



PANORAMA INTERNATIONAL HOLDINGS LIMITED

鐳射國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Announcement of the 2002 Final Results

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This announcement, for which the directors of Panorama International Holdings Limited. (the “Company”) (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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification only

FINANCIAL RESULTS

The Directors are pleased to present the audited proforma combined income statement of the Company and its subsidiaries (the “Group”) which was legally formed on 23 April, 2002 subsequent to the year end date of 31 March, 2002 (Note1):

PROFORMA COMBINED INCOME STATEMENT <i>For the year ended 31 March,</i>			
	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Turnover	2	65,275	45,891
Cost of sales		30,880	26,121
Gross profit		34,395	19,770
Other revenue	2	138	339
Distribution costs		(864)	(659)
Administrative expenses		(14,091)	(10,669)
Other operating expenses		(1,242)	(1,204)
Profit from operations	3	18,336	7,577
Finance costs	4	(347)	(192)
Profit before taxation		17,989	7,385
Taxation	5	(2,944)	(1,341)
Profit attributable to shareholders		15,045	6,044
Dividends		—	11,000
Basic earnings per share (in HK cents)	6	4.5	1.8
Proforma earnings per shares (in HK cents)	6	3.8	1.5

1. GROUP REGORGANISATION AND BASIS OF PRESENTATION OF PROFORMA FINANCIAL INFORMATION

(a) The Company

The Company was incorporated in the Cayman Islands on 17 October, 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

During the period from 17 October, 2001 (date of incorporation) to 31 March, 2002, the Company has not carried out any business transactions save for the incurring of expenses related to the Reorganization as defined in note 1(b) below.

(b) Group reorganization and listing on the Growth Enterprise Market

Pursuant to a group reorganization (the “Reorganization”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 23 April, 2002. Details of the Company’s subsidiaries comprising the Group as from 23 April, 2002 are set out below:

Company	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Subsidiaries:					
Panorama Entertainment Group Limited (“Panorama BVI”)	British Virgin Islands 1 November, 2001	Ordinary US\$200	100%	—	Investment holding
Panorama Distributions Company Limited	Hong Kong 1 October, 1992	Ordinary HK\$10,000,002	—	100%	Distribution of video products
Panorama Entertainment Company Limited	Hong Kong 25 June, 1991	Ordinary HK\$10,000	—	100%	Holding of film rights
Panorama Entertainment (Singapore) Pte Ltd	Singapore 11 March, 2000	Ordinary S\$100,000	—	100%	Distribution of video products

The Reorganization was accomplished by acquiring the entire share capital of Panorama BVI, which is, at the date of this report, the intermediate holding company of the subsidiaries set out above to the proforma financial information, in consideration of and in exchange for the issue and allotment of 99,999 shares to Mr. Fung Yu Hing, Allan (“Mr. Allan Fung”), Allan Fung Assets Limited (“AFAL”) and Designate Success Limited (“Designate Success”), the former shareholders of Panorama BVI or their nominees. Further details of the Reorganization are set out in the Prospectus dated 30 April, 2002.

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

The proforma financial information have been prepared under the historical cost convention.

(c) Basis of presentation

As the Reorganization took place on 23 April, 2002, in accordance with Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants the effect of the Reorganization is not reflected in the Company’s financial statements for the period ended 31 March, 2002.

However, since all entities which took part in the Reorganization were under common control before and immediately after the Reorganization, consequently, there was a continuation of the risk and benefits to the ultimate shareholders that existed prior to the Reorganization, additional proforma financial information, prepared using the merger basis of accounting, has been presented.

The financial statements have been prepared under the historical cost convention.

The proforma combined income statement of the Group for the year ended 31 March, 2002 includes the financial results of the companies which now comprise the Group for the period from 1 April, 2001 (or the date of incorporation, if later) to 31 March, 2002 as if the current group structure had been in existence and remained unchanged throughout the period presented. The proforma combined balance sheet of the Group as at 31 March, 2002 has been prepared to present the combined assets and liabilities of the Group as at that date as if the current group structure was in existence then. The comparative figures as at and for the year ended 31 March, 2001 have been present on the same basis.

2. TURNOVER AND REVENUE

Turnover represents the net invoiced value of the sales of goods and revenue arising from sub-licensing of film rights during the year, after allowances for returns and trade discounts, and after elimination of intra-group transactions.

Turnover and revenue recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	54,685	41,923
Sub-licensing of film rights	10,590	3,968
	<u>65,275</u>	<u>45,891</u>
Other revenue		
Bank interest income	7	32
Gain on disposal of fixed assets	—	114
Net exchange gain	11	—
Sundry income	120	193
	<u>138</u>	<u>339</u>
	<u>65,413</u>	<u>46,230</u>

3. PROFORMA PROFIT FROM OPERATIONS

Proforma profit from operations is stated after charging/(crediting) the following:

	2002 HK\$'000	2001 HK\$'000
Amortisation of film rights	5,837	2,931
Impairment of film rights	184	—
Auditors' remuneration	200	67
Bad debts written off	81	146
Cost of inventories sold	21,776	21,541
Depreciation		
Owned fixed assets	438	381
Leased fixed assets	462	364
Operating lease rentals		
Land and buildings	1,191	738
Office equipment	302	135
Provision for inventories	646	—
Staff costs including directors' emoluments	8,809	7,043
Gain on disposal of fixed assets	—	(114)

4. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest payable on:		
Bank loans and overdrafts		
— wholly repayable within five years	264	99
Other loan		
— wholly repayable within five years	5	36
Obligations under finance leases	78	57
	<u>347</u>	<u>192</u>

5. TAXATION

(i) Taxation in the proforma combined income statement represents:

	2002 HK\$'000	2001 HK\$'000
Overseas taxation	30	—
Hong Kong Profits Tax	2,922	1,339
(Over)/under provision in respect of prior years	(8)	2
	<u>2,944</u>	<u>1,341</u>

(ii) Taxation in the proforma combined balance sheet represents:

	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax	2,922	1,339
Provision for Profits Tax in respect of prior years	104	(21)
Overseas tax	30	—
	<u>3,056</u>	<u>1,318</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year of the individual companies within the Group arising in Hong Kong.

Taxation arising in Singapore and Taiwan is charged at the appropriate current rates of taxation ruling in the relevant jurisdiction.

No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the proforma combined profit attributable to shareholders of HK\$15,045,000 (2001: HK\$6,044,000) and on the 333,300,000 shares of the Company outstanding after the Reorganization and capitalization issue as if those shares had been outstanding for each year presented.

(b) Proforma earnings per share

Proforma earnings per share is calculated based on the proforma combined profit attributable to shareholders of HK\$15,045,000 (2001: HK\$6,044,000) and on the 400,000,000 shares of the Company outstanding on the assumption that the Reorganization, capitalization issue, and the listing of the Company's shares had been effective on 1 April, 2000.

(c) Reconciliations

	2002 Number of shares	2001 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	333,300,000	333,300,000
Issue of ordinary shares upon listing on GEM	<u>66,700,000</u>	<u>66,700,000</u>
Number of ordinary shares used in calculating proforma earnings per share	<u><u>400,000,000</u></u>	<u><u>400,000,000</u></u>

- (d) No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2001 and 2002.

7. RESERVES

	Share premium account HK\$'000	Foreign exchange translation reserve HK\$'000	Merger reserves HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 1 April, 2000	15,134	—	(5,124)	5,046	15,056
Profit for the year	—	—	—	6,044	6,044
Movement during the year	—	—	430	—	430
Dividends	—	—	—	(11,000)	(11,000)
At 31 March, 2001	<u>15,134</u>	<u>—</u>	<u>(4,694)</u>	<u>90</u>	<u>10,530</u>
At 1 April, 2001	15,134	—	(4,694)	90	10,530
Profit for the year	—	—	—	15,045	15,045
Exchange difference on translation of accounts of a subsidiary outside Hong Kong	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>(4)</u>
At 31 March, 2002	<u>15,134</u>	<u>(4)</u>	<u>(4,694)</u>	<u>15,135</u>	<u>25,571</u>

Share premium account represents the shortfall of the cost of investments in subsidiaries over the appropriate share of the fair value of the net tangible assets acquired by the Group at the date of acquisition.

Merger reserves of approximately HK\$4,694,000 represent the amount of reserves of a subsidiary that have been capitalized as a result of share-for-share exchange.

SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group in making operation and financial decision.

(a) Geographical segment

The Group's business can be subdivided into Hong Kong, Taiwan and Singapore markets.

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets, liabilities, capital expenditures, depreciation, amortisation and impairment loss are based on the geographical locations of assets.

(b) Business segment

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 video formats and sub-licensing.

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by geographical areas is as follow:—

	Hong Kong		Singapore		Taiwan		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE										
External sales	58,508	43,312	3,865	2,579	2,902	—	—	—	65,275	45,891
Inter-segment sales*	2,239	1,499	—	—	—	—	(2,239)	(1,499)	—	—
	<u>60,747</u>	<u>44,811</u>	<u>3,865</u>	<u>2,579</u>	<u>2,902</u>	<u>—</u>	<u>(2,239)</u>	<u>(1,499)</u>	<u>65,275</u>	<u>45,891</u>
RESULT										
Profit before taxation	17,875	7,432	(33)	(47)	147	—			17,989	7,385
Taxation	(2,914)	(1,341)	(2)	—	(28)	—			(2,944)	(1,341)
	<u>14,961</u>	<u>6,091</u>	<u>(35)</u>	<u>(47)</u>	<u>119</u>	<u>—</u>			<u>15,045</u>	<u>6,044</u>
ASSETS										
Segment assets	30,387	19,991	1,220	1,347	896	—			32,503	21,338
Unallocated assets									20,028	14,040
									<u>52,531</u>	<u>35,378</u>
LIABILITIES										
Segment liabilities	14,651	11,380	133	139	1,142	—			15,926	11,519
Unallocated liabilities									11,033	13,328
									<u>26,959</u>	<u>24,847</u>
OTHER INFORMATION										
Capital expenditure	785	445	14	487	348	—			1,147	932
Depreciation	647	599	149	146	104	—			900	745
Amortization	5,252	2,773	334	158	251	—			5,837	2,931
Impairment loss	184	—	—	—	—	—			184	—

* Inter-segment sales are charged at cost.

DIVIDEND

No dividends have been paid or declared by the Company since its incorporation. The following company had paid or declared dividends to its then shareholders prior to the Reorganization:

	2002 HK\$'000	2001 HK\$'000
Panorama Distributions Company Limited	<u>—</u>	<u>11,000</u>

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2002.

BUSINESS REVIEW AND PROSPECTS

Business Review

In film right licensing, the Group has entered into agreement with several famous Asian film production companies, Paradise TV from Japan, SBS Production Inc from South Korea, and Applause Pictures from Hong Kong, to release their films. Given the current “Asian” trend in movie-going, these new licenses will, on top of the Group’s outstanding repository in Japanese Animation, such as the “Digimon” series, add tremendous value to the existing library. Furthermore, the distribution rights of 15 soccer legend programmes during this World Cup year was acquired in a timely manner to capitalize on the anticipated football mania.

In respect of new releases, numerous titles have been put on the market by the Group at a pace that keeps up with consumers’ demands for both variety and quality. The Group’s music videos featuring popular artists such as the Bee Gees, Paul McCartney, the Eagles, Tina Turner, Diana Krall and the multi Grammy Award winner “Santana” is just another example of how versatile the Group can be.

New film rights and new releases, as mentioned above, would not be complete without new channels. Thus, the Group has also made big strides in exploring new channels of content distribution. The Group’s corporate portal, www.panorama.com.hk, was launched to provide a new platform for conducting e-business and cultivating stakeholder relationships. Sub-licensing film rights to cable operators and VOD service providers is another effort made by the Group to reach audiences outside the traditional VCD and DVD arena who subscribe to these alternative formats of entertainment.

Prospects

With the proceeds obtained from the Placing and the support of a profitable operation, the Group is ready to pursue its strategies in becoming the leading entertainment provider in Asia.

In the coming year, the Group will begin an exciting business relationship with Shochiku Co., Ltd. (“Shochiku”), one of the largest entertainment companies in Japan by holding the exclusive distribution rights to its entire film library of over 4,000 titles on all formats throughout Hong Kong and Macau. Shochiku will join the likes of HBO, Canals+ and Playboy in becoming one of our strategic partners for garnering the Asia market. This partnership marks another step forward to fulfilling our ambition to become the region’s leading entertainment provider.

The Group's ongoing sub-licensing venture with Hong Kong Cable Television Limited is scheduled to release two Pay-Per-View programmes on a weekly basis. Eight titles will also be released per month under another sub-licensing agreement with Pacific Century Cyber Works through their VOD delivery platform. The responses from these ventures have so far proved to be highly encouraging.

The Group is also committed to diversify beyond its strong suit of three — Animation, Adult, and Music into other genres. The future release of “The Eye”, a locally produced ghost story and a box office success made by Applause Pictures, is a step in this direction.

Looking forward, the Directors are confident of the continuous economic growth in the PRC, with the tremendous purchasing power of 1.3 billion people. WTO entry will spur further deregulation and liberalization for foreign companies to conduct business in PRC, thus creating ample opportunities for the Group to expand into the market. To further expand its distribution network, the Directors are considering the establishment of representative offices in Beijing and Shanghai in the PRC in the near future after opening their first Mainland office in Guangzhou. This, together with the other prospects, will reinforce the Group's strategies in enriching its programme library, diversifying its channels, and expanding its distribution network.

OPERATIONS REVIEW

In respect of the VCD and DVD distribution business, the Group currently has over 160 customers in Hong Kong consisting of video shops, video wholesalers, convenience chain stores, drug store chains and supermarket chains the largest in Hong Kong and over 1,000 newspaper stands, which in total cover over 1,200 sales outlets. Outside of Hong Kong, the Group has developed a well-established and extensive distribution network for the distribution of home video products in Taiwan, Singapore and other Asian countries, including South Korea, Indonesia, Malaysia and Thailand.

In respect of the sub-licensing business, the Group's customers mainly cover an operator of pay-TV and a VOD service provider in Hong Kong and video product distributors in Taiwan, Thailand, Indonesia, Malaysia and South Korea. For theatrical releases, the Group currently engages an agent to arrange for the release of the films in various theatres.

Income generated from the sub-licensing business grew, when compared to that of the previous financial year, because the Group has commenced expansion of this line of business in view of its fast-enriching film right library. Sub-licensing to cable operators and VOD service providers has been an important revenue generating development.

In respect to the Internet and e-commerce business, the Group launched a website, www.panorama.com.hk, in May 2002 and continued to enrich its content and to develop the e-commerce of video, audio and home entertainment related products on the Internet.

The Group is also committed to strengthen its library in other genres besides its fortes of Animation, Adult, and Music. The release of “The Eye” in July, a ghost story and a box office success produced by Applause Pictures, signifies a major milestone in the Group's endeavor to boost its distribution in locally produced titles.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover and Net Profit

Turnover of the Group for the year ended 31 March, 2002 amounted to approximately HK\$ 65 million, representing a significant increase of approximately 42% when compared to that of the previous financial year. Sales of home video products in the VCD and DVD format accounted for approximately 84% of the Group's turnover for the same period, representing an increase of approximately 30% when compared to that of the previous financial year. Sub-licensing income for the year amounted to approximately HK\$11 million, representing a significant increase of approximately 167% when compared to that of previous financial year.

Profit attributable to shareholders for the year ended 31 March, 2002 was approximately HK\$15,045,000, representing a significant increase of approximately 1.5 times over that of the previous financial year and proforma earnings per share was HK3.8 cents, representing a significant increase of approximately 1.5 times over that of the previous financial year.

The improvement resulted from music and cartoon programmes had been less competitive in the market, so that selling prices of which could be set higher and the unit production cost of VCDs and DVDs decreased as the quantity sold increased significantly during the year, resulting in economy of scale.

Sales and net profit from the Hong Kong operation accounted for approximately 90% and approximately 99% of the total sales and total net profit generated by the Group respectively. Sales and net profit from the Singapore and Taiwan operations contributed to the rest. The Singapore and Taiwan offices are still in the initial stage of their development. Thus, Hong Kong is still the main focus in the Group's total operation in terms of geographical segment.

In terms of number of new programmes, 107 cartoon programmes and 65 music programmes were released to the market for the year ended 31 March, 2002, representing an increase of approximately 6% and 103% respectively when compared to that of the previous financial year.

Liquidity, Financial Resources, and Treasury Policies

In respect of the Group's liquidity position, its current ratio as at 31 March, 2002 was approximately 147%, representing an increase of approximately 47% when compared to that of the previous financial year. Gearing ratio, calculated based on long term liabilities of approximately HK\$509,000 and shareholders' funds of approximately HK\$25,572,000, was approximately 2% as at the balance sheet date, representing a decrease of approximately 2.2% as compared to the previous year figure. The increase in current ratio and decrease in gearing ratio was largely due to an increase in accounts receivable and increase in film right acquisition.

The net proceeds from the listing of the Company's shares on GEM, which amounted to approximately HK\$16.7 million, will be used to enhance the Group's video programme library, expand its distribution network, diversify distribution channels, and strengthen general working capital.

As at 31 March, 2002, the Group had outstanding borrowings of approximately HK\$ 11.6 million, comprising secured/guaranteed bank loans of approximately HK\$1.0 million, secured bank overdrafts of approximately HK\$4.0 million, obligations under finance leases of approximately HK\$0.5 million, amount due to a related company, Panorama Entertainment Holdings Limited, for an interest free, unsecured and no fixed repayment loan of approximately HK\$1.9 million, and amount due to directors, namely Mr. Allan Fung, Ms. Janet Leung and Mr. James Fung, of approximately HK\$4.2 million, under unsecured, interest-free loans with no fixed repayment term.

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

As at 31 March, 2002, the Group had aggregated composite banking facilities of approximately HK\$5.2 million, of which HK\$5.0 million had been utilised.

As at 31 March, 2002, the Group's bank borrowings of approximately HK\$4.6 million are repayable on demand or within one year.

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

The Group's business transaction involves either Hong Kong Dollars, United States Dollars, or Japanese Yen. Other currency may be involved in film rights acquisition. However, it is the Group's policy to manage its foreign currency risk whenever the financial impact of such transaction is material to the Group. The Group does not engage in foreign currency speculative activities.

Employees and Remuneration Policies

As at 31 March, 2002, the Group, headquartered in Hong Kong, had 63 staff in total working for the Hong Kong, Singapore, and Taiwan offices. The sales and marketing department has the largest number of staff, 17 in total.

Remuneration is reviewed annually according to market terms and staff performance. In addition to basic salaries, staff compensations include discretionary bonus, contribution to mandatory provident fund, medical care, and a share option scheme.

Staff salaries and allowance increased by approximately 25%, an increase of approximately HK\$1.8 million, which was in line with the increase of staff head-count to cope with the Group's business expansion during the year, for the period ended 31 March, 2002.

Contingent Liabilities

The termination of all the employees eligible for long service payments under the Hong Kong Employment Ordinance, should it occur, will make the Group liable for the amount of HK\$887,000 as at 31 March, 2002. This represents an increase of approximately 13% over the last financial year.

As at 31 March, 2002, certain film rights liabilities amounting to approximately HK\$0.9 million have not been included in the financial statements on the basis that such payments are unlikely to materialize as part of common commercial practices within the film distribution industry.

As a result of late reporting in connection with withholding tax on licence fees paid to non-resident film owners for film rights used in Hong Kong, the Group might face a tax penalty. However, the Inland Revenue Department may exercise its discretion not to penalize the Group for full voluntary disclosure.

Although there are outstanding contingent liabilities, Mr. Allan Fung and Ms. Janet Leung have pursuant to a deed of indemnity dated 29 April, 2002 given joint and several indemnities in favor of the Group if the liabilities relating to the above mentioned film rights liabilities and tax penalties ever arise.

Reorganization

Pursuant to a group reorganization (the “Reorganization”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on the 23 April, 2002.

The Reorganization was accomplished by acquiring the entire share capital of Panorama BVI, which is, at the date of this report, the intermediate holding company of the subsidiaries in consideration of and in exchange for the issue and allotment of 99,999 shares to Mr. Allan Fung, AFAL and Designate Success, the former shareholders of Panorama BVI or their nominees. Further details of the Reorganization are set out in the Prospectus dated 30 April, 2002.

Listing

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

Purchase, Sale or Redemption of the company’s listed securities

Since the Listing of the Company, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Board Practises and Procedures

The Company has complied with the board practices as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on 9 May, 2002.

By Order of the Board
Fung Yu Hing, Allan
Chairman

Hong Kong, 26 June, 2002

This announcement will remain on the page of “Latest Company Annoucements” on the GEM website for 7 days from the date of posting and on the Company’s website at www.panorama.com.hk.