u>358</u>

Other borrowings represent loan granted by a financial institution and the amount is guaranteed by Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet, Directors of the Company, bears interests at 6.75% per annum and is repayable within one year from the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March, 2003

22. SHARE CAPITAL

	No. of shares	Amount
<i>Notes</i>		<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 17 October, 2001 (date of incorporation) and at 31 March, 2002 and 1 April, 2002	(a) 35,000,000	350
Increase in authorised share capital	(b) 1,465,000,000	14,650
At 31 March, 2003	<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid:		
Issue of ordinary shares of HK\$0.01 each to initial subscriber on 17 October, 2001 and at 31 March, 2002 and 1 April, 2002	(a) 1	—
Issue of ordinary shares pursuant to the Group Reorganisation	(c) 99,999	1
Capitalisation issue	(d) 333,200,000	3,332
Issue of ordinary shares through placing	(e) 66,700,000	667
At 31 March, 2003	<u>400,000,000</u>	<u>4,000</u>

Notes to the Financial Statements

For the year ended 31 March, 2003

22. SHARE CAPITAL (continued)

Details of changes in the authorised and issued share capital of the Company for the period from 17 October, 2001 (date of incorporation) to 31 March, 2003 are as follows:

- (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. One Share was allotted and issued, for cash at par, to provide the initial capital to the Company.
- (b) Pursuant to a written resolution of the sole shareholder of the Company passed on 17 April, 2002, the authorised share capital of the Company was increased to HK\$15,000,000 by the creation of an additional of 1,465,000,000 Shares of HK\$0.01 each.
- (c) The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM, pursuant to which the Company became the holding company within the Group. On 23 April, 2002, the Company acquired the entire issued share capital of Panorama Entertainment Group Limited, the former holding company of the Group, from its shareholders, Allan Fung Assets Limited, Designate Success Limited and Mr. Fung Yu Hing, Allan and, in consideration for such acquisition, the Company allotted and issued 99,999 new Shares in aggregate, credited as fully paid at HK\$0.01 each, to the then shareholders of Panorama Entertainment Group Limited.
- (d) Pursuant to the written resolutions of all the shareholders of the Company passed on 24 April, 2002, an amount of HK\$3,332,000 standing to the credit of the share premium account of the Company was capitalised and applied to pay up in full at par of 333,200,000 Shares of HK\$0.01 each on a pro-rata basis to the Company's then shareholders immediately before the placement of the Company's Shares as set out in note (e) below.
- (e) In May 2002, 66,700,000 new Shares of HK\$0.01 each in the Company were issued by way of placement for cash at a price of HK\$0.33 per Share. The excess of the issued price over the par value of the Shares in issue has been credited to the share premium account of the Company.

All the Shares issued during the period rank pari passu with the then existing Shares in all respects.

Notes to the Financial Statements

For the year ended 31 March, 2003

23. SHARE OPTION SCHEMES

The Company has two share options schemes, including Share Option Scheme and Pre-IPO Share Option Scheme. Details of the two share option schemes are as follows:

(a) Share Option Scheme

The Share Option Scheme was adopted on 25 April, 2002 for the primary purpose of providing incentives and to recognize the contribution of the employees (whether full-time or part-time), directors (whether executive, non-executive or independent non-executive), and consultants or advisors of the Company and/or its subsidiaries to the growth of the Group and to provide more flexibility to the Group in terms of remunerating these persons. The Share Option Scheme will expire on 24 April, 2012. Under the Share Option Scheme, the Board may at its absolute discretion offer full-time or part-time employees, including any executive, non-executive and independent non-executive director, and consultants or advisors of the Company and/or any of 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 options; 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.

As at 31 March, 2003, no options have been granted since the adoption of the Share Option Scheme. Under the GEM Listing Rules, the total number of Shares in respect of which options may be granted under the Share Option Scheme, the Pre-IPO Share Option Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of Shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

Options granted must be taken up within such period determined by the Board, which period shall not be more than three days from the date of grant, upon payment of HK\$1 per grant.

Notes to the Financial Statements

For the year ended 31 March, 2003

23. SHARE OPTIONS SCHEMES (continued)

(b) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted on 25 April, 2002 for the purpose of recognising the contribution of certain Directors, employees, consultants and advisors of the Group to the growth of the Group and/or to the listing of the Company's Shares on GEM. The Pre-IPO Share Option Scheme was expired on 9 May, 2002, being the date when dealings in the Company's Shares first commence on GEM. Options granted prior to such expiry shall continue to be valid and exercisable in accordance with and be subject to the terms of the Pre-IPO Share Options Scheme during the exercise period.

As at 31 March, 2003, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 38,400,000, representing 9.6% of the Shares of the Company in issue at that date.

Options granted must be taken up by the end of the next business day following the date of grant, upon payment of HK\$1 per grant. Options granted under the Pre-IPO Share Option Scheme may be exercised at any time after twelve months from the date when dealings in the Shares first commence on GEM to the 10th anniversary of the date on which dealings in the Shares first commence on GEM 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. The exercise price per share, which is determined by the Board, is either 10% of the Placing Price (as defined in the Prospectus) (options granted at this price being referred to below as "Pool A Options") or 70% of the Placing Price (options granted at this price being referred to below as "Pool B Options").

The following table discloses the details of the Company's Pre-IPO share options held by employees and movements in such holdings during the year:

Option type	Outstanding at beginning of the year	Granted during the year	Lapsed during the year	Outstanding at end of the year
Pool A Options	—	20,000,000	(300,000)	19,700,000
Pool B Options	—	20,000,000	(1,300,000)	18,700,000
	<u>—</u>	<u>40,000,000</u>	<u>(1,600,000)</u>	<u>38,400,000</u>

Notes to the Financial Statements

For the year ended 31 March, 2003

23. SHARE OPTIONS SCHEMES (continued)

(b) Pre-IPO Share Option Scheme (continued)

Details of the share options held by the directors included in the above table are as follows:

Option type	Outstanding at beginning of the year	Granted during the year	Lapsed during the year	Outstanding at end of the year
Pool A Options	—	14,800,000	—	14,800,000
Pool B Options	—	10,000,000	—	10,000,000
	—	24,800,000	—	24,800,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price
			<i>HK\$</i>
Pool A Options	25 April, 2002	9 May, 2003 — 8 May, 2012	0.033
Pool B Options	25 April, 2002	9 May, 2003 — 8 May, 2012	0.231

Total consideration received during the year from employees for taking up the options granted is amounted to HK\$46.

No charge is recognised in the income statement in respect of the value of options granted in the period.

Notes to the Financial Statements

For the year ended 31 March, 2003

24. RESERVES

	Share premium	Contributed surplus	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY				
At 17 October, 2001 (date of incorporation) and 31 March, 2002	—	—	—	—
Arising from the Group				
Reorganisation	—	25,571	—	25,571
Issue of shares	21,344	—	—	21,344
Issue of shares by capitalisation				
of share premium amount	(3,332)	—	—	(3,332)
Share issue expenses	(5,112)	—	—	(5,112)
Net loss for the year	—	—	(149)	(149)
At 31 March, 2003	<u>12,900</u>	<u>25,571</u>	<u>(149)</u>	<u>38,322</u>

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation, and the nominal value of the Company's Shares issued in exchange.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March, 2003, the reserve available for distribution to shareholders is HK\$38,322,000 which represents the aggregate of share premium and contributed surplus of HK\$38,471,000 net off deficit of HK\$149,000.

Notes to the Financial Statements

For the year ended 31 March, 2003

25. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into the following non-cash transactions:

- (i) The capitalisation of share premium, details of which are set out in note 22(d).
- (ii) Finance leases arrangement in respect of property, plant and equipment with a total capital value of the contracts amounted to HK\$2,958,000 (2002: HK\$342,000).

26. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments under operating leases during the year:		
Premises	1,128	1,191
Office equipment	402	302
	<u>1,530</u>	<u>1,493</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and office equipment which fall due as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Premises		
Within one year	1,321	716
In the second to fifth year inclusive	196	—
	<u>1,517</u>	716
Office equipment		
within one year	362	362
In the second to fifth year inclusive	930	1,194
	<u>1,292</u>	1,556
	<u>2,809</u>	<u>2,272</u>

Leases are negotiated for an average term of one to four years with fixed rentals.

Notes to the Financial Statements

For the year ended 31 March, 2003

27. OTHER COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Contracted for but not provided for in the financial statements	<u>12,238</u>	<u>15,523</u>

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

The Company did not have any significant commitments as at the balance date.

28. PLEDGE OF ASSETS

At 31 March, 2003, the Group pledged time deposits of approximately HK\$10,045,000 to banks to secure bank facilities granted to the Group.

At 31 March, 2002, no asset of the Group was pledged.

29. CONTINGENT LIABILITIES

At 31 March, 2003, the Company has given corporate guarantees with the aggregate amount of approximately HK\$23,300,000 (2002: nil) to banks for banking facilities granted to the Group.

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the subsidiary and branch office in Singapore and Taiwan are members of a state-managed retirement benefits scheme operated by the government of Singapore and Taiwan respectively. The subsidiary and branch office are required to contribute certain percentage of their payroll costs, depending on the age of individual employee and its nationality, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Notes to the Financial Statements

For the year ended 31 March, 2003

31. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Related party	Nature of transactions	THE GROUP	
		2003	2002
		HK\$'000	HK\$'000
Applause Pictures Limited (<i>Note a</i>)	Acquisitions of film rights	5,700	—
Mr. Fung Yu Hing, Allan (<i>Note b</i>)	Acquisition of a motor vehicle	754	—

Notes:

- (a) Applause Pictures Limited is a company of which Mr. Fung Yu Hing, Allan, an executive Director, is a director and has beneficial interest. The acquisitions were carried out on terms determined and agreed between the relevant parties.
- (b) Mr. Fung Yu Hing, Allan is an executive Director. The acquisition was carried out on terms determined and agreed between the relevant parties.

During the year, certain Directors provided personal guarantees and security to banks and financial institution to the extent of HK\$5,100,000 (2002: HK\$5,150,000) to secure credit facilities granted to the subsidiaries of the Company as follows:

- (i) A property owned by Ms. Leung Siu Kuen, Janet, an executive Director.
- (ii) Personal guarantees executed by Mr. Fung Yu Hing, Allan, and Ms. Leung Siu Kuen, Janet, executive Directors of the Company.

The Group's obligation under finance lease as at 31 March, 2003 of approximately HK\$522,000 (2002: Nil) were secured by personal guarantees given by Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet, executive Directors of the Company.

In addition, the Group had certain balances with a related company and Directors, details of these are set out in note 19.

Notes to the Financial Statements

For the year ended 31 March, 2003

32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March, 2003 are as follows:

Name of company	Place and incorporation/ operation (note b)	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company (note a)	Principal activities
Panorama Entertainment Group Limited	British Virgin Islands	Ordinary US\$200	100%	Investment holding
Panorama Distributions Company Limited	Hong Kong	Ordinary HK\$10,000,002	100%	Distribution of video products
Panorama Entertainment Company Limited	Hong Kong	Ordinary HK\$10,000	100%	Holding of film rights
Panorama Entertainment (Singapore) Pte Ltd.	Singapore	Ordinary S\$100,000	100%	Distribution of video products
Punch Pictures Company Limited	Hong Kong	Ordinary HK\$100	100%	Production of film

Notes:

- (a) Except for Panorama Entertainment Group Limited, all other subsidiaries are indirectly held by the Company.
- (b) They are limited companies incorporated in their respective jurisdiction.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Financial Summary

For the year ended 31 March, 2003

RESULTS

	For the year ended 31 March,			
	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	41,627	45,891	65,275	61,862
Profit from operations	8,419	7,577	18,336	1,126
Finance costs	(229)	(192)	(347)	(584)
Profit before taxation	8,190	7,385	17,989	542
Taxation	(1,009)	(1,341)	(2,944)	(241)
Net profit for the year	<u>7,181</u>	<u>6,044</u>	<u>15,045</u>	<u>301</u>

ASSETS AND LIABILITIES

	At 31 March,			
	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	28,360	35,378	52,531	86,613
Total liabilities	(13,304)	(24,847)	(26,959)	(43,845)
	<u>15,056</u>	<u>10,531</u>	<u>25,572</u>	<u>42,768</u>

Notes:

1. The Company was incorporated in the Cayman Islands on 17 October, 2001 and became the holding company of the Group on 23 April, 2002 as a result of the Group Reorganisation to rationalise the group structure in preparation of the listing of the Company's shares on the GEM.
2. The results for each of the three years ended 31 March, 2002 have been prepared on a combined basis to indicate the results of the Group as if the group structure immediately after the Group Reorganisation had been in existence since 1 April, 1999.

The results for each of the two years ended 31 March, 2001 have been extracted from the Company's prospectus dated 30 April, 2002.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of the shareholders of Panorama International Holdings Limited (the “Company”) will be held at 7th Floor, Union Building, 112 How Ming Street, Kwun Tong, Kowloon, Hong Kong at 4:00 p.m. on Friday, 25 July, 2003 for the following purposes:

1. To receive, consider and adopt the audited financial statements and the reports of the directors (the “Directors”) and auditors for the year ended 31 March, 2003.
2. To re-elect the retiring Directors and to authorize the board of Directors (the “Board”) to fix the remuneration of the Directors.
3. To re-appoint auditors of the Company and to authorize the Board to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:
 - A. “**THAT:**
 - a) subject to paragraph (c) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined in paragraph (d) of this resolution) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (the “Shares”) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this resolution), (ii) the grant or exercise of any options under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of options to subscribe for, or rights to acquire Shares or, (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of the cash payment for any dividend on Shares pursuant to the articles of association of the Company in force from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the approval in paragraph (a) of this resolution shall be limited accordingly; and

Notice of Annual General Meeting

d) for the purpose of this resolution:–

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:–

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

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

B. **“THAT:**

- a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this resolution) of all the powers of the Company to repurchase its own Shares on the GEM or any other stock exchange on which the Shares may be listed and which is recognized by the Securities and Futures Commission of Hong Kong (the “Securities and Futures Commission”) and the Stock Exchange for such purpose, in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any such other stock exchange from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- b) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

Notice of Annual General Meeting

c) for the purpose of this resolution:–

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:–

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

C. **“THAT:**

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

5. As special business, to consider and, if thought fit, pass the following resolution as special resolution:

“THAT the definition of “recognised clearing house” in Article 2 of the Company’s Articles of Association be amended as follows:

“recognised clearing house” shall have the meaning ascribed to the expression “recognized clearing house” in Part I of Schedule 1 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;”

By order of the Board
Fung Yu Hing, Allan
Chairman

Hong Kong, 25 June, 2003

Notice of Annual General Meeting

Principal place of business in Hong Kong:

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

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint a person or persons (if he holds two or more Shares) as his proxy or proxies to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be delivered to the Company's share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. An explanatory statement containing further details regarding Ordinary Resolution No. 4B above as required by the Rules Governing the Listing of Securities on GEM will be dispatched to members of the Company together with the 2003 Annual Report.
4. Completion and deposit of the form of proxy shall not preclude a shareholder from attending and voting in person at the Meeting if the shareholder so desires and in such event the form of proxy shall be deemed to be revoked.