



Panorama International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

2003/04

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



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2003 – UNAUDITED

The board of Directors (the "Board") of Panorama International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "Panorama") for the three and six months ended 30 September, 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three and six months ended 30 September, 2003

	Notes	Three months		Six months	
		ended 30 September, 2003 HK\$'000	2002 HK\$'000	ended 30 September, 2003 HK\$'000	2002 HK\$'000
Turnover	2	19,971	10,517	37,637	24,250
Cost of sales		(9,632)	(7,004)	(17,006)	(13,258)
Gross profit		10,339	3,513	20,631	10,992
Other operating income		56	(1)	68	180
Distribution costs		(146)	(311)	(500)	(774)
Administrative expenses		(4,940)	(5,568)	(10,112)	(10,654)
Other operating expenses		(549)	(339)	(1,102)	(726)
Profit/(loss) from operations	4	4,760	(2,706)	8,985	(982)
Finance costs		(278)	(82)	(564)	(151)
Profit/(loss) before taxation		4,482	(2,788)	8,421	(1,133)
Taxation	5	(1,187)	244	(1,543)	(76)
Net profit/(loss) for the period		3,295	(2,544)	6,878	(1,209)
Earnings/(loss) per share – Basic	6	0.82 cent	(0.64 cent)	1.72 cents	(0.30 cent)
Earnings/(loss) per share – Diluted	6	0.81 cent	N/A	1.69 cents	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September, 2003 HK\$'000	(Audited) 31 March, 2003 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,461	3,216
Film rights	8	39,674	29,888
Trademark		53	60
Payment for acquisition of film rights		7,339	8,008
		<u>49,527</u>	<u>41,172</u>
CURRENT ASSETS			
Inventories		19,137	17,067
Trade and other receivables	9	26,478	17,250
Pledged bank deposits		10,090	10,045
Bank balances and cash		281	1,079
		<u>55,986</u>	<u>45,441</u>
CURRENT LIABILITIES			
Trade and other payables	10	30,028	19,060
Amount due to a related company		695	858
Taxation payable		2,336	1,812
Obligations under finance leases – due within one year	11	997	997
Bank and other borrowings – due within one year	12	20,825	19,362
		<u>54,881</u>	<u>42,089</u>
		<u>1,105</u>	<u>3,352</u>
NET CURRENT ASSETS			
		<u>50,632</u>	<u>44,524</u>
CAPITAL AND RESERVES			
Share capital	13	4,008	4,000
Reserves	14	45,664	38,768
		<u>49,672</u>	<u>42,768</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year	11	859	1,357
Bank and other borrowings – due after one year	12	101	399
		<u>960</u>	<u>1,756</u>
		<u>50,632</u>	<u>44,524</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended 30 September,	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	12,992	6,939
Net cash outflow from investing activities	(13,919)	(14,703)
Net cash outflow before financing activities	(927)	(7,764)
Net cash (outflow)/inflow from financing activities	(1,380)	12,083
Net (decrease)/increase in cash and cash equivalents	(2,307)	4,319
Cash and cash equivalents at beginning of period	(17,651)	(3,592)
Cash and cash equivalents at end of period	(19,958)	727
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	281	6,597
Bank overdrafts	(20,239)	(5,870)
	(19,958)	727

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital	Share premium	Special reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2002	1	–	10,440	(4)	15,135	25,572
Issue of shares	667	21,344	–	–	–	22,011
Issue of shares by capitalisation of share premium account	3,332	(3,332)	–	–	–	–
Share issue expenses	–	(5,111)	–	–	–	(5,111)
Net loss for the period	–	–	–	–	(1,209)	(1,209)
At 30 September, 2002	4,000	12,901	10,440	(4)	13,926	41,263
At 1 April, 2003	4,000	12,900	10,440	(8)	15,436	42,768
Issue of shares	8	18	–	–	–	26
Net profit for the period	–	–	–	–	6,878	6,878
At 30 September, 2003	4,008	12,918	10,440	(8)	22,314	49,672

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 GEM of the Stock Exchange and the nominal value of the Company's shares (the "Shares") issued in exchange.

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



NOTES TO CONDENSED FINANCIAL STATEMENTS

1. *Principal Accounting Policies and Basis of Presentation*

The unaudited condensed financial statements (the "Interim Financial Report") has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The Interim Financial Report has been prepared in accordance with the requirements of the GEM Listing Rules, including compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The financial information relating to the financial year ended 31 March, 2003 included in the Interim Financial Report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March, 2003 are available from the Company's principal place of business in Hong Kong. The auditors have expressed an unqualified audit opinion on those financial statements in their report dated 25 June, 2003.

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

The same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31 March, 2003 have been applied to the Interim Financial Report.

The Group has adopted the revised Statement of Standard Accounting Practice 12 "Income Taxes" ("SSAPI2") which became effective on 1 January, 2003. The adoption of the revised SSAPI2 has no material effect on the Group's financial results for the six months ended 30 September, 2003.

The notes on the Interim Financial Report include an explanation of events and transactions that are significant to an understanding of the changes in financial position of the Group since the 2003 annual report.

2. *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:

	Three months ended		Six months ended	
	30 September,		30 September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	15,332	9,943	32,672	22,689
Sub-licensing of film rights	3,833	574	4,159	1,561
Film exhibition	806	–	806	–
	19,971	10,517	37,637	24,250

3. *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 period ended 30 September, 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.

4. Profit/(loss) from Operations

	Three months ended		Six months ended	
	30 September,		30 September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) from operations has been arrived at after charging:				
Auditors' remuneration	73	73	145	145
Amortisation of film rights included in cost of sales	2,550	1,728	4,671	4,422
Amortisation of trademark	3	3	7	7
Allowances for inventories	–	51	–	147
Cost of inventories included in cost of sales	4,201	3,783	8,253	6,281
Depreciation				
– Owned assets	141	199	301	350
– Assets under finance leases	271	165	541	329
Operating lease rentals				
– Land and buildings	356	283	670	561
– Office equipment	88	81	176	164
Staff costs including directors remuneration	3,718	3,689	7,701	7,114
Staff retirement scheme contributions	99	104	201	209
and after crediting:				
Interest income	19	5	43	12

5. Taxation

	Three months ended		Six months ended	
	30 September,		30 September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong Profits Tax				
Current year	(1,127)	270	(1,467)	–
Underprovision in prior years	–	(62)	–	(62)
Taxation in other jurisdictions	(60)	36	(76)	(14)
Taxation attributable to the Group	(1,187)	244	(1,543)	(76)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period.

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

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

6. Earnings/(loss) Per Share

The calculation of the basic earnings/(loss) per share is based on the unaudited net profit/(loss) for the period for the three months and six months ended 30 September, 2003 of approximately HK\$3,295,000 and HK\$6,878,000 respectively (three months and six months ended 30 September, 2002: loss for the period of approximately HK\$2,544,000 and HK\$1,209,000 respectively) and the weighted average number of approximately 400,800,000 and 400,510,000 ordinary shares respectively for the three months and six months ended 30 September, 2003 (three months and six months ended 30 September, 2002: 400,000,000 ordinary shares) in issue during the periods 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 outstanding for each period presented.



The calculation of diluted earnings/(loss) per share is based on the unaudited net profit/(loss) for the period for the three months and six months ended 30 September, 2003 of approximately HK\$3,295,000 and HK\$6,878,000 respectively (three months and six months ended 30 September, 2002: loss for the period of approximately HK\$2,544,000 and HK\$1,209,000 respectively) and the diluted weighted average number of approximately 408,597,000 and 406,508,000 ordinary shares respectively for the three months and six months ended 30 September, 2003. They have been calculated after taking into account all dilutive instruments outstanding as at 30 September, 2003. The effect of the dilutive potential ordinary shares resulting from the exercise of the outstanding share options on the weighted average number of shares in issue during the three months and six months ended 30 September, 2003 were approximately 7,797,000 shares and 5,998,000 shares respectively which were deemed to have been issued at no consideration as if all outstanding share options has been exercised on the date the options were granted.

Diluted earnings/(loss) per share is not presented for the three months and six months ended 30 September, 2002 as there were no dilutive potential ordinary shares in existence during the periods.

7. *Property, Plant and Equipment*

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 April, 2003	2,515	3,387	2,210	8,112
Additions	4	83	–	87
	<u>2,519</u>	<u>3,470</u>	<u>2,210</u>	<u>8,199</u>
At 30 September, 2003				
DEPRECIATION				
At 1 April, 2003	1,906	1,631	1,359	4,896
Provided for the period	153	397	292	842
	<u>2,059</u>	<u>2,028</u>	<u>1,651</u>	<u>5,738</u>
At 30 September, 2003				
NET BOOK VALUES				
At 30 September, 2003	<u>460</u>	<u>1,442</u>	<u>559</u>	<u>2,461</u>
At 31 March, 2003	<u>609</u>	<u>1,756</u>	<u>851</u>	<u>3,216</u>

8. *Film Rights*

	30 September, 2003 HK\$'000
COST	
At 1 April, 2003	68,230
Additions	14,457
	<u>82,687</u>
At 30 September, 2003	
AMORTISATION AND IMPAIRMENT	
At 1 April, 2003	38,342
Provided for the period	4,671
	<u>43,013</u>
At 30 September, 2003	
NET BOOK VALUE	
At 30 September, 2003	<u>39,674</u>
At 31 March, 2003	<u>29,888</u>



9. *Trade and Other Receivables*

	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000
Trade receivables:		
0 – 30 days	6,629	7,176
31 – 60 days	3,469	3,598
61 – 90 days	2,092	1,981
91 – 180 days	2,707	1,031
Over 180 days	619	–
	15,516	13,786
Other receivables	10,962	3,464
	26,478	17,250

10. *Trade and Other Payables*

	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000
Trade payables:		
0 – 30 days	4,794	2,649
31 – 60 days	2,388	2,324
61 – 180 days	5,014	3,956
Over 180 days	4,257	2,073
	16,453	11,002
Other payables	13,575	8,058
	30,028	19,060

11. *Obligations under Finance Leases*

	Minimum lease payments		Present value of minimum lease payments	
	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000
Amounts payable under finance leases are as follows:				
Within one year	1,136	1,206	997	997
In the second to fifth year inclusive	959	1,466	859	1,357
	2,095	2,672	1,856	2,354
Less: Future finance charges	239	318	–	–
Present value of lease obligations	1,856	2,354	1,856	2,354
Less: Amount due within one year shown under current liabilities			997	997
Amount due after one year			859	1,357



12. *Bank and Other Borrowings*

	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000
Bank overdrafts	20,239	18,730
Bank borrowings	687	965
Other borrowings	–	66
	<u>20,926</u>	<u>19,761</u>
Analysed as:		
Secured	10,090	10,045
Unsecured	10,836	9,716
	<u>20,926</u>	<u>19,761</u>

The maturity profile of the above loans and overdrafts is as follows:

On demand or within one year	20,825	19,362
More than one year, but not exceeding two years	101	399
	<u>20,926</u>	<u>19,761</u>
Less: Amounts due within one year shown under current liabilities	(20,825)	(19,362)
	<u>101</u>	<u>399</u>

13. *Share Capital*

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 30 September, 2003	1,500,000,000	15,000
Issued and fully paid:		
At 1 April, 2003	400,000,000	4,000
Issue of shares – exercise of Pre-IPO Share Option Scheme (as defined in page 23)	<u>800,000</u>	<u>8</u>
At 30 September, 2003	<u>400,800,000</u>	<u>4,008</u>

14. Reserves

	Share premium	Special reserve	Translation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April, 2002	–	10,440	(4)	15,135	25,571
Issue of shares	21,344	–	–	–	21,344
Issue of shares by capitalisation of share premium account	(3,332)	–	–	–	(3,332)
Share issue expenses	(5,111)	–	–	–	(5,111)
Net loss for the period	–	–	–	(1,209)	(1,209)
	<u>12,901</u>	<u>10,440</u>	<u>(4)</u>	<u>13,926</u>	<u>37,263</u>
At 1 April, 2003	12,900	10,440	(8)	15,436	38,768
Issue of shares	18	–	–	–	18
Net profit for the period	–	–	–	6,878	6,878
	<u>12,918</u>	<u>10,440</u>	<u>(8)</u>	<u>22,314</u>	<u>45,664</u>

15. Operating Lease Commitments

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments under operating leases during the period:		
Premises	1,040	1,128
Office equipment	181	402
	<u>1,221</u>	<u>1,530</u>

As at 30 September, 2003, 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:

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Premises		
Within one year	1,290	1,321
In the second to fifth year inclusive	300	196
	<u>1,590</u>	<u>1,517</u>
Office equipment		
Within one year	353	362
In the second to fifth year inclusive	729	930
	<u>1,082</u>	<u>1,292</u>
	<u>2,672</u>	<u>2,809</u>

16. Other Commitments

	30 September, 2003 HK\$'000	31 March, 2003 HK\$'000
Contracted for but not provided for in the financial statements	<u>11,366</u>	<u>12,238</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 30 September, 2003.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 September, 2003 (2002: Nil).

BUSINESS AND FINANCIAL REVIEW

In the wake of a long period of economic downturn, Hong Kong has walked out of its gloomy economy and Panorama has witnessed reviving consumer confidence and stimulating consumer sentiment.

On the financial side, turnover of the Group for the six months ended 30 September, 2003 (the "Six-Month Period") amounted to approximately HK\$37,637,000 (2002: HK\$24,250,000), representing approximately 55% increase as compared to that of the same period in 2002. Sales of goods for the Six-Month Period amounted to approximately HK\$32,672,000 (2002: HK\$22,689,000), representing a rise of approximately 44% over the corresponding period last year. Sub-licensing income for the Six-Month Period was approximately HK\$4,159,000 (2002: HK\$1,561,000), representing approximately 166% increase when compared to that of the same period in 2002. Net profit for the Six-Month Period amounted to approximately HK\$6,878,000 (2002: loss of approximately HK\$1,209,000), representing an increase of approximately HK\$8,087,000 over the corresponding period last year.

The rise in turnover and profit is caused by several factors. The Group has adopted successful strategies in acquiring video distribution rights of not only theatrical titles of box-office hits but also popular local productions. Various incentives of sub-licensing of film rights to South East Asia, especially the People Republic of China, have also been successful in bringing large profits to the Group. An equally important source giving rise to an increase in the turnover is the Group's business expansion in film exhibition.

On the operation side, the Group has successfully maintained its outstanding role as an entertainment provider in Asian market by acquiring popular film rights of local productions and worldwide blockbusters, and establishing a holistic and comprehensive line from local film production to theatrical release and distribution.

In the Six-Month Period, the Group has acquired the video distribution rights of several popular titles, among which award-winning or nominated theatrical titles include "The Pianist", "Far From Heaven", "Adaptation" and "The Iron Ladies 2". "The Pianist", winner of seven Academy Awards, is a must for art-house fans after quality work from a great filmmaker. "Far From Heaven", starring Julianne Moore, Dennis Quaid and Dennis Haysbert, proved to be a well-received romantic story. "Adaptation", a wildly unconventional comedy about a writer who, out of sheer desperation, decides to insert himself into the screenplay he is struggling to adapt, is the product from director Spike Jonze and screenwriter Charlie Kaufman, the team responsible for the highly acclaimed "Being John Malkovich". "The Iron Ladies 2", a comedy directed by Thongkonthun Youngyooth, follows the Thai male volleyball team consisting mostly of gays, transvestites and transsexuals. The funny dubbing of Ekin Cheng, Sandra Ng Kwan-yue, Dicky Cheung Wai-kin and Got Man-fai drew large audience and triggered much gossip during its theatrical release in April 2003. Other box-office-hits theatrical titles

include "Below", "Basic", "About Schmidt", "Twilight Samurai", and "City of God", all of which have been well received. Popular titles of "I:99 Shorts" and "Saint Seiya" boxset series have also been released. "I:99 Shorts" was a bid won by the Group from the Federation of Hong Kong Film Workers for exclusive video distribution, all revenue of which being donated to charities. "Saint Seiya", a classical Japanese animation series, in its release of the delicately designed DVD Boxset series packaged with character models, has yielded much revenue for the Group.

PROSPECTS

In the coming six-month period, the Group will see a major business expansion directed in three main areas.

Firstly, the Group will continue its endeavour to acquire more mainstream film rights for video distribution of not only foreign theatrical titles but also local Chinese titles.

For the video release of foreign language titles, we have been able to obtain exclusive video rights from Golden Scene Company Limited for all of its theatrical titles. Titles scheduled for release for the coming two quarters include "Scary Movie 3", "Spy Kids 3D: Game Over", "A Tale of Two Sisters" and "The Uninvited".

In the "Scary Movie 3", the Scary Movie gang is back for the third installment in this spoof series, but they are no longer content to stick to the horror genre. Everything from "Lord of the Rings" to "8 Mile" is up for skewering and bringing fun and laughter to audience.

"Spy Kids 3D: Game Over", using the latest digital technology to weave 3-D images directly into the Spy Kid's trademark espionage action, invited audiences of all ages to experience for the first time in decades the thrill of putting on special glasses that transport them right into the middle of the exhilarating action and adventure. It triggered a box office fever during its summer release.

"A Tale of Two Sisters", directed by Kim Jee-woon, the well-known Korean director of "Three" and "Phone", with the storyline of two sisters who, after spending time in a mental institution, return home to deal with their stepmother's obsessive and unbalanced behaviour, brings Gothic style horror with chill from stairway and aisle of a Western-style building to the audience.

"The Uninvited", starring Jeon Ji Hyun, is about a girl, with a voice somewhat husky and wicked like a witch, who has the gift of seeing the dead. With the wave of popularity of Korean movies, especially horror movies, this title will surely lure a considerable number of audience.

Besides the sources of titles obtained exclusively from Golden Scene Company Limited, the Group has also been actively engaged in exploring different sources to import other theatrical titles for video release, like "Jeepers Creepers 2" and "Underworld", both of which scheduled for video release in January 2004.

Besides acquiring distribution rights of popular foreign movies, the Group has taken a major effort in exploring the local film market. Therefore, the Group has entered into several contracts with China Star Entertainment Limited since October 2003, obtaining exclusive distribution rights for home video production of a series of local Chinese theatrical movies. Among them, "The Spy Dad" (「絕種鐵金剛」), which has been on show in October 2003, is scheduled for video release in December 2003. The comedy "The Spy Dad" is directed by Wong Jing, starring Tony Leung Ka-fai, Gillian Chung Yan-tung, Jordan Chan Siu-chung and Edison Chen. Following the great hits of box-office breaking "Spy Kids 3D: Game Over" in summer 2003, "The Spy Dad" can be expected to draw a large audience. Another title "Lost In Time" (「忘不了」), starring Lau Ching-wan, Cecilia Cheung and Louis Koo, is scheduled for theatrical release in November 2003 and video release in January 2004. Prominent directors including To Kei-fung, Wai Ka-fai and strong casting including Miriam Yeung, Gigi Leung, Carina Lau, Gillian Chung, Charlene Choi and Aaron Kwok, will be involved in the



production of these series of local movies. It can be expected that these local titles with distinguished directors for filming and glamorous stars for casting will be well received during their theatrical release, and thus their subsequent video distributions will be a great source of revenue for the Group.

"Love Storm" is a 21-episode Taiwan television series the Group has successfully obtained distribution rights from Riche Multimedia Holdings Limited. Starring popular Taiwan actors Vivian Xu Jo-hsuan, Chow Yu-man, Zhu Kao-tian, this boxset series will surely be an invaluable collectible no fans would miss. The Group has also entered into a long-term cooperative partnership with Jin Chuan Pictures Co. Ltd, obtaining exclusive video rights of its future production. Among them, "Hidden Track", starring Daniel Wu, Shawn Yue and Denise Ho with a storyline around Jay Chou, is scheduled for theatrical release in November 2003 and video release in January 2004. All these ventures can be expected to bring positive news to the turnover of the Group in the coming two quarters.

The second significant business development of the Group in the coming days will be oriented at the investment in the production of the Group's own local Chinese movies. Producing the Group's own local film titles can, on one hand, ensure a source of quality local titles for video release. On the other hand, given the promising growth and opportunity offered by locally produced film titles, the Group is confident that business expansion in this aspect will be an important source of drawing revenue for the Group.

In partnership with China Star Entertainment Limited, the Group has jointly invested in the production of "Naked Ambition". This comedy, starring Louis Koo and Eason Chan, depicts the story of typical Hong Kong youths who try to establish their own business. The comedy debuted its theatrical release in October 2003 and has so far made an encouraging box office record.

Another master local production of the Group will be "First Lesson", directed by prominent directors Mr Gordon Chan Ka-seung and Fruit Chan, starring Tony Leung Ka Fai and Anthony Wong Chau-sang. With a breath-taking storyline of the love story of a lawyer, this movie can be expected to draw quite a large audience of cinema-goers. This title can be expected to be a significant milestone symbolizing a giant step in the business expansion for the Group.

Besides the production of theatrical titles, the Group has also developed a venture in producing local tele-feature films, through its subsidiary company Punch Pictures Co. Ltd. Among the six tele-feature films produced, two has been released, namely "My Sassy Boyfriend", starring Yuen Kit-ying and Cheung Tat-ming, and "Brush Up My Sisters", featuring Mak Ka-kei, Cheung Man-chi, Ng Man-yan and Lui Chung-yin. Titles pending for video release include "The Princess of Temple Street", starring Tiffany Lee, and "Brush Up My Sisters" Vol. 2-4.

For the two local productions of theatrical titles "Naked Ambition" and "First Lesson", revenue will be drawn not only from the box office but also from the subsequent video production. It can be expected that the release of these locally produced titles, in addition to the tele-feature titles, will be an effective stimulant to the sales figure of the Group in the coming six months.

New film rights and new releases as mentioned above would not be complete without a distribution strategy. So, the Group has made a striving effort in elongating its antenna in the third aspect of business expansion: theatrical release. The Group understands that it is important to secure a line of theatre outlets for the distribution of quality local production to a wider spectrum of audience. With this in mind, the Group established Go Film Distribution Limited ("Go Film") in September 2003, in partnership with two leading chain-theatre-owners and a well-established theatrical-title distributor in the region. Go Film is established as a film-release facilitator to the Group with the aim of coordinating and handling all the issues related with theatrical release of local titles. The release of "Naked Ambition" would not have been so smooth without Go Film. Go Film is poised to be one of the important revenue drawers which will benefit the business for the Group when lining up film titles for upcoming theatrical release, including "The Floating Landscape", "Golden Chicken 2", and "Hidden Track".

In view of the above, the Group will be successful in applying a “through-train” concept on the revenue-drawing line, giving rise to a holistic and comprehensive line from local film production to theatrical release and distribution. On one hand, in the alliance with China Star Entertainment Limited, the Group will be able to ensure the source of quality film titles by investing in the production of local titles and acquiring popular film rights and new releases of different genres. On the other hand, in the establishment of Go Film, the entire theatrical release process will be much facilitated. Together, the whole line of production, from acquiring film titles to video and theatrical release, will be secured and the entire revenue-drawing power will be much strengthened.

With three main directions of business expansion above, from acquisition of mainstream video release of local and foreign titles, to investment in the production of local titles, and the empowerment of the Group’s theatrical-release arms, it can be expected that the revenue of the Group for the upcoming six-month period will soar significantly with such a positive outlook. It is the Group’s prudent estimation that without any adverse business environment, the sales turnover, when compared with the last six months of the financial year 2002-2003, will see at least a double-digit percent increase in the coming six months of this financial year of 2003-2004.

LIQUIDITY AND FINANCIAL RESOURCES

Regarding the Group’s liquidity position, its current ratio as at 30 September, 2003 was approximately 102%, representing a decrease of approximately 6% when compared to that of the previous financial year. The decrease of current ratio reflects the Group’s prudent cash management during a time of low-saving interest rates of better utilization of current asset to generate revenue. Gearing ratio, calculated based on long term liabilities of approximately HK\$960,000 (As at 31 March, 2003: HK\$1,756,000) and shareholders’ fund of approximately HK\$49,672,000 (As at 31 March, 2003: HK\$42,768,000), was approximately 2% as at the balance sheet date, representing a decrease of 2% as compared to the previous year’s figure. The decrease of gearing ratio was largely due to the lighter burden of obligations under finance leases.

PLEDGE OF ASSETS

As at 30 September, 2003, the Group’s bank deposit of HK\$10,090,000 was pledged to banks to secure banking facilities of the Group.

EXCHANGE RATE RISK

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. Our exposure to exchange rate fluctuations is minimal.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements.

CONTINGENT LIABILITIES

As at 30 September, 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.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the six month ended 30 September, 2003

Business Objectives as stated in the Prospectus	Actual Business Progress/Change of Objective (if any)
<p><i>Enhance Video Programme Library</i></p> <ul style="list-style-type: none"> Continue to expand product base and acquire distribution rights for quality foreign language films Acquire more distribution rights for Thailand and South Korea market 	<ul style="list-style-type: none"> Quality English, French, Italian, Japanese and Iranian films are distributed Continue to acquire distribution rights for Thailand and South Korean market
<p><i>Expand Distribution Network</i></p> <ul style="list-style-type: none"> Continue to expand local distribution network to 380 video stores and 1,200 retail chain outlets Set up a sales office in Thailand Develop a sales team with two new staff on TV programmes 	<ul style="list-style-type: none"> Continue to expand distribution network in Hong Kong according to the business plan Strategic alliance is entered into with Thailand-based United Home Entertainment Co. Ltd to facilitate video distribution in Thailand Operate a 24-hour cable channel through i-Cable subscription network
<p><i>Diversify Distribution Channels</i></p> <ul style="list-style-type: none"> Increase video release to 38 titles per month and 7 theatrical titles for the six month period respectively Continue to release Chinese movie for the period Set up a licensing sales division with two additional staff in Hong Kong 	<ul style="list-style-type: none"> Video release of 40 titles per month on average and 6 theatrical titles for the six month period has been achieved respectively "Naked Ambition" is released theatrically and 9 Chinese movies are released for video distribution Sub-licensing of local movies has been conducted actively by the current sales team for the sake of cost-effectiveness, titles of which include "The New Option" series and the Group's production of "Brush Up My Sisters"
<p><i>Develop Internet and E-commerce Business</i></p> <ul style="list-style-type: none"> Continue to increase the depth of content and provides more features to the Group's website Continue negotiations of and secure licences from music companies for online music delivery services 	<ul style="list-style-type: none"> Regular updates have been made to the Company's website www.panorama.com.hk to provide viewers with information of the newest releases Seek music companies for securing licences for online music delivery services

USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on GEM were approximately HK\$16.7 million. Out of which, approximately HK\$4.0 million was used to repay short-term borrowing. Although such action was not mentioned in the Prospectus, the event has reflected top management's prudent cash management policy during a time of low saving interest rates. Also, an amount of approximately HK\$1.0 million was spent on purchasing fixed asset, of which approximately HK\$342,000 was spent in setting up the Guangzhou office and approximately HK\$676,000 for the Hong Kong head office. This was generally in accordance with what had been projected in the Prospectus. As at 30 September, 2003, of the Group's expenditure on film right acquisition, approximately HK\$7.7 million has been financed by the net proceeds from the placing. It represented in excess of approximately HK\$2.6 million beyond what was anticipated in the Prospectus. The variation was largely attributed to the changes in market conditions and opportunities, which required the Group to respond promptly. Good movies from prominent directors and producers would be quickly snapped up by competitors had we not reached in a swift manner. On developing Internet and e-commerce business, approximately HK\$0.7 million has been spent, as at 30 September, 2003. The net proceeds of HK\$3.3 million would be spent based on a revised budget as at 30 September, 2003. The total budget for enhancing video programme library would be adjusted downwards from HK\$11.1 million to approximately HK\$9.5 million, as some of the planned acquisitions after 30 September, 2003 had already been conducted. The expansion of distribution network, both off-line and online, would adhere to the limit set out in the revised budget by adjusting downwards from approximately HK\$2.1 million to approximately HK\$1.2 million. As for the development of the Internet and e-commerce business, the budget would be adjusted from HK\$2.4 million to approximately HK\$1.0 million. If market conditions and opportunities become favourable, the Group would consider financing its distribution expansion based on positive cash flow from operation.

EMPLOYEES AND REMUNERATION POLICIES

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.

Staff costs and allowance increased by approximately 8.3%, an increase of approximately HK\$587,000. Such increase can be attributed to the hiring of caliber executives to head up various mission-critical business functions. As at 30 September, 2003, the Group, headquartered in Hong Kong, had a total of 77 staff working for the Hong Kong, Singapore, Taiwan, and Guangzhou offices. 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 period under review, the Group made no significant investments and had no material acquisitions or disposals of subsidiaries or associates.

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.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30 September, 2003, the interests or short positions of the Directors and the chief executive of the Company in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the minimum standards of dealing by Directors in Rule 5.40 of the GEM Listing Rules were as follows:

(a) Shares

Long positions in Shares

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of issued Shares
Mr. Fung Yu Hing, Allan	18,331,500	–	233,340,000 (Note 1)	–	251,671,500	62.79%
Mr. Fung Yee Sang	31,663,500	–	–	–	31,663,500	7.90%

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

(b) Share options

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

Save as disclosed above, as at 30 September, 2003, none of the Directors or their associates as well as the chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

SHARE OPTION SCHEMES

(a) Share Option Scheme

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

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

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

(b) Pre-IPO Share Option Scheme

Pursuant to another share option scheme (the "Pre-IPO Share Option Scheme") of the Company adopted on 25 April, 2002, the Board has granted options to 45 persons (comprising all eight Directors (including executive, non-executive and independent non-executive), five senior management staff and thirty-two other full-time employees of the Group) to subscribe for an aggregate of 40,000,000 Shares as to 20,000,000 Shares at a subscription price per Share equal to 10% of the Placing Price (i.e. HK\$0.33) (as defined in the Prospectus) which subscription price is approximately equivalent to HK\$0.033 (options granted at this price being referred to below as "Pool A Options") and as to the remaining 20,000,000 Shares at a subscription price per Share equal to 70% of the Placing Price which subscription price is approximately equivalent to HK\$0.231 (options granted at this price being referred to below as "Pool B Options"). All of these options have a duration of 10 years from and including the date on which dealings in the Company's shares on GEM first commence on 9 May, 2002, but each shall lapse in accordance with the terms of the Pre-IPO Share Option Scheme if the relevant grantee ceases to be an eligible participant or on any other grounds set out in the Pre-IPO Share Option Scheme as defined in the Prospectus. All share options granted under the Pre-IPO Share Option Scheme can only be exercised after twelve months from 9 May, 2002. As at 30 September, 2003, options to subscribe for an aggregate of 35,600,000 Shares had been granted to certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Including options to subscribe for an aggregate of 24,800,000 Shares granted to certain Directors as stated below and an aggregate of 10,800,000 Shares granted to 28 employees of the Group. The particulars of the share options granted under the Pre-IPO Share Option Scheme to the Directors are set out below:—

Name of Directors	Date of grant	Number of underlying shares attributable to both Pool A Options and Pool B Options	Approximate percentage of issued Shares
Mr. Fung Yu Hing, Allan	25 April, 2002	7,000,000 (4,000,000 to Pool A Options and 3,000,000 to Pool B Options)	1.7465%
Ms. Leung Siu Kuen, Janet	25 April, 2002	6,000,000 (4,000,000 to Pool A Options and 2,000,000 to Pool B Options)	1.4970%
Mr. Fung Yee Sang	25 April, 2002	6,000,000 (4,000,000 to Pool A Options and 2,000,000 to Pool B Options)	1.4970%
Mr. Au Lik Man, Simon	25 April, 2002	2,000,000 (1,000,000 to Pool A Options and 1,000,000 to Pool B Options)	0.4990%
Dr. Lo Wing Yan, William	25 April, 2002	2,300,000 (1,800,000 to Pool A Options and 500,000 to Pool B Options)	0.5739%
Ms. Fung Suen Lai, Jacqueline	25 April, 2002	500,000 (to Pool B Options)	0.1248%
Mr. Chan Koon Chung, Johnny	25 April, 2002	500,000 (to Pool B Options)	0.1248%
Mr. Chau, Stephen	25 April, 2002	500,000 (to Pool B Options)	0.1248%

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2003, the following persons had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly interested in 10% or more of the nominal value of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in Shares

Name of shareholders	Number of Shares	Nature of interests	Approximate percentage of issued Shares
Allan Fung Assets Limited	233,340,000 (Note 1)	Corporate	58.22%
Mr. Fung Yu Hing, Allan	251,671,500 (Note 2)	Personal	62.79%

Notes:

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

OTHER SHAREHOLDER

As at 30 September, 2003, the following person had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or was directly interested in 5% or more of the nominal value of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in Shares

Name of shareholders	Number of Shares	Nature of interests	Approximate percentage of issued Shares
Mr. Fung Yee Sang	31,663,500	Personal	7.90%

Save as disclosed above, as at 30 September, 2003, there is no person who had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTERESTS

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

SPONSOR'S INTEREST

As at 30 September, 2003, neither First Shanghai Capital Limited (the "Sponsor") nor its directors or employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

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

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

During the six months ended 30 September, 2003, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's listed securities.

BOARD PRACTICE AND PROCEDURES

For the six months ended 30 September, 2003, the Company had been in compliance with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 25 April, 2002 with written terms of reference in compliance with the requirements as set out in Rule 5.23 of the GEM Listing Rules. The primary duties of the Committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board. The Committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

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

By Order of the Board
Panorama International Holdings Limited
Fung Yu Hing, Allan
Chairman

Hong Kong, 13 November, 2003

