



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)

INTERIM REPORT

2004/2005

For the six months ended

30 September, 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.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2004 – 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, 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three and six months ended 30 September, 2004

		Three months ended 30 September,		Six months ended 30 September,	
		2004	2003	2004	2003
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	22,982	19,971	41,539	37,637
Cost of sales		(13,215)	(9,632)	(21,307)	(17,006)
Gross profit		9,767	10,339	20,232	20,631
Other operating income		13	56	14	68
Distribution costs		(169)	(146)	(224)	(500)
Administrative expenses		(4,500)	(4,940)	(9,119)	(10,112)
Other operating expenses		(340)	(549)	(675)	(1,102)
Profit from operations	4	4,771	4,760	10,228	8,985
Finance costs		(337)	(278)	(678)	(564)
Profit before taxation		4,434	4,482	9,550	8,421
Taxation	5	(682)	(1,187)	(1,604)	(1,543)
Profit before minority interests		3,752	3,295	7,946	6,878
Minority interests		(99)	–	(667)	–
Net profit for the period		3,653	3,295	7,279	6,878
Earnings per share – Basic	6	0.91 cent	0.82 cent	1.81 cents	1.72 cents
– Diluted	6	0.90 cent	0.81 cent	1.78 cents	1.69 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September, 2004 HK\$'000	(Audited) 31 March, 2004 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,708	1,811
Film rights	8	73,637	47,034
Films in progress		397	1,305
Trademark		37	45
Payment for acquisition of film rights		7,601	11,799
		<u>83,380</u>	<u>61,994</u>
CURRENT ASSETS			
Inventories		20,891	20,771
Trade and other receivables	9	29,997	27,181
Amount due from a related company		1,329	1,048
Pledged bank deposits		10,103	10,097
Bank balances and cash		3,361	4,595
		<u>65,681</u>	<u>63,692</u>
CURRENT LIABILITIES			
Trade and other payables	10	32,957	22,808
Amount due to related companies		6,582	5,817
Taxation payable		412	431
Obligations under finance leases – due within one year	11	867	986
Bank and other borrowings – due within one year	12	27,105	26,176
		<u>67,923</u>	<u>56,218</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,242)</u>	<u>7,474</u>
		<u>81,138</u>	<u>69,468</u>
CAPITAL AND RESERVES			
Share capital	13	4,023	4,016
Reserves	14	55,159	47,908
		<u>59,182</u>	<u>51,924</u>
MINORITY INTERESTS		<u>6,520</u>	<u>5,851</u>
NON-CURRENT LIABILITIES			
Other payable		11,300	9,000
Obligations under finance leases – due after one year	11	364	392
Bank and other borrowings – due after one year	12	500	438
Deferred tax liabilities		3,272	1,863
		<u>15,436</u>	<u>11,693</u>
		<u>81,138</u>	<u>69,468</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended 30 September,	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash inflow from operating activities	27,771	12,992
Net cash outflow from investing activities	<u>(31,492)</u>	<u>(13,919)</u>
Net cash outflow before financing activities	(3,721)	(927)
Net cash inflow/(outflow) from financing activities	<u>2,486</u>	<u>(1,380)</u>
Net decrease in cash and cash equivalents	(1,235)	(2,307)
Cash and cash equivalents at beginning of period	<u>(17,682)</u>	<u>(17,651)</u>
Cash and cash equivalents at end of period	<u><u>(18,917)</u></u>	<u><u>(19,958)</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	3,361	281
Bank overdrafts	<u>(22,278)</u>	<u>(20,239)</u>
	<u><u>(18,917)</u></u>	<u><u>(19,958)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2003	4,000	12,900	10,440	(8)	15,436	42,768
Issue of shares on exercise of share options	8	18	–	–	–	26
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,878</u>	<u>6,878</u>
At 30 September, 2003	<u><u>4,008</u></u>	<u><u>12,918</u></u>	<u><u>10,440</u></u>	<u><u>(8)</u></u>	<u><u>22,314</u></u>	<u><u>49,672</u></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
Exchange differences arising from translation of operations outside Hong Kong and gain not recognised in the consolidated income statement	–	–	–	(44)	–	(44)
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,279</u>	<u>7,279</u>
At 30 September, 2004	<u><u>4,023</u></u>	<u><u>12,953</u></u>	<u><u>10,440</u></u>	<u><u>(7)</u></u>	<u><u>31,773</u></u>	<u><u>59,182</u></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 (as defined below) 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 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. 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 Institute of Certified Public 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		Six months ended	
	30 September,		30 September,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	17,077	15,332	33,253	32,672
Sub-licensing of film rights	3,423	3,833	4,526	4,159
Film exhibition and film distribution income	2,482	806	3,760	806
	<u>22,982</u>	<u>19,971</u>	<u>41,539</u>	<u>37,637</u>

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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, 2004 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 FROM OPERATIONS

	Three months ended		Six months ended	
	30 September,		30 September,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:				
Auditors' remuneration	80	73	160	145
Amortisation of film rights included in cost of sales	5,111	2,550	9,193	4,671
Amortisation of trademark included in administrative expenses	3	3	7	7
Cost of inventories included in cost of sales	4,805	4,201	8,105	8,253
Depreciation				
– Owned assets	134	141	220	301
– Assets under finance leases	199	271	398	541
Staff costs including directors remuneration	3,100	3,718	6,302	7,701
Staff retirement benefits scheme contributions	124	99	246	201
and after crediting:				
Interest income	<u>5</u>	<u>19</u>	<u>6</u>	<u>43</u>

5. TAXATION

	Three months ended		Six months ended	
	30 September,		30 September,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong Profits Tax	(25)	(1,127)	(176)	(1,467)
Taxation in other jurisdictions	(8)	(60)	(19)	(76)
Deferred tax charge	<u>(649)</u>	<u>–</u>	<u>(1,409)</u>	<u>–</u>
	<u>(682)</u>	<u>(1,187)</u>	<u>(1,604)</u>	<u>(1,543)</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the three months and six months ended 30 September, 2004. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited net profit for the period for the three months and six months ended 30 September, 2004 of approximately HK\$3,653,000 and HK\$7,279,000 respectively (three months and six months ended 30 September, 2003: profit for the period of approximately HK\$3,295,000 and HK\$6,878,000 respectively) and the weighted average number of approximately 402,300,000 and 402,151,000 ordinary shares respectively for the three months and six months ended 30 September, 2004 (three months and six months ended 30 September, 2003: approximately 400,800,000 and 400,510,000 ordinary shares).

The calculation of diluted earnings per share is based on the unaudited net profit for the period for the three months and six months ended 30 September, 2004 of approximately HK\$3,653,000 and HK\$7,279,000 respectively (three months and six months ended 30 September, 2003: profit for the period of approximately HK\$3,295,000 and HK\$6,878,000 respectively) and the diluted weighted average number of approximately 407,939,000 and 407,790,000 ordinary shares respectively for the three months and six months ended 30 September, 2004 (three months and six months ended 30 September, 2003: approximately 408,597,000 and 406,508,000 ordinary shares). They have been calculated after taking into account all dilutive instruments outstanding as at 30 September, 2004. 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, 2004 were approximately 5,788,000 shares and 5,639,000 ordinary shares respectively (three months and six months ended 30 September, 2003: approximately 7,797,000 and 5,998,000 ordinary shares) which were deemed to have been issued at no consideration as if all outstanding share options have been exercised on the date the options were granted.

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April, 2004	2,544	3,557	2,210	8,311
Additions	28	44	443	515
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September, 2004	2,572	3,601	2,653	8,826
DEPRECIATION				
At 1 April, 2004	2,223	2,396	1,881	6,500
Provided for the period	133	337	148	618
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September, 2004	2,356	2,733	2,029	7,118
NET BOOK VALUES				
At 30 September, 2004	<u>216</u>	<u>868</u>	<u>624</u>	<u>1,708</u>
At 31 March, 2004	<u>321</u>	<u>1,161</u>	<u>329</u>	<u>1,811</u>

8. FILM RIGHTS

	30 September, 2004 <i>HK\$'000</i>
COST	
At 1 April, 2004	106,675
Additions	35,796
	<hr/>
At 30 September, 2004	142,471
AMORTISATION AND IMPAIRMENT	
At 1 April, 2004	59,641
Provided for the period	9,193
	<hr/>
At 30 September, 2004	68,834
CARRYING AMOUNT	
At 30 September, 2004	<u>73,637</u>
At 31 March, 2004	<u>47,034</u>

9. TRADE AND OTHER RECEIVABLES

	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Trade receivables:		
0 – 30 days	10,580	10,641
31 – 60 days	5,116	4,914
61 – 90 days	3,332	1,314
91 – 180 days	220	1,118
Over 180 days	1,483	1,485
	<hr/>	<hr/>
	20,731	19,472
Other receivables	9,266	7,709
	<hr/>	<hr/>
	29,997	27,181
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Trade payables:		
0 – 30 days	2,631	2,572
31 – 60 days	5,854	1,728
61 – 180 days	8,076	5,572
Over 180 days	5,616	3,329
	<hr/>	<hr/>
	22,177	13,201
Other payables	10,780	9,607
	<hr/>	<hr/>
	32,957	22,808
	<hr/> <hr/>	<hr/> <hr/>

11. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Amounts payable under finance leases are as follows:				
Within one year	964	1,145	867	986
In the second to fifth years inclusive	399	403	364	392
	<u>1,363</u>	<u>1,548</u>	<u>1,231</u>	<u>1,378</u>
Less: Future finance charges	(132)	(170)	–	–
Present value of lease obligations	<u>1,231</u>	<u>1,378</u>	<u>1,231</u>	<u>1,378</u>
Less: Amount due within one year shown under current liabilities			<u>(867)</u>	<u>(986)</u>
Amount due after one year			<u>364</u>	<u>392</u>

12. BANK AND OTHER BORROWINGS

	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Bank overdrafts	22,278	22,277
Bank borrowings	101	399
Other borrowings	5,226	3,938
	<u>27,605</u>	<u>26,614</u>
Analysed as:		
Secured	27,156	26,288
Unsecured	449	326
	<u>27,605</u>	<u>26,614</u>
The maturity profile of the above loans and overdrafts is as follows:		
On demand or within one year	27,105	26,176
More than one year, but not exceeding two years	500	438
	<u>27,605</u>	<u>26,614</u>
Less: Amounts due within one year shown under current liabilities	<u>(27,105)</u>	<u>(26,176)</u>
Amounts due after one year	<u>500</u>	<u>438</u>

13. SHARE CAPITAL

	Number of shares	Nominal Value <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 30 September, 2004	<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid:		
At 1 April, 2004	401,600,000	4,016
Issue of shares-exercise of Pre-IPO Share Option Scheme (as defined in page 20)	<u>700,000</u>	<u>7</u>
At 30 September, 2004	<u>402,300,000</u>	<u>4,023</u>

14. RESERVES

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2003	12,900	10,440	(8)	15,436	38,768
Issue of shares on exercise of share options	18	–	–	–	18
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,878</u>	<u>6,878</u>
At 30 September, 2003	<u>12,918</u>	<u>10,440</u>	<u>(8)</u>	<u>22,314</u>	<u>45,664</u>
At 1 April, 2004	12,937	10,440	37	24,494	47,908
Issue of shares on exercise of share options	16	–	–	–	16
Exchange differences arising from translation of operations outside Hong Kong and gain not recognised in the consolidated income statement	–	–	(44)	–	(44)
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,279</u>	<u>7,279</u>
At 30 September, 2004	<u>12,953</u>	<u>10,440</u>	<u>(7)</u>	<u>31,773</u>	<u>55,159</u>

15. OPERATING LEASE ARRANGEMENTS

	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Minimum lease payments under operating leases during the period:		
Premises	1,119	2,329
Office equipment	164	351
	<u>1,283</u>	<u>2,680</u>

As at 30 September, 2004, 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, 2004 HK\$'000	31 March, 2004 HK\$'000
Premises		
Within one year	1,161	640
In the second to fifth years inclusive	–	133
	<u>1,161</u>	<u>773</u>
Office equipment		
Within one year	337	341
In the second to fifth years inclusive	421	589
	<u>758</u>	<u>930</u>
	<u>1,919</u>	<u>1,703</u>

16. OTHER COMMITMENTS

	30 September, 2004 HK\$'000	31 March, 2004 HK\$'000
Contracted for but not provided for in the financial statements	<u>33,401</u>	<u>31,325</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, 2004.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 September, 2004 (2003: Nil).

BUSINESS AND FINANCIAL REVIEW

During the interim period of 2004-2005 ended 30 September, 2004 (the Six-Month Period), 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.

On the financial side, the Group's turnover for the Six-Month Period amounted to approximately HK\$41,539,000 (2003: HK\$37,637,000), representing approximately a 10% increase as compared to that of the same period in 2003. Sales of goods for the Six-Month Period amounted to HK\$33,253,000 (2003: HK\$32,672,000), representing a rise of 2% over the corresponding period last year. Sub-licensing income for the Six-Month Period was approximately HK\$4,526,000 (2003: HK\$4,159,000), representing an approximately 9% increase when compared to that of the same period last year. Film exhibition and distribution income for the Six-Month Period was approximately HK\$3,760,000 (2003: HK\$806,000), representing a rise of approximately 367% as compared to that of the same period last year. Net profit for the Six-Month Period amounted to approximately HK\$7,279,000 (2003: HK\$6,878,000), representing an increase of approximately 6% over the corresponding period last year.

Apart from the favourable business environment, the growth in turnover and profit is also due to the Group's 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 as well as the People Republic of China have also been successful in bringing large profits to the Group. The Group's business expansion in film exhibition is also an important source that gives rise to the remarkable growth.

On the operation side, the Group has acquired film rights of local productions and worldwide blockbusters, and has established a comprehensive line from local film production to theatrical release and video distribution.

In the Six-Month Period, Panorama released into the video market several popular local and international film titles. The Golden Horse Film Awards nominated local animation MCDULL, PRINCE DE LA BUN was specially packaged, released and promoted by Panorama during the summer. Two local films, the heartwarming comedy THREE OF A KIND starring Miriam Yeung and the action blockbuster THROW DOWN directed by Johnny To hit the video market in September with outstanding sales.

The documentary series THE ROAD TO THE UNIFICATION OF CHINA (consisting of 9 episodes with unseen footage) was released before the National Day, 1st of October, to celebrate the joyous occasion. Other notable releases include Italian film master Bernardo Bertolucci's latest tribute to French New Wave cinema, THE DREAMERS, and the very well-received Japanese film, QUILL, a touching story between a Labrador retriever and a blind middle-aged man. QUILL generated the largest box office for a Japanese film so far this year.

As for film production, the Group's first fully financed film this year, A1, was theatrically released in September to critical acclaim. The film was directed by the Hong Kong Film Award winning director Gordon Chan, starring Best Actress Angelica Lee Sin-je and Best Actor Anthony Wong Chau-sang. Tony Leung Ka-fai and Eric Kot were both nominated recently in Golden Horse Film Awards for their supporting roles in this suspense drama. Another theatrical release in October was a highly anticipated film by Yonfan, COLOUR BLOSSOMS,

featuring a pan-Asian cast of three luscious actresses in their prime, Teresa Cheung (Hong Kong), Matsuzaka Keiko (Japan) and Ha Ri Su (South Korea). This erotic thriller generated much controversy and enjoyed box-office success upon its release.

PROSPECTS

With the implementation of the “through-train” concept since late 2003, the Group has enjoyed a fruitful harvest and will continue to focus on the investment of local film production and the empowerment of the Group’s theatrical-release arms, as well as acquisition of quality local and international film titles.

Scheduled for theatrical release in November this year is the gripping French horror film HAUTE TENSION (aka Switchblade Romance), by the up-and-coming director Alexandre Aja. The film was regarded by critics as “the best French genre film ever made” and is expected to become a big hit this winter.

The Group will carry on its mission and enhance its video library in terms of quality and variety. Among future video releases are Gordon Chan’s latest production with the Group, A1, and the Japanese romance HANA & ALICE, a teenage love story by the distinguished director Shunji Iwai. Other notable titles include SYLVIA, a biographic film of the troubled writer Sylvia Plath played by Gwyneth Paltrow; and a series of classic music performances to celebrate the beginning of the holiday seasons including Nat King Cole’s WHEN I FALL IN LOVE, Mile Davies’ and the memorable Ray Charles’. To celebrate Playboy’s 50th anniversary, an instant collectible SEARCH FOR THE 50TH ANNIVERSARY PLAYMATE including a special edition seasonal calendar for the new year is also scheduled to hit the video market in December.

LIQUIDITY AND FINANCIAL RESOURCES

Regarding the Group’s liquidity position, its current ratio as at 30 September, 2004 was approximately 97% 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\$15,436,000 (As at 31 March, 2004: HK\$11,693,000) and shareholders’ funds of approximately HK\$59,182,000 (As at 31 March, 2004: HK\$51,924,000), was approximately 26% as at the balance sheet date representing an increase of 3% as compared to the previous period’s figures.

PLEDGE OF ASSETS

As at 30 September 2004, the Group pledged time deposits of approximately HK\$10,103,000 and a film right with a carrying value of HK\$7,964,000 to banks to secure bank facilities granted to 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. Besides, 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, 2004, the Company's contingent liabilities were corporate guarantees given to banks in respect of approximately HK\$29,050,000 for banking facilities granted to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the six month ended 30 September, 2004

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 Indonesian and the Philippines markets 	<ul style="list-style-type: none"> • More and more quality foreign language films were acquired, including the critically acclaimed film by the Italian master Bernardo Bertolucci, THE DREAMERS, and the popular Japanese film QUILL. • Distribution rights of A1 and Yonfan's controversial COLOUR BLOSSOMS were acquired for Southeast Asian markets such as Indonesia, and the Philippines.
<p><i>Expand Distribution Network</i></p> <ul style="list-style-type: none"> • Continue to expand local distribution network to 400 video stores and 1,400 retail chain outlets • Set up more branch offices in the PRC • Set up joint venture companies in Indonesia and the Philippines 	<ul style="list-style-type: none"> • The Group's products reach approximately 260 video stores and 400 retail chain outlets all over Hong Kong and will continue to expand its market penetration and distribution network so as to meet our outlet targets. • The staff in Hong Kong and the Guangzhou regional office are in negotiation to establish a wider distribution network in other provinces and big cities in the PRC. • The Group's business in Southeast Asian regions such as Indonesia and the Philippines are currently under the prudent supervision of regional distribution directors.
<p><i>Diversify Distribution Channels</i></p> <ul style="list-style-type: none"> • Increase video release to 48 titles per month and 9 theatrical titles for the six month period respectively • Continue to develop TV and video licensing market in Asian countries 	<ul style="list-style-type: none"> • Video release of on average 35 titles per month and 2 theatrical titles for the six month period were achieved as the Group aims to release films of higher quality. • The Group continues to negotiate partnerships for TV and video licensing markets in such Asian countries as Indonesia, Malaysia and the Philippines.
<p><i>Develop Internet and E-commerce Business</i></p> <ul style="list-style-type: none"> • Continue to increase the depth of content and provide more features to the Group's website 	<ul style="list-style-type: none"> • The Group's website is updated regularly for detailed information on the new products of the week and the latest events about the Group.

USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on GEM were approximately HK\$16.7 million, which was to be used to enhance the Group's video programme library, expand its distribution network, develop the Internet and e-commerce business, and strengthen general working capital. As disclosed in the announcement dated 8 January, 2004, of the total net proceeds, 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. Besides, 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 on the Hong Kong head office. This was generally in accordance with what had been projected in the Prospectus. As at 30 September, 2004, the Group spent on film acquisition an approximate amount of HK\$9.3 million, which had been financed by the net proceeds from the placing. It represented an excess of approximately HK\$0.2 million beyond what was anticipated in the Prospectus. The variation was mainly attributed to the changes in market conditions and opportunities, which required the Group to respond promptly. Good films from prominent directors and producers would have been snapped up quickly by competitors had we not reacted in a swift manner. As at 30 September, 2004, approximately HK\$0.9 million was spent on the development of Internet and e-commerce business; and approximately HK\$0.3 million was spent in expanding distribution network. The remaining balance of HK\$1.2 million would be spent based on a revised budget as at 30 September, 2004, of which HK\$0.2 million would be spent on the enhancement of video programme library, HK\$0.9 million on the expansion of distribution network, and HK\$0.1 million on the Internet and e-commerce development. The total budget for the enhancement of the 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, 2004 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 down 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 its operation.

EMPLOYEES AND REMUNERATION POLICIES

The Directors believe that the quality of its employees is the most important single factor in sustaining the Group's reputation and improving its profitability. The staff are remunerated according to their work performance and experience. In addition to basic salaries, pension fund and medical schemes, discretionary bonuses and share options are awarded to some staff based on the assessment of individual performance.

SIGNIFICANT INVESTMENT 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 EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September, 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 September, 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 six months ended 30 September, 2004.

SPONSOR'S INTERESTS

Reference is made to the announcement of the Company dated 2 July, 2004 in relation to the mutual agreement to terminate the engagement of the First Shanghai Capital Limited (“First Shanghai”) as the continuing sponsor of the Company with effect from 1 July, 2004.

Pursuant to the sponsorship agreement dated 29 April, 2002 (the “Sponsor Agreement”) entered into between the Company and First Shanghai, First Shanghai 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 First Shanghai mutually agreed to terminate the Sponsor Agreement with effect from 1 July, 2004.

The Board announces that MasterLink Securities (Hong Kong) Corporation Limited (“MasterLink”) has been appointed as the replacement continuing sponsor of the Company for the period commencing from 30 September, 2004 to 31 March, 2005 or until the agreement is terminated upon the terms and conditions set out therein (the “Term”). During the Term, MasterLink shall receive an advisory fee.

As at 30 September, 2004, neither MasterLink 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the six months ended 30 September, 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 four members comprising one non-executive Director, namely Dr. Lo Wing Yan, William, JP and three independent non-executive Directors, namely Mr. Chan Koon Chung, Johnny, Mr. Chau, Stephen and Mr. Hui Kwok Wah.

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 six months ended 30 September, 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.

DIRECTORS OF THE COMPANY

As at the date of this report, the Board comprises eight Directors, They are four executive Directors, namely Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet, Mr. Fung Yee Sang and Mr. Au Lik Man, Simon, two non-executive directors, namely Dr. Lo Wing Yan, William, JP and Ms. Fung Suen Lai, Jacqueline and three independent non-executive directors, namely Mr. Chan Koon Chung, Johnny, Mr. Chau, Stephen and Mr. Hui Kwok Wah.

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

Hong Kong, 12 November, 2004