



PANORAMA INTERNATIONAL HOLDINGS LIMITED

鐳射國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8173)

FIRST QUARTERLY REPORT

2004/2005

For the three months ended

30 June, 2004

* *For identification purposes only*

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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.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE, 2004 (UNAUDITED)

The board of Directors (the “Board”) of Panorama International Holdings Limited (the “Company” or “Panorama”) is pleased to announce the unaudited quarterly consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June, 2004 together with the comparative unaudited figures for the corresponding period of 2003 as follows:

		Three months ended	
		30 June,	
		2004	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	18,557	17,666
Cost of sales		(8,092)	(7,374)
Gross profit		10,465	10,292
Other operating income		1	12
Distribution costs		(55)	(354)
Administrative expenses		(4,619)	(5,172)
Other operating expenses		(335)	(552)
Profit from operations		5,457	4,226
Finance costs		(341)	(286)
Profit before taxation		5,116	3,940
Taxation	3	(922)	(356)
Profit before minority interests		4,194	3,584
Minority interests		(568)	–
Net profit for the period		3,626	3,584
Earnings per share – Basic	4	0.90 HK cent	0.90 HK cent
Earnings per share – Diluted	4	0.89 HK cent	0.89 HK cent

Notes:

1. Basis of presentation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March, 2004.

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, film exhibition and film distribution, and is analysed as follows:

	Three months ended 30 June,	
	2004	2003
	HK\$'000	HK\$'000
Sales of goods	16,176	17,340
Sub-licensing of film rights	1,103	326
Film exhibition and film distribution income	1,278	—
	<u>18,557</u>	<u>17,666</u>

3. Taxation

	Three months ended 30 June,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	151	339
Taxation in other jurisdictions	11	17
Deferred tax charge	760	—
	<u>922</u>	<u>356</u>

Hong Kong profits tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the period. Hong Kong Profits Tax rate was changed from 16% to 17.5% with effect from 2003/2004 year of assessment.

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

The charge for the period can be reconciled to the profit per the income statement as follows:

	Three months ended 30 June,	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	<u>5,116</u>	<u>3,940</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	895	630
Tax effect of income not taxable in determining taxable profit	—	(281)
Tax effect of expenses that are not deductible in determining taxable profit	23	4
Effect of different tax rates of operation in other jurisdictions	4	3
Tax charge for the period	<u>922</u>	<u>356</u>

4. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited profits attributable to shareholders for the three months ended 30 June, 2004 of approximately HK\$3,626,000 (2003: approximately HK\$3,584,000) and the weighted average number of approximately 402,000,000 ordinary shares for the three months ended 30 June, 2004 (2003: 400,220,000 ordinary shares) in issue during the period after adjustment for the capitalisation issue.

The calculation of diluted earnings per share for the three months ended 30 June, 2004 is based on the Group's unaudited profit attributable to shareholders of approximately HK\$3,626,000 (2003: approximately HK\$3,584,000) and the diluted weighted average number of approximately 407,686,000 shares (2003: 404,934,000 ordinary shares) in issue during the period. It has been calculated after taking into account all dilutive instruments outstanding as at 30 June, 2004. The effect of the potential dilutive ordinary shares resulting from the exercise of the outstanding share options on the weighted average number of shares in issue during the three months ended 30 June, 2004 is approximately 5,686,000 shares (2003: 4,274,000 shares) which are deemed to have been issued at no consideration and have been exercised on the date the options were granted.

5. Reserves

	Share capital	Share premium	Special reserve	Translation reserve	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April, 2003	4,000	12,900	10,440	(8)	15,436	42,768
Net profit for the period	—	—	—	—	3,584	3,584
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June, 2003	<u>4,000</u>	<u>12,900</u>	<u>10,440</u>	<u>(8)</u>	<u>19,020</u>	<u>46,352</u>
At 1 April, 2004	4,016	12,937	10,440	37	24,494	51,924
Issue of shares on exercise of share options	7	16	—	—	—	23
Net profit for the period	—	—	—	—	3,626	3,626
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June, 2004	<u>4,023</u>	<u>12,953</u>	<u>10,440</u>	<u>37</u>	<u>28,120</u>	<u>55,573</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June, 2004 (2003: Nil).

BUSINESS AND FINANCIAL REVIEW

During the three months ended 30 June, 2004, Panorama continued to enjoy a lucrative business amidst the vibrant economic environment and increasingly strong consumer sentiment, and retained its leading status as a major entertainment content provider in Asia.

The Group's turnover for the three months ended 30 June, 2004 (the "Three-Month Period") amounted to approximately HK\$18,557,000 (2003: HK\$17,666,000), representing approximately a 5% increase as compared to that of the same period in 2003. Sales of goods for the Three-Month Period amounted to HK\$16,176,000 (2003: HK\$17,340,000), representing a slight decrease of 7% over the corresponding period last year. Sub-licensing income for the Three-Month Period was approximately HK\$1,103,000 (2003: HK\$326,000), representing a significant increase when compared to that of the same period last year. Film exhibition and distribution income for the Three-Month Period was approximately HK\$1,278,000, but no such comparable amount was recorded in the corresponding three-month period last year. Net profit for the Three-Month Period amounted to approximately HK\$3,626,000 (2003: HK\$3,584,000), representing an increase of approximately 1% over the corresponding period last year.

On the operation side, the Group continued to enjoy a fruitful harvest from the "through-train" concept since its implementation in late 2003. Panorama acquired and released numerous award winning local and foreign films, focused on the investment of quality local film production and strengthened the Group's theatrical-release arms.

During the three months ended 30 June, 2004, Panorama released into the video market several of its theatrically distributed films that won recognition from the Academy Awards and other major film awards. These titles include LOST IN TRANSLATION by Sophia Coppola, and 21 GRAMS starring Sean Penn and Naomi Watts, both critically acclaimed and commercially successful. From our film library of French New Wave director Francois Truffaut, we saw the video release of LOVE ON THE RUN, THE LAST METRO and SUCH A GORGEOUS KID LIKE ME.

The Group also continued to release a string of titles obtained from its partnership with Golden Scene Company Limited for its theatrical releases. Some of the popular titles released include: Academy Award nominated French animation, LES TRIPLETTES DE BELLEVILLE, Korean horror films UNINVITED and A TALE OF TWO SISTERS, and the musical adaptation of the classic samurai epic ZATOICHI by actor-director Takeshi Kitano.

Apart from distribution of foreign language films, the Group has also put considerable effort in exploring the local film market. In a strategic alliance with China Star Entertainment Limited since October 2003, the Group has obtained exclusive distribution rights for video production of a series of local theatrical movies such as comedy DRIVING MISS WEALTHY which has had the most remarkable sales performance. Other notable local films distributed by the Group include KOMA, a suspense thriller starring Hong Kong Film Awards winners Karena Lam Kar Yan and Angelica Lee Sin Jie. Such releases of local titles have proved to be a significant revenue drawer for the Group.

PROSPECTS

In the quarterly period approaching, the Group will take full advantage of the current operating conditions and changing trends in the film industry. In addition to adhering to its key strategy of acquiring more popular film rights and new releases, the Group will progressively become more involved in the production of quality local films, and enhancement of distribution capabilities so as to promote enormous future growth.

Films

Panorama has acquired a number of big international and local titles that are scheduled for theatrical and video release later this year. Among the theatrical releases are two award winning films by up-and-coming young directors: MEAN CREEK by the highly talented Jacob Aaron Estes and the gripping French horror HIGH TENSION by Alexandra Aja. Foreign video releases include Italian film master Bernardo Bertolucci's latest work, THE DREAMERS, a shocking tribute to French New Wave cinema and SYLVIA, a biopic of the troubled writer Sylvia Plath starring Gwyneth Paltrow. On the release schedule for local Chinese films is the stylish blockbuster, THROW DOWN by Johnny To and hit comedy THREE OF A KIND starring Miriam Yeung.

Animation

Following the overwhelming success of SAINT SEIYA and MOBILE SUIT GUNDAM series, Panorama will carry on its tradition to enhance its marketing directives to boost sales during the summer peak season. The highlights this summer are highly anticipated local production MCDULL, PRINCE DE LA BUN, which will be specially packaged and promoted, and the feature trilogy adaptation of the adrenalin-pumping hit series FIST OF THE NORTH STAR. Panorama will also continue to add to its evergreen and long-term selling classic animation series with the release of NEON GENESIS EVANGELION. Several of these titles will be launched at the Comic and Book Fair, held annually every summer.

Music Programmes

The Group will continue to widen its music library in terms of quality and variety in order to cater to customers' diverse music taste. Upcoming releases are ED SULLIVAN'S ROCK & ROLL CLASSICS series, a collection of greatest hits and first time performances of classic pop, rock and R&B acts from the 60's and 70's, such as the Beatles, Rolling Stones, Elvis Presley and Santana. In addition, 4 new music releases per month for the upcoming year include live concert performances from ASIA, IRON MAIDEN, MARVIN GAYE, MILES DAVIS and ALICIA KEYS.

Film Production

More active involvement in production and co-production of quality local films are expected in future as this has been a key objective in Panorama's expansion and an effective means to strengthen its market position in the local film industry. The Group's first fully financed film this year is A1, directed by Hong Kong Film Awards winning director Gordon Chan, starring Best Actress Angelica Lee Sin Jie and Best Actor Anthony Wong Chau Sang together with rising star Edison Chan. It is scheduled for theatrical release in September 2004. The Group will also distribute the highly anticipated film by Yonfan after his previous success with PEONY PAVILLION. This controversial erotic thriller, COLOUR BLOSSOMS, features a pan-Asian cast of three classic female actresses, Teresa Cheung (Hong Kong), Matsuzaka Keiko (Japan) and Ha Ri Su (South Korea). It will be released theatrically in Hong Kong in October 2004.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June, 2004, the interests of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein, or which required, pursuant to the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Company

(a) Long positions in Shares

Name of Directors	Beneficial 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	62.56%
Mr. Fung Yee Sang	31,663,500	–	–	–	31,663,500	7.87%

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) Long positions in underlying Shares of equity derivatives of the Company

Name of Directors	Date of grant	Type of interests	Name of underlying shares attributable to		Number of underlying shares	Approximate percentage of issued Shares
			Pool A options	Pool B options		
Mr. Fung Yu Hing, Allan	25 April, 2002	Beneficial	4,000,000	3,000,000	7,000,000 (Note 1)	1.7400%
Ms. Leung Siu Kuen, Janet	25 April, 2002	Beneficial	4,000,000	2,000,000	6,000,000 (Note 1)	1.4914%
Mr. Fung Yee Sang	25 April, 2002	Beneficial	4,000,000	2,000,000	6,000,000 (Note 1)	1.4914%
Mr. Au Lik Man, Simon	25 April, 2002	Beneficial	1,000,000	1,000,000	2,000,000 (Note 1)	0.4971%
Dr. Lo Wing Yan, William	25 April, 2002	Beneficial	1,800,000	500,000	2,300,000 (Note 1)	0.5717%
Ms. Fung Suen Lai, Jacqueline	25 April, 2002	Beneficial	–	500,000	500,000 (Note 1)	0.1243%
Mr. Chan Koon Chung, Johnny	25 April, 2002	Beneficial	–	500,000	500,000 (Note 1)	0.1243%
Mr. Chau, Stephen	25 April, 2002	Beneficial	–	500,000	500,000 (Note 1)	0.1243%

Note 1: These are share options to subscribe for shares of the Company pursuant to the Pre-IPO Share Option Scheme. Details of such options and the Pre-IPO Share Option Scheme are set out in Note 24 to the financial statements for the year ended 31 March, 2004.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 June, 2004, the following persons had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):—

(a) Long positions in Shares

Name	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of issued Shares
Allan Fung Assets Limited	233,340,000 (Note 1)	—	—	233,340,000	58.00%
Mr. Fung Yu Hing, Allan	18,331,500	—	233,340,000 (Note 1)	251,671,500	62.56%
Ms. Leung Siu Kuen, Janet	—	251,671,500 (Note 2)	—	251,671,500	62.56%
Mr. Fung Yee Sang	31,663,500	—	—	31,663,500	7.87%

Notes:

- 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 deemed to be interested in the 233,340,000 Shares held by Allan Fung Assets Limited under the SFO.
- 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 have a corporate interest under the SFO as mentioned in note 1 above) are held by Allan Fung Assets Limited. As Ms. Leung Siu Kuen, Janet is the wife of Mr. Fung Yu Hing, Allan, Ms. Leung is deemed to be interested in the 251,671,500 Shares in which Mr. Fung is deemed to be interested under the SFO.

(b) Long positions in underlying Shares of equity derivatives of the Company

Name	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of issued Shares
Mr. Fung Yu Hing, Allan	7,000,000 (Note 1)	6,000,000 (Note 2)	–	13,000,000	3.237%
Ms. Leung Siu Kuen, Janet	6,000,000 (Note 3)	7,000,000 (Note 4)	–	13,000,000	3.237%
Mr. Fung Yee Sang	6,000,000 (Note 5)	–	–	6,000,000	1.494%

Notes:

1. These share options were granted pursuant to the Pre-IPO Share Option Scheme, particulars of which are set out in note 24 to the financial statements for the year ended 31 March, 2004. Of these 7,000,000 share options, 4,000,000 share options were granted as Pool A Options and the remaining 3,000,000 share options were granted as Pool B Options.
2. These share options are beneficially owned by Ms. Leung Siu Kuen, Janet personally as mentioned in note 3 below. As Ms. Leung Siu Kuen, Janet is the wife of Mr. Fung Yu Hing, Allan, Mr. Fung Yu Hing, Allan is deemed to be interested in these 6,000,000 share options held by Ms. Leung Siu Kuen, Janet under the SFO.
3. These share options were granted pursuant to the Pre-IPO Share Option Scheme, particulars of which are set out in note 24 to the financial statements for the year ended 31 March, 2004. Of these 6,000,000 share options, 4,000,000 share options were granted as Pool A Options and the remaining 2,000,000 share options were granted as Pool B Options.
4. These share options are beneficially owned by Mr. Fung Yu Hing, Allan as referred to in note 1 above. As Mr. Fung Yu Hing, Allan is the husband of Ms. Leung Siu Kuen, Janet, Ms. Leung Siu Kuen, Janet is deemed to be interested in these 7,000,000 share options held by Mr. Fung Yu Hing, Allan under the SFO.
5. These share options were granted pursuant to the Pre-IPO Share Option Scheme, particulars of which are set out in note 24 to the financial statements for the year ended 31 March, 2004. Of these 6,000,000 share options, 4,000,000 share options were granted as Pool A Options and the remaining 2,000,000 share options were granted as Pool B Options.

COMPETING INTERESTS

None of the Directors, management shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group during the three months ended 30 June, 2004.

SPONSOR'S INTERESTS

As at 30 June, 2004, 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 (the “Sponsor Agreement”) 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.

Due to cost consideration, the Company and the Sponsor mutually agreed to terminate the Sponsor Agreement with effect from 1 July, 2004.

As at the date of this report, the Company has yet to appoint any replacement sponsor. However, the Board is looking for a replacement sponsor, that will cover the sponsorship up to 31 March, 2005, with its best endeavors in order to ensure the appointment is completed as soon as possible and in any event within 3 months from 30 June, 2004, the date on which the Sponsor ceases to act as a continuing sponsor to the Company, in accordance with Rule 6.63 of the GEM Listing Rules. Further announcement will be made as and when appropriate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 30 June, 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the three months ended 30 June, 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules at any time during the three months ended 30 June, 2004.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 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.

The primary duties of the audit committee are to review the Company’s annual report and account, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee has met four times a year to review with management the accounting principles and practices adopted by the Group and to discuss auditing, internal control procedures and financial reporting matters.

The Group’s financial statements for the three months ended 30 June, 2004 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.

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

Hong Kong, 12 August, 2004