



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

2005/2006

For the six months ended

30 September, 2005

* *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, 2005 – 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, 2005 together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three and six months ended 30 September, 2005

	Notes	Three months ended 30 September,		Six months ended 30 September,	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	19,362	22,982	42,601	41,539
Cost of sales		(13,285)	(13,215)	(28,374)	(21,307)
Gross profit		6,077	9,767	14,227	20,232
Other operating income		99	13	685	14
Distribution costs		(280)	(169)	(704)	(224)
Administrative expenses		(4,618)	(4,500)	(9,600)	(9,119)
Other operating expenses		(608)	(340)	(1,253)	(675)
Profit from operations	4	670	4,771	3,355	10,228
Finance costs		(466)	(337)	(812)	(678)
Profit before taxation		204	4,434	2,543	9,550
Taxation	5	159	(682)	(764)	(1,604)
Profit before minority interests		363	3,752	1,779	7,946
Minority interests		182	(99)	(23)	(667)
Net profit for the period		545	3,653	1,756	7,279
Earnings per share – Basic	6	0.14 cent	0.91 cent	0.44 cent	1.81 cent
– Diluted	6	0.13 cent	0.90 cent	0.43 cent	1.78 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September, 2005 HK\$'000	(Audited) 31 March, 2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	5,885	1,402
Film rights	8	66,935	66,149
Films in progress		490	490
Trademark		23	30
Payment for acquisition of film rights		3,109	1,334
		<u>76,442</u>	<u>69,405</u>
CURRENT ASSETS			
Inventories		21,758	22,909
Trade and other receivables	9	35,111	35,804
Amount due from a related company		2,223	520
Pledged bank deposits		6,110	10,127
Bank balances and cash		4,435	5,441
		<u>69,637</u>	<u>74,801</u>
CURRENT LIABILITIES			
Trade and other payables	10	34,529	37,492
Amount due to related companies		108	1,594
Taxation payable		394	394
Obligations under finance leases – due within one year	11	474	503
Bank and other borrowings – due within one year	12	23,094	25,370
		<u>58,599</u>	<u>65,353</u>
NET CURRENT ASSETS		<u>11,038</u>	<u>9,448</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>87,480</u>	<u>78,853</u>
NON-CURRENT LIABILITIES			
Other payable		11,000	11,000
Obligations under finance leases – due after one year	11	1,315	394
Bank and other borrowings – due after one year	12	6,371	1,204
Deferred tax liabilities		4,044	3,284
		<u>22,730</u>	<u>15,882</u>
NET ASSETS		<u>64,750</u>	<u>62,971</u>
CAPITAL AND RESERVES			
Share capital	13	4,023	4,023
Reserves		54,104	52,348
		<u>58,127</u>	<u>56,371</u>
MINORITY INTERESTS		<u>6,623</u>	<u>6,600</u>
TOTAL EQUITY		<u>64,750</u>	<u>62,971</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months	
	ended 30 September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	12,854	27,771
Net cash used in investing activities	(17,643)	(31,492)
Net cash generated from financing activities	8,225	2,486
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	3,436	(1,235)
Cash and cash equivalents at beginning of period	(17,234)	(17,682)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	(13,798)	(18,917)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	4,435	3,361
Bank overdrafts	(18,233)	(22,278)
	<hr/>	<hr/>
	(13,798)	(18,917)
	<hr/> <hr/>	<hr/> <hr/>

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, 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	–	–	–	–	7,279	7,279
At 30 September, 2004	<u>4,023</u>	<u>12,953</u>	<u>10,440</u>	<u>(7)</u>	<u>31,773</u>	<u>59,182</u>
At 1 April, 2005	4,023	12,953	10,440	67	28,888	56,371
Net profit for the period	–	–	–	–	1,756	1,756
At 30 September, 2005	<u>4,023</u>	<u>12,953</u>	<u>10,440</u>	<u>67</u>	<u>30,644</u>	<u>58,127</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 unaudited consolidated result have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Company Ordinance and the GEM Listing Rules.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1 January, 2005. The adoption of these HKFRS has no material impact on the Group’s results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those in the preparation of the annual financial statements for the year ended 31 March, 2005.

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,	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	14,797	17,077	29,537	33,253
Sub-licensing of film rights	1,484	3,423	6,639	4,526
Film exhibition and film distribution income	3,081	2,482	6,425	3,760
	<u>19,362</u>	<u>22,982</u>	<u>42,601</u>	<u>41,539</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, 2005 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,	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:				
Auditors' remuneration	79	80	141	160
Amortisation of film rights included in cost of sales	6,261	5,111	12,426	9,193
Amortisation of trademark included in administrative expenses	3	3	7	7
Cost of inventories included in cost of sales	3,948	4,805	9,481	8,105
Depreciation				
– Owned assets	202	134	347	220
– Assets under finance leases	350	199	689	398
Staff costs including directors' remuneration	3,279	3,100	6,594	6,302
Staff retirement benefits scheme contributions	111	124	226	246
and after crediting:				
Interest income	<u>39</u>	<u>5</u>	<u>76</u>	<u>6</u>

5. TAXATION

	Three months ended		Six months ended	
	30 September,		30 September,	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The credit (charge) comprises:				
Hong Kong Profits Tax	50	(25)	(4)	(176)
Taxation in other jurisdictions	–	(8)	–	(19)
Deferred tax credit (charge)	<u>109</u>	<u>(649)</u>	<u>(760)</u>	<u>(1,409)</u>
	<u>159</u>	<u>(682)</u>	<u>(764)</u>	<u>(1,604)</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the three months and six months ended 30 September, 2005. 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, 2005 of approximately HK\$545,000 and HK\$1,756,000 respectively (three months and six months ended 30 September, 2004: profit for the period of approximately HK\$3,653,000 and HK\$7,279,000 respectively) and the weighted average number of approximately 402,300,000 and 402,300,000 ordinary shares respectively for the three months and six months ended 30 September, 2005 (three months and six months ended 30 September, 2004: approximately 402,300,000 and 402,151,000 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, 2005 of approximately HK\$545,000 and HK\$1,756,000 respectively (three months and six months ended 30 September, 2004: profit for the period of approximately HK\$3,653,000 and HK\$7,279,000 respectively) and the diluted weighted average number of approximately 412,469,000 and 412,305,000 ordinary shares respectively for the three months and six months ended 30 September, 2005 (three months and six months ended 30 September, 2004: approximately 407,939,000 and 407,790,000 ordinary shares). They have been calculated after taking into account all dilutive instruments outstanding as at 30 September, 2005. 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, 2005 were approximately 10,169,000 shares and 10,005,000 ordinary shares respectively (three months and six months ended 30 September, 2004: approximately 5,788,000 and 5,639,000 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

	Leasehold Improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 April, 2005	–	2,336	3,530	2,455	8,321
Additions	2,528	864	298	1,829	5,519
Disposals	–	–	–	(1,093)	(1,093)
	<u>2,528</u>	<u>3,200</u>	<u>3,828</u>	<u>3,191</u>	<u>12,747</u>
At 30 September, 2005	2,528	3,200	3,828	3,191	12,747
DEPRECIATION					
At 1 April, 2005	–	2,203	2,895	1,821	6,919
Provided for the period	105	189	302	440	1,036
Disposals	–	–	–	(1,093)	(1,093)
	<u>105</u>	<u>2,392</u>	<u>3,197</u>	<u>1,168</u>	<u>6,862</u>
At 30 September, 2005	105	2,392	3,197	1,168	6,862
NET BOOK VALUES					
At 30 September, 2005	<u>2,423</u>	<u>808</u>	<u>631</u>	<u>2,023</u>	<u>5,885</u>
At 31 March, 2005	<u>–</u>	<u>133</u>	<u>635</u>	<u>634</u>	<u>1,402</u>

8. FILM RIGHTS

	<i>HK\$'000</i>
COST	
At 1 April, 2005	151,332
Additions	<u>13,212</u>
At 30 September, 2005	<u>164,544</u>
AMORTISATION AND IMPAIRMENT	
At 1 April, 2005	85,183
Provided for the period	<u>12,426</u>
At 30 September, 2005	<u>97,609</u>
CARRYING AMOUNT	
At 30 September, 2005	<u><u>66,935</u></u>
At 31 March, 2005	<u><u>66,149</u></u>

9. TRADE AND OTHER RECEIVABLES

	30 September, 2005	31 March, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:		
0 – 30 days	9,837	15,795
31 – 60 days	4,013	3,891
61 – 90 days	4,215	2,672
91 – 180 days	3,064	1,817
Over 180 days	<u>3,540</u>	<u>3,304</u>
	24,669	27,479
Other receivables	<u>10,442</u>	<u>8,325</u>
	<u><u>35,111</u></u>	<u><u>35,804</u></u>

10. TRADE AND OTHER PAYABLES

	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000
Trade payables:		
0 – 30 days	5,861	2,952
31 – 60 days	3,168	4,733
61 – 180 days	4,438	7,474
Over 180 days	8,631	7,399
	<u>22,098</u>	<u>22,558</u>
Other payables	12,431	14,934
	<u>34,529</u>	<u>37,492</u>

11. OBLIGATIONS UNDER FINANCE LEASES

	Present value of minimum lease payments		Minimum lease payments	
	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000
Amounts payable under finance leases are as follows:				
Within one year	474	503	544	558
In the second to fifth years inclusive	1,315	394	1,477	440
	<u>1,789</u>	897	<u>2,021</u>	998
Less: Future finance charges	–	–	(232)	(101)
Present value of lease obligations	<u>1,789</u>	897	<u>1,789</u>	<u>897</u>
Less: Amount due within one year shown under current liabilities	<u>(474)</u>	<u>(503)</u>		
Amount due after one year	<u>1,315</u>	<u>394</u>		

12. BANK AND OTHER BORROWINGS

	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000
Bank overdrafts	18,233	22,675
Bank borrowings	11,232	2,120
Other borrowings	–	1,779
	<u>29,465</u>	<u>26,574</u>
Analysed as:		
Secured	29,007	26,091
Unsecured	458	483
	<u>29,465</u>	<u>26,574</u>

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

On demand or within one year	23,094	25,370
More than one year, but not exceeding two years	6,371	1,204
	<u>29,465</u>	<u>26,574</u>
Less: Amounts due within one year shown under current liabilities	<u>(23,094)</u>	<u>(25,370)</u>
Amounts due after one year	<u>6,371</u>	<u>1,204</u>

13. SHARE CAPITAL

	Number of shares	Nominal Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April, 2005 and at 30 September, 2005	<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid:		
At 1 April, 2005 and at 30 September, 2005	<u>402,300,000</u>	<u>4,023</u>

14. OPERATING LEASE ARRANGEMENTS

	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000
Minimum lease payments under operating leases during the period:		
Premises	1,590	2,696
Office equipment	<u>150</u>	<u>337</u>
	<u>1,740</u>	<u>3,033</u>

As at 30 September, 2005, 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, 2005 HK\$'000	31 March, 2005 HK\$'000
Premises		
Within one year	881	251
Office equipment		
Within one year	164	337
In the second to fifth years inclusive	<u>642</u>	<u>252</u>
	<u>806</u>	<u>589</u>
	<u>1,687</u>	<u>840</u>

15. OTHER COMMITMENTS

	30 September, 2005 HK\$'000	31 March, 2005 HK\$'000
Contracted for but not provided for in the financial statements	<u>19,696</u>	<u>23,451</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, 2005.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 September, 2005 (2004: Nil).

BUSINESS AND FINANCIAL REVIEW

During the interim period of 2005-2006 ended 30 September, 2005 (the “Six-Month Period”), Panorama continued to enjoy a healthy business amidst the prosperous economic environment and the increasing strong consumer sentiment. It enabled Panorama to retain 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\$42,601,000 (2004: HK\$41,539,000), representing approximately 3% increase as compared to that of the same period in 2004. Sales of goods for the Six-Month Period amounted to approximately HK\$29,537,000 (2004:33,253,000), representing a drop of approximately 11% over the corresponding Six-Month Period last year. Sub-licensing income for the Six-Month Period was approximately HK\$6,639,000 (2004:HK\$4,526,000), representing approximately 47% increase when compared to that of the same period in 2004. Film exhibition and distribution income for the Six-Month Period was HK\$6,425,000 (2004: HK\$3,760,000) representing a rise of approximately 71% over the corresponding period last year. Net profit for the Six-Month Period amounted to approximately HK\$545,000 (2004: HK\$1,756,000), representing a decrease compared with that of last year.

Sales of Goods are the core business of the Group and 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 bring revenues to the Group. The Group’s business expansion in film exhibition is also an important source that gives rise to the growth.

On the operation side, the Group has acquired film rights of worldwide blockbusters, which enjoyed both critical and commercial success during theatrical release. The Group has also acquired the films rights of several successful local productions, and numerous TV series for video distribution and achieved desirable sales records.

During the three months ended 30 September, 2005 (the “Three-Month Period”), Panorama witnessed the theatrical release of the following film titles: THE AMITYVILLE HORROR, a Hollywood thriller produced by Michael Bay, which became a commercial hit in Hong Kong; THE HIDDEN BLADE, the second humanistic samurai saga following the tremendous success of TWILIGHT SAMURAI, starring popular Japanese idols Masatoshi Nagase and Takako Matsu, and directed by the master filmmaker Yamada Yoji; THE BROTHERS GRIMM, an enchanting supernatural fairy tale about the Brothers Grimm who wrote the children’s books, starring action star Matt Damon and directed by famous filmmaker Terry Gilliam; SYMPATHY FOR LADY VENGEANCE, the most anticipated final episode of the Vengeance trilogy from the award-winning director Chan-Wook Park, and starring superstar of Korean TV series JEWEL IN THE PALACE, Young-ae Lee.

As for the video market, the Group has continued to release popular titles that are appealing to both households and film buffs. During the summer, Panorama has specially packaged, released and promoted three American blockbusters with outstanding sales. DANNY THE DOG, starring Kung-fu star Jet Li and Academy Awards winning actor Morgan Freeman; THE AMITYVILLE HORROR, the well received Hollywood horror film; and SIN CITY, the contender in this year’s Cannes Film Festival in France, starring Bruce Willis, Jessica Alba, Clive Owen and Benicio Del Toro.

Another major video release was the box-office hit DRINK DRANK DRUNK, which starred Miriam Yeung and Daniel Wu and directed by the critically and commercially successful director Derek Yee, who brought us 2 YOUNG a few months ago. Other notable releases include the popular Korean TV series STAINED GLASS and LOVE STORY IN HARVARD, and the timeless masterpieces by Japanese filmmaker Ozu Yasujiro such as THE ONLY SON and THE RECORD OF A TENEMENT GENTLEMAN.

PROSPECTS

The Group will continue its commitment to acquiring more films of high quality and commercial value, fostering strategic partnerships for video releases, and expanding distribution network to reach a wider spectrum of audiences, especially in the Southeast Asia regions.

The Group has acquired a number of commercial and art-house titles for theatrical and video release in this financial year. Among them are MILLIONS, from the director of TRAINSPOTTING, Danny Boyle; BUPPAH RAHTREE, a top-grossing romantic thriller in Thailand; BLOOD AND BONES, the drama starring Kitano Takeshi and directed by the director of QUILL, Sai Yoichi; and the re-release of the most memorable romantic story of the last decade, LOVE LETTER, by Iwai Shunji.

Other hot titles to be released in video market include the epic film ELECTION, directed by Johnnie To and HOME SWEET HOME, starring Karina Lam and Shu Qi; the highest grossing Korean film of the year, MARATHON and other popular Korean titles include MY LITTLE BROTHER and APRIL SNOW; popular blockbusters from prestigious Hollywood film producers, Miramax and New Line film libraries, such as SEVEN and PULP FICTION; as well as THE THREE COLOURS TRILOGY by the late Krzysztof Kieslowski. There is also the long-awaited animated feature, GHOST IN THE SHELL 2: INNOCENCE by veteran animator Oshii Mamoru, as well as TV series of GHOST IN THE SHELL: 2nd GIG; and a series of classic music performances including ELVIS: THE GREAT PERFORMANCES.

LIQUIDITY AND FINANCIAL RESOURCES

Regarding the Group's liquidity position, its current ratio as at 30 September, 2005 was approximately 119% representing an increase of approximately 4% when compared to that of the previous financial year. Gearing ratio, calculated based on non-current liabilities of approximately HK\$22,730,000 (As at 31 March, 2005: HK\$15,882,000) and shareholders' funds of approximately HK\$58,127,000 (As at 31 March, 2005: HK\$56,371,000), was approximately 39% as at the balance sheet date representing an increase of 11% as compared to the previous period's figures.

PLEDGE OF ASSETS

As at 30 September, 2005, the Group pledged time deposits of approximately HK\$6,110,000 to banks to secure back 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, 2005, the Company's contingent liabilities were corporate guarantees given to banks in respect of approximately HK\$29,030,000 for banking facilities granted to the Group.

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 in Singapore are members of a state-managed retirement benefits scheme operated by the government of Singapore. The subsidiary is 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, 2005, 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 <i>(Note 1)</i>	–	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 granted pursuant to the Pre-IPO Share Option Scheme. Details of such options and the Pre-IPO Share Option Scheme are set out in Note 25 to the financial statements for the year ended 31 March, 2005.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 September, 2005, 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	3.231%
Ms. Leung Siu Kuen, Janet	6,000,000 (Note 3)	7,000,000 (Note 4)	–	13,000,000	3.231%
Mr. Fung Yee Sang	6,000,000 (Note 5)	–	–	6,000,000	1.491%

Notes:

1. These share options were granted pursuant to the Pre-IPO Share Option Scheme, particulars of which are set out in note 25 to the financial statements for the year ended 31 March, 2005. 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 25 to the financial statements for the year ended 31 March, 2005. 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 25 to the financial statements for the year ended 31 March, 2005. 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, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 September, 2005. 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, 2005.

CORPORATE GOVERNANCE

Save and except the following deviation from the code of provision set out in the Code on Corporate Governance Practice as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the period under review, complied with the CCGP:

Code provisions set out in the CCGP

Reason for deviations

A.2 The Chairman and Chief Executive Officer of the Company were performed by the same individual

The Company size is still relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer;

The Group has in place an internal control system to perform the check and balance function.

B.1 Remuneration committee has not yet been set up by the Company

The Company is now in the progress of forming the remuneration committee and drafting its term of reference.

The Company was also in the progress of assessing the effect of the implementation of CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 September, 2005.

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, 2005.

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, 2005 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 executive directors of the Company are Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet, Mr. Fung Yee Sang and Mr. Au Lik Man, Simon, and the non-executive directors of the Company are Dr. Lo Wing Yan, William, *JP* and Ms. Fung Suen Lai, Jacqueline, and the independent non-executive directors are 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, 11 November, 2005