

INTERIM REPORT 2007/2008

— For the six months ended 31 December 2007



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INTERIM RESULTS

The Board of Directors (the "Board") of Proview International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

		Six months ended	
	<i>NOTES</i>	31 December 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Unaudited)
Revenue		11,156,126	8,510,914
Cost of sales		(10,371,552)	(7,885,314)
Gross profit		784,574	625,600
Other income		27,483	11,418
Selling and distribution expenses		(292,500)	(266,773)
Administrative expenses		(229,182)	(146,901)
Research and development costs		(67,305)	(25,021)
Other expenses		(1,877)	(494)
Share of losses of associates		(873)	(285)
Share of profit of a jointly controlled entity		—	113
Finance costs		(125,230)	(69,019)
Profit before taxation		95,090	128,638
Income tax expense	4	(9,581)	(17,485)
Profit for the period	5	85,509	111,153
Attributable to:			
Equity holders of the Company		80,281	102,815
Minority interests		5,228	8,338
		85,509	111,153
Dividend paid	6	11,580	16,171
Earnings per share	7		
Basic		HK11.50 cents	HK15.90 cents
Diluted		HK11.50 cents	HK15.87 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	31 December 2007 HK\$'000 (Unaudited)	30 June 2007 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	8	983,609	918,594
Prepaid lease payments		64,468	64,353
Intangible assets	9	49,300	52,200
Interests in associates		40,136	38,747
Interest in a jointly controlled entity		–	–
Available-for-sale investments		108	198
Prepayments and deposits		9,789	11,314
		1,147,410	1,085,406
Current Assets			
Inventories		2,687,622	2,862,964
Properties held for sale		72,551	67,302
Trade and bills receivables	10	3,545,904	2,038,417
Prepayments, deposits and other receivables		333,535	375,716
Prepaid lease payments		1,692	1,717
Amount due from a jointly controlled entity		1,000	1,000
Pledged bank deposits		241,233	203,854
Bank balances and cash		682,864	1,267,930
		7,566,401	6,818,900
Current Liabilities			
Trade and bills payables	11	4,251,427	3,898,181
Accruals and other payables		248,996	211,009
Amount due to an associate		975	975
Taxation payable		26,137	56,341
Bank borrowings – due within one year	12	2,275,742	2,191,230
Obligations under finance leases – due within one year		5,159	4,963
		6,808,436	6,362,699
Net Current Assets		757,965	456,201
Total Assets less Current Liabilities		1,905,375	1,541,607

	NOTES	31 December 2007 HK\$'000 (Unaudited)	30 June 2007 HK\$'000 (Audited)
Capital and Reserves			
Share capital	13	77,200	64,681
Reserves		1,355,439	1,109,885
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Equity attributable to equity holders of the Company		1,432,639	1,174,566
Minority interests		85,275	73,615
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Total Equity		1,517,914	1,248,181
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Non-current Liabilities			
Bank borrowings – due after one year	12	324,468	229,498
Obligations under finance leases – due after one year		45,739	46,674
Deferred taxation		17,254	17,254
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		387,461	293,426
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		1,905,375	1,541,607
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
For the six months ended 31 December 2007													
At 1 July 2007	64,681	172,724	40,824	45,291	82	27,407	56,543	307,251	22,933	436,830	1,174,566	73,615	1,248,181
Loss on fair value changes of available-for-sale investments	-	-	-	-	(82)	-	-	-	-	-	(82)	-	(82)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	-	27,906	-	-	-	27,906	3,519	31,425
Share of exchange reserve of associates	-	-	-	-	-	-	(2,627)	-	-	-	(2,627)	-	(2,627)
Net income recognised directly in equity	-	-	-	-	(82)	-	25,279	-	-	-	25,197	3,519	28,716
Profit for the period	-	-	-	-	-	-	-	-	-	80,281	80,281	5,228	85,509
Total recognised income for the period	-	-	-	-	(82)	-	25,279	-	-	80,281	105,478	8,747	114,225
Recognition of equity-settled share-based payments	-	-	-	-	-	7,688	-	-	-	-	7,688	-	7,688
Release upon lapse of vested share options	-	-	-	-	-	(81)	-	-	-	81	-	-	-
Contribution from minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,913	2,913
Issue of new shares (Note 13)	12,519	143,968	-	-	-	-	-	-	-	-	156,487	-	156,487
Transfer to statutory reserve	-	-	-	-	-	-	-	-	231	(231)	-	-	-
Final dividend - 2007	-	-	-	-	-	-	-	-	-	(11,580)	(11,580)	-	(11,580)
At 31 December 2007	77,200	316,692	40,824	45,291	-	35,014	81,822	307,251	23,164	505,381	1,432,639	85,275	1,512,914
For the six months ended 31 December 2006													
At 1 July 2006	64,681	172,724	40,824	38,341	-	30,396	34,576	193,643	20,089	451,688	1,046,962	63,866	1,110,828
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	-	4,443	-	-	-	4,443	1,449	5,892
Share of exchange reserve of associates	-	-	-	-	-	-	(2,795)	-	-	-	(2,795)	-	(2,795)
Net income recognised directly in equity	-	-	-	-	-	-	1,648	-	-	-	1,648	1,449	3,097
Profit for the period	-	-	-	-	-	-	-	-	-	102,815	102,815	8,338	111,153
Total recognised income for the period	-	-	-	-	-	-	1,648	-	-	102,815	104,463	9,787	114,250
Recognition of equity-settled share-based payments	-	-	-	-	-	3,846	-	-	-	-	3,846	-	3,846
Final dividend - 2006	-	-	-	-	-	-	-	-	-	(16,171)	(16,171)	-	(16,171)
At 31 December 2006	64,681	172,724	40,824	38,341	-	34,242	36,224	193,643	20,089	538,332	1,139,100	73,653	1,212,753

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	Six months ended	
	31 December	31 December
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(767,669)	8,910
Net cash used in investing activities	(125,872)	(212,837)
Net cash from (used in) financing activities	296,431	(217,109)
Net decrease in cash and cash equivalents	(597,110)	(421,036)
Cash and cash equivalents brought forward	1,267,930	1,703,225
Effect of foreign exchange rate changes	12,044	5,053
Cash and cash equivalents carried forward, representing bank balances and cash	682,864	1,287,242

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2007

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Directors of the Company are responsible for the preparation of the Group's condensed consolidated interim financial statements. These condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2007.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKAS ("HKAS (Amendments)") and interpretations ("HK(IFRIC) – INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial periods beginning on or after 1 July 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 12	Service Concession Arrangements ²
HK(IFRIC)-INT 13	Customer Loyalty Programmes ³
HK(IFRIC)-INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st January, 2008.

³ Effective for annual periods beginning on or after 1st July, 2008.

3. SEGMENTAL INFORMATION

Business Segment

The Group's primary format for reporting segmental information is business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations, and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the CRT monitors segment, which engages in the manufacturing, trading and distribution of CRT monitors;
- (b) the LCD monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors;
- (c) the TFT-LCD televisions segment, which engages in the manufacturing, trading and distribution of TFT-LCD televisions; and
- (d) the Others segment, which engages in the manufacturing, trading and distribution of computer monitor components and non-TFT-LCD televisions.

Six months ended 31 December 2007

	CRT monitors HK\$'000 (Unaudited)	LCD monitors HK\$'000 (Unaudited)	TFT-LCD televisions HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE						
Sales to external customers	410,363	5,563,366	5,088,935	93,462	-	11,156,126
Inter-segment sales *	-	-	-	1,764	(1,764)	-
	<u>410,363</u>	<u>5,563,366</u>	<u>5,088,935</u>	<u>95,226</u>	<u>(1,764)</u>	<u>11,156,126</u>
RESULTS						
Segmental results	<u>4,044</u>	<u>143,547</u>	<u>132,214</u>	<u>1,192</u>	<u>-</u>	<u>280,997</u>
Unallocated corporate income						27,483
Unallocated corporate expenses						(87,287)
Share of losses of associates	-	-	-	(873)	-	(873)
Share of profit of a jointly controlled entity	-	-	-	-	-	-
Finance costs						<u>(125,230)</u>
Profit before taxation						95,090
Income tax expense						<u>(9,581)</u>
Profit for the period						<u>85,509</u>

* Inter-segment sales were charged with reference to the prevailing market prices.

Six months ended 31 December 2006

	CRT monitors HK\$'000 (Unaudited)	LCD monitors HK\$'000 (Unaudited)	TFT-LCD televisions HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE						
Sales to external customers	975,988	5,536,001	1,842,677	156,248	-	8,510,914
Inter-segment sales *	-	-	-	121,469	(121,469)	-
	<u>975,988</u>	<u>5,536,001</u>	<u>1,842,677</u>	<u>277,717</u>	<u>(121,469)</u>	<u>8,510,914</u>
RESULTS						
Segmental results	<u>14,249</u>	<u>131,203</u>	<u>40,170</u>	<u>1,594</u>	<u>-</u>	<u>187,216</u>
Unallocated corporate income						11,418
Unallocated corporate expenses						(805)
Share of losses of associates	-	-	-	(285)	-	(285)
Share of profit of a jointly controlled entity	-	-	-	113	-	113
Finance costs						<u>(69,019)</u>
Profit before taxation						128,638
Income tax expense						<u>(17,485)</u>
Profit for the period						<u>111,153</u>

* Inter-segment sales were charged with reference to the prevailing market prices.

4. INCOME TAX EXPENSE

	Six months ended	
	31 December 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Unaudited)
Current Tax		
Hong Kong	-	64
Other jurisdictions	<u>9,581</u>	<u>17,421</u>
	<u>9,581</u>	<u>17,485</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% for the six months ended 31 December 2007 (2006: 17.5%).

No provision for Hong Kong Profits Tax has been made in the financial statements for the period ended 31 December 2007 as the Group's subsidiaries operating in Hong Kong have no assessable profit for the period.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation, followed by a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. Accordingly, provision for the PRC enterprise income tax has been made after taking into account of these tax incentives during the period.

The domestic income tax rate applicable in Brazil is 40%. The Company's subsidiary operating in Brazil is eligible for a 75%, 50% and 25% relief from income tax for the period from November 1999 to 31 December 2004, for the five years ending 31 December 2009 and for the five years ending 31 December 2014, respectively.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after crediting (charging) the following items:

	Six months ended	
	31 December 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Unaudited)
Release of prepaid lease payments	846	710
Amortisation of intangible assets	2,900	2,900
Depreciation and amortisation of property, plant and equipment	60,732	65,500
Cost of inventories recognised as an expense	10,359,599	7,846,130
Loss (gain) on disposal of property, plant and equipment	2,910	(1,162)
Interest income	(5,745)	(5,547)

6. DIVIDENDS

On 7 December 2007, a dividend of HK1.5 cents per share (2006: HK2.5 cents per share) was paid to shareholders as the final dividend for the year ended 30 June 2007.

No interim dividend is proposed by the Directors for the six months ended 31 December 2007 (2006: HK2.5 cents per share).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	31 December 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Unaudited)
Profit attributable to the equity holders of the Company for the purpose of basic and diluted earnings per share	80,281	102,815
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	697,847,525	646,818,992
Effect of dilutive potential ordinary shares – share options (<i>Note</i>)	–	1,189,790
Weighted average number of ordinary shares for the purpose of diluted earnings per share	697,847,525	648,008,782

Note: The computation of diluted earnings per share does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price for the six months ended 31 December 2007.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$135,243,000 (2006: HK\$139,000,000) on acquisition of property, plant and equipment. Certain moulds and machineries and first legal charge over certain leasehold land and buildings of the Group with carrying amounts of approximately HK\$18,587,000 (30 June 2007: HK\$4,070,000) and HK\$137,709,000 (30 June 2007: HK\$139,100,000) respectively were pledged to banks as security for the credit facilities granted to the Group.

At 31 December 2007, the Directors considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTANGIBLE ASSETS

Intangible assets represented trademarks registered in the PRC and solely and beneficially owned by the Group. During the period, the Group incurred amortisation of intangible assets of approximately HK\$2,900,000 (2006: HK\$2,900,000). The intangible assets are amortised on a straight-line basis over the useful lives of 10 years.

10. TRADE AND BILLS RECEIVABLES

The Group's payment terms with customers are normally within 90 days from date of issuance of invoices, except for certain well established customers, where the terms are extended to 180 days. An aged analysis of trade and bills receivables at the balance sheet date is as follows:

	31 December 2007 HK\$'000 (Unaudited)	30 June 2007 HK\$'000 (Audited)
Within 90 days	3,338,839	1,956,318
Between 91 to 180 days	135,001	27,283
Over 181 days	72,064	54,816
	3,545,904	2,038,417

11. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables at the balance sheet date is as follows:

	31 December 2007 HK\$'000 (Unaudited)	30 June 2007 HK\$'000 (Audited)
Within 90 days	4,123,473	3,324,566
Between 91 to 180 days	104,750	528,967
Over 181 days	23,204	44,648
	4,251,427	3,898,181

12. BANK BORROWINGS

During the period, the Group obtained new bank loans in an amount of approximately HK\$2,128,359,000 (2006: HK\$1,292,259,000). The loans bear interest at market rates from 3.7% to 13.1% and are repayable by instalments over a period from one to fifteen years. The proceeds were used to finance the acquisition of plant and equipment and for general working capital of the Group.

13. SHARE CAPITAL

Share

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
<i>Authorised:</i>		
At 1 July 2007 and 31 December 2007	2,000,000,000	200,000
<i>Issued and fully paid:</i>		
At 1 July 2007	646,818,992	64,681
Issued of shares under general mandate	125,190,000	12,519
	772,008,992	77,200

On 10 May 2007 and 9 July 2007, the Company entered into a subscription agreement (the "Subscription Agreement") and a supplemental agreement, respectively, with Shan Chih Assets Development Company Limited (the "Subscriber"), a company incorporated in Taiwan with limited liability and a wholly-owned subsidiary of 大同股份有限公司, a listed company in Taiwan, for the allotment and issue of 125,190,000 shares (the "Subscription Shares") of the Company in cash, at the subscription price of HK\$1.25 per share (the "Subscription Price") to San-Chih Asset International Holding Corp., nominee of the Subscriber, pursuant to the general mandate passed as an ordinary resolution on the annual general meeting of the Company held on 28 November 2006.

The Subscription Price of HK\$1.25 per share represents (i) a discount of approximately 19.35% to the closing price of HK\$1.55 per share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of which the terms of Subscription Agreement were fixed, (ii) a premium of approximately 0.81% over the average closing price of HK\$1.24 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement, and (iii) a premium of approximately 6.56% over the average closing price of approximately HK\$1.173 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the entering into the Subscription Agreement.

Details of these are disclosed in announcements of the Company dated 11 May 2007 and 9 July 2007.

The transaction was completed on 10 October 2007. The net proceeds of approximately HK\$156,487,000 were used for general working capital, capital expenditure and business expansion.

The shares issued during the period rank pari passu with the existing shares in issue in all respects.

14. SHARE-BASED PAYMENTS

The Company has share option schemes for eligible participants including any Director and employee of the Company or any of its subsidiaries. Details of the share option schemes are set out in the section headed "SHARE OPTIONS" of the interim report.

In the current period, share options were granted on 14 November 2007. The fair values of the options determined at the dates of grant using the Binomial model were approximately HK\$12,824,000.

15. CONTINGENT LIABILITIES

The Group has been involved in three patent litigations.

In June 2005, a third party company ("Plaintiff A") filed a complaint in the United States of America against the Company and two of its subsidiaries. The complaint claimed for damages related to alleged infringement of patents in respect of wide-view angle display of TFT-LCD panels.

In April 2006, a third party company ("Plaintiff B") filed a complaint in the United States of America against a subsidiary of the Company. The complaint claimed for damages related to alleged infringement of patents in respect of timing control of pixels in LCD display panel.

In October 2007, a third party company ("Plaintiff C") filed a complaint in the United States of America against two subsidiaries of the Company. The complaint claimed for damages related to alleged infringement of patents in respect of tuner integrated circuit of certain TV digital products.

Up to the date of report, Plaintiff A, Plaintiff B and Plaintiff C have not yet identified the amounts of damages sought. The Group is vigorously defending itself against the complaints and legal proceedings are still ongoing. In the opinion of the Directors, the outcome of the litigations cannot be estimated with certainty at this stage.

16. CAPITAL COMMITMENTS

	31 December 2007 HK\$'000 (Unaudited)	30 June 2007 HK\$'000 (Audited)
Capital commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	34,142	15,750

17. RELATED PARTY DISCLOSURE

(a) Related party transactions

During the period, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK\$498,000 (2006: HK\$498,000) to Isystems Technology, Inc. ("Isystems"), a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) have interest of 19.4% and 16.8% respectively in its issued capital. The rentals were charged in accordance with the terms of the tenancy agreement entered into between the Group and Isystems.

(b) Bank facilities

Certain of the Group's bank facilities as at the balance sheet date were also secured by the personal guarantees from a Director of the Company and a Director of a subsidiary of the Company. No financial guarantee was recognized as the fair value of the financial guarantee contracts is insignificant.

The Directors, including the independent non-executive Directors of the Company, have reviewed and confirmed that the connected transactions during the year were conducted in the ordinary and usual course of business of the Group and are on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned. The value of the aggregate rentals does not exceed the thresholds under Rule 14A.34 of the revised Listing Rules which came into effect on 31 March 2004.

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 26 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six-month period ended 31 December 2007, Proview International Holdings Limited (the "Company") and its subsidiaries (hereafter collectively referred as the "Group" or "Proview") experienced a strong growth in sales, which was driven by the burgeoning global demand for flat-panel digital TV products. The Group recorded a consolidated turnover of approximately HK\$11.2 billion (2006: HK\$8.5 billion). This represents a 31% increase as compared with that of the same period last year. However, profit attributable to equity holders of the Company was decreased to approximately HK\$80 million (2006: HK\$103 million). Meanwhile, the net profit margin for the period decreased from 1.2% to 0.7%. The drop in both profit attributable to equity holders of the Company and net profit margin was resulted from the unfavorable changes in business environment, including rise in operating expenses. Apart from that, the Group obtained additional borrowings to finance its growing flat-panel digital TV business. This in turn led to an increase in finance costs, which also lowered the profit attributable to equity holders of the Company and net profit margin of the Group.

During the period, there was a dramatic growth in flat-panel digital TV sales and the management expects that flat-panel digital TVs will soon overtake LCD monitors to be the Group's most important strategic products. Management holds an optimistic view on the future development of flat-panel digital TV market. According to research by Digitimes, the global demand for flat-panel digital TVs will grow at double-digit rate over the coming three years. The management therefore believes that flat-panel digital TVs will continue to be an important profit driver for the Group in the immediate future. For the six months ended 31 December 2007, flat-panel digital TV sales posted a record-breaking amount of approximately HK\$5.1 billion (2006: HK\$1.8 billion), which contributed about 46% (2006: 22%) of the Group's consolidated turnover. The increase in flat-panel digital TV sales was remarkable. It accounts for a growth of 176% over the same period last year. In order to strengthen our position in the global flat-panel digital TV market, the Group will continue to enhance its existing production facilities with an aim to stay ahead of the rapidly growing market.

LCD monitors continued to provide the Group with stable and promising income. The demand of LCD monitor remains strong. For the six months ended 31 December 2007, LCD monitor sales amounted to approximately HK\$5.6 billion (2006: HK\$5.5 billion), which contributed about 50% (2006: 65%) of the Group's consolidated turnover. The Group is dedicated to improve the profitability of LCD monitors. During the period, we introduced innovative products so as to differentiate ourselves from other competitors. Over the past six months, the first shipment of VisBoard™ has been made. VisBoard™ is a new-generation tablet monitor equipped with electromagnetic technology and handwriting recognition functionality. It can be potentially used for a wide range of purposes, including word processing, presentation, art and design as well as gaming. VisBoard™ is now contributing to the Group with a profit margin much higher than the traditional LCD monitors. The Group expects that the total shipment of VisBoard™ will gradually increase starting from 2008. VisBoard™ will help to provide the Group with new source of income.

The Group continued to sell CRT monitors to regions including South America and Asia. For the six months ended 31 December 2007, CRT monitor sales dropped by 58% to approximately HK\$410 million (2006: HK\$976 million), as compared with that of the same period last year. The management foresees that the global market for CRT monitors will be further retrenched as time passes. By the reason that CRT monitor sales took up only less than 4% of the Group's consolidated turnover, we do not expect that the further decline of CRT monitor market will have significant impact on the Group's overall performance.

The Group's geographical market mix is well managed and diversified. Major market of the Group includes North America, Western Europe and Asia. During the period, the Group continued to seek for new business opportunities elsewhere over the world. It was especially to the emerging market including Eastern Europe, South America and Middle East.

The gross profit margin of the Group decreased from 7.4% to 7.0% as compared with that of the same period last year. This was mainly caused by the unfavorable selling price adjustment on end products. For the six months ended 31 December 2007, the gross profit margin contributed by sales of flat-panel digital TVs, LCD monitors and CRT monitors was 7.5% (2006: 8.1%), 6.7% (2006: 7.4%) and 5.3% (2006: 6.1%) respectively.

PROSPECTS

Leveraging on the strong dynamic of market, the Group is confident to achieve continuous growth in sales. The management will further strengthen our core competency in system integration, research and development, supply chain management, product design, standardization of parts and components and customer service. The focuses of our strategy in the years to come will be as follows:

Marketing strategy for flat-panel digital TVs and LCD monitors

The Group is now implementing different marketing strategy for our two core products. For flat-panel digital TVs, the Group is adopting a strategy for achieving a larger market share. The management believes that this strategy will allow the Group to strengthen its market influence and to obtain greater economies of scale in production. According to a report issued by Display Search in August 2007, Proview is now the third largest OEM flat-panel digital TV manufacturer in the world. The Group will not rest of its laurels and is committed to play an even more important role in the global market.

For LCD monitors, the Group is now focusing on product profitability as opposed to the quantity growth in sale. The management is aware that functionality and innovation are two key factors to improve the product profitability. For this reason, the Group has invested considerable resources to develop our cutting-edge technology in integrated power supplies. This technology has allowed us to create value for customers and enable us to significantly differentiate ourselves from our competitors. In the meantime, new products such as VisBoard™ have been launched, which opened up a new horizon in the market.

The Group also realizes that the manufacture and sale of components used for making display products, not necessarily the fully built up LCD monitors and flat-panel digital TVs, provides the Group with satisfactory profit. The Group will actively seek out business opportunities for sale of backlights and power supply components.

Loan and working capital management

The management is aware of the importance of maintaining a well-diversified loan portfolio. The Group is working on plan to extend the overall tenor of borrowings so as to reduce the Group's reliance on short-term borrowings. In order to lower the gearing ratio and the finance costs resulted from borrowings, the Group will carefully control future capital expenditure. Meanwhile, the Group will continue to tighten the management of inventory and account receivables, with an objective to enhance the overall working capital sufficiency.

Strategic alliance with Tatung

A well-known Taiwan based business conglomerate, 大同股份有限公司 and its subsidiaries (hereafter collectively referred as "Tatung"), has invested into the Group in October 2007. The management believes that this arrangement helped to lay down platform for future cooperation. Tatung has direct control over one of the world's leading panel suppliers, Chungghwa Picture Tubes Ltd. Meanwhile, Tatung also has a strong base in home appliance market. The management expects that our alliance with Tatung will let Proview further secure our panel supply as well as strengthen our sales position in the market. In long run, this will provide a win-win solution to both Tatung and Proview in the highly competitive business environment.

Implement of new ERP system

Timely and comprehensive management information is vital in enhancing the Groups competitiveness. During the period, the Group rolled out a project, for the implementation of a new ERP system, Oracle® Applications. Oracle® is a world-leading icon for solution in database management and enterprise resource planning. The management expects that the new ERP system will improve the overall efficiency of the Group and speed up the decision making process.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's cash and bank balances (including pledged bank deposits) stood at approximately HK\$0.9 billion (30 June 2007: HK\$1.5 billion), with total equity attributable to equity holders of the Company standing at approximately HK\$1,433 million (30 June 2007: HK\$1,175 million).

As compared with 30 June 2007, inventories reduced to approximately HK\$2.7 billion (30 June 2007: HK\$2.9 billion). Inventory turnover days also decreased to 49 days (30 June 2007: 60 days). This was because inventory level was dropped down after the peak season of the industry. In the meantime, the Group devoted considerable effort to standardize components and shorten the supply chain, which in turn helped to reduce buffer stock.

Aligning with the Group's growth in flat-panel digital TV products, trade and bills receivables increased to approximately HK\$3.6 billion (30 June 2007: HK\$2.0 billion). The Group continued to monitor closely the settlement status of trade debts. During the period, trade and bills receivable turnover days remained at 46 days (30 June 2007: 46 days), a satisfactory situation in line with the Group's existing credit policy.

Trade and bills payables increased to approximately HK\$4.3 billion (30 June 2007: HK\$3.9 billion). Meanwhile, trade and bills payables turnover days decreased to 72 days (30 June 2007: 96 days). During the period, the Group continued to obtain strong support from our suppliers, which was expressed in terms of high material quality, timely delivery, competitive price and favorable credit terms. Our relationship with suppliers is long lasting and mutually beneficial.

CAPITAL COMMITMENT AND CAPITAL STRUCTURE

For the reporting period, the Group invested approximately HK\$135 million in the acquisition, maintenance and enhancement of production facilities. The new machineries and equipments were mainly used to expand the Group's existing production capacity in Shenzhen and Ningbo region. As at 31 December 2007, the Group's capital commitment amounted to approximately HK\$34 million (30 June 2007: HK\$16 million).

In order to finance the Group's business plan, additional bank borrowings were raised during the period. As at 31 December 2007, the total bank borrowings of the Group amounted to approximately HK\$2.6 billion (30 June 2007: HK\$2.4 billion). The Group monitors closely its loan portfolio and is actively seeking for stable funds in low cost.

The Group's financial gearing, representing the ratio of total borrowings from banks and financial institutions to equity attributable to the equity holders of the Company, was around 1.8 (30 June 2007: 2.1). The Group believes that its future cash flow requirements can be satisfied by the funds generated from operations, facilities provided by banks and financial institutions as well as by the strong support of suppliers.

CHARGES ON GROUP ASSETS

As at 31 December 2007, the Group's banking facilities and loans were mainly supported by certain plant and machinery of the Group with a net book value of approximately HK\$19 million (30 June 2007: HK\$4 million), and first legal charges over certain land and buildings of the Group of approximately HK\$138 million (30 June 2007: HK\$139 million).

CONTINGENT LIABILITIES

During the reporting period, the Group has been involved in several patent litigations. The concerned plaintiffs have not yet identified the amount of damages sought. The Group is vigorously defending itself against these complaints and the proceedings are still sub judice. The outcome of the litigations cannot be estimated with certainty at this stage.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were mainly denominated in US dollars, with some transactions made in RMB, pound sterling, Brazilian Real, Hong Kong dollars, Euro and NTD. As the Hong Kong dollar is pegged to the US dollar, the Group's exposure to US dollar exchange risk does not have any adverse effect on the finance position of the Group.

The Group does not currently use any financial instruments or derivatives for hedging purpose. The management monitors the foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arises.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2007, the Group employed approximately 16,000 full-time employees. Remuneration of the Group's employees is based largely on the prevailing industry practices in the countries in which it operates, as well as on individual merit. The Group also offers share options to employees to reward outstanding performance.

INTERIM DIVIDEND

In view of need of the Group's future development, the Board of Directors of the Company has resolved not to declare any interim dividend for the six months ended 31 December 2007. (2006: HK2.5 cents per share).

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

During the six months ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the interests or short positions held by the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in shares of the Company

Name of director	Capacity	Number of ordinary shares held	Number of share options held	Total no. of ordinary shares and share options held	% of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner of 13,852,000 shares and 4,800,000 share options and interest in controlled corporation of 224,710,724 shares (<i>Note</i>)	238,562,724	4,800,000	243,362,724	31.52%
Mr. Wang Ming-chun, Morris	Beneficial owner	388,000	13,200,000	13,588,000	1.76%
Mr. Chang Su-pong, Steve	Beneficial owner	-	2,600,000	2,600,000	0.40%
Ms. Hui Siu-ling, Elina	Beneficial owner	-	5,800,000	5,800,000	0.75%
Mr. Lau Siu-ki, Kevin	Beneficial owner	-	400,000	400,000	0.05%
Mr. Lee Chiu-kang, Alex	Beneficial owner	200,000	1,000,000	1,200,000	0.16%
Mr. Liu Zixian	Beneficial owner	-	400,000	400,000	0.05%

Note:

These shares are registered in the name of and beneficially owned by Peipus International Ltd., a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yang Long-san, Rowell.

Save as disclosed above and under the section headed "SHARE OPTIONS", at 31 December 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 12 February 2003, the share option scheme adopted by the Company on 26 May 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further share options can be granted thereunder and, at 31 December 2007, all share options granted under the Old Scheme had been lapsed.

Details and movement of the share options granted under the New Scheme during the review period are as follows:

- (a) Date of share option granted (*note i*): 24 March 2003
 Exercise price per share (*note ii*): HK\$1.04

Name or Category of participant	Number of share options				As at 31 December 2007	Exercisable period of share options
	As at 1 July 2007	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period		
Directors						
Mr. Yang Long-san, Rowell	2,400,000	-	-	-	2,400,000	24 September 2003 – 23 March 2013
	2,400,000	-	-	-	2,400,000	24 March 2004 – 23 March 2013
	4,800,000	-	-	-	4,800,000	
Mr. Wang Ming-chun, Morris	2,500,000	-	-	-	2,500,000	24 September 2003 – 23 March 2013
	2,500,000	-	-	-	2,500,000	24 March 2004 – 23 March 2013
	5,000,000	-	-	-	5,000,000	
Mr. Chang Su-pong, Steve	750,000	-	-	-	750,000	24 September 2003 – 23 March 2013
	750,000	-	-	-	750,000	24 March 2004 – 23 March 2013
	1,500,000	-	-	-	1,500,000	
Mr. Lee Chiu-kang, Alex	100,000	-	-	-	100,000	24 September 2003 – 23 March 2013
	100,000	-	-	-	100,000	24 March 2004 – 23 March 2013
	200,000	-	-	-	200,000	
Sub-total	11,500,000	-	-	-	11,500,000	
Other employees and a former director						
In aggregate	700,000	-	-	-	700,000	24 September 2003 – 23 March 2013
	750,000	-	-	-	750,000 ⁽ⁱⁱⁱ⁾	24 September 2003 – 18 May 2008
	1,750,000	-	-	-	1,750,000	24 March 2004 – 23 March 2013
	750,000	-	-	-	750,000 ⁽ⁱⁱⁱ⁾	24 March 2004 – 18 May 2008
	3,950,000	-	-	-	3,950,000	
Total	15,450,000	-	-	-	15,450,000	

- (b) Date of share option granted (*note i*): 11 February 2004
 Exercise price per share (*note ii*): HK\$2.05

Name or Category of participant	Number of share options				As at 31 December 2007	Exercisable period of share options
	As at 1 July 2007	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period		
Directors						
Mr. Wang Ming-chun, Morris	400,000	-	-	-	400,000	16 February 2005 – 10 February 2014
	400,000	-	-	-	400,000	16 August 2005 – 10 February 2014
	400,000	-	-	-	400,000	16 February 2006 – 10 February 2014
	1,200,000	-	-	-	1,200,000	
Mr. Chang Su-pong, Steve	166,000	-	-	-	166,000	16 February 2005 – 10 February 2014
	166,000	-	-	-	166,000	16 August 2005 – 10 February 2014
	168,000	-	-	-	168,000	16 February 2006 – 10 February 2014
	500,000	-	-	-	500,000	
Ms. Hui Siu-ling, Elna	66,000	-	-	-	66,000	16 February 2005 – 10 February 2014
	66,000	-	-	-	66,000	16 August 2005 – 10 February 2014
	68,000	-	-	-	68,000	16 February 2006 – 10 February 2014
	200,000	-	-	-	200,000	
Mr. Lee Chiu-kang, Alex	66,000	-	-	-	66,000	16 February 2005 – 10 February 2014
	66,000	-	-	-	66,000	16 August 2005 – 10 February 2014
	68,000	-	-	-	68,000	16 February 2006 – 10 February 2014
	200,000	-	-	-	200,000	
Sub-total	2,100,000	-	-	-	2,100,000	
Other employees and a former director						
In aggregate	9,334,000	-	-	(104,000)	9,230,000	16 February 2005 – 10 February 2014
	200,000	-	-	-	200,000 ^(iv)	16 February 2005 – 18 May 2008
	9,423,000	-	-	(106,000)	9,317,000	16 August 2005 – 10 February 2014
	200,000	-	-	-	200,000 ^(iv)	16 August 2005 – 18 May 2008
	7,738,000	-	-	-	7,738,000	16 February 2006 – 10 February 2014
	200,000	-	-	-	200,000 ^(iv)	16 February 2006 – 18 May 2008
	27,095,000	-	-	(210,000)	26,885,000	
Total	29,195,000	-	-	(210,000)	28,985,000	

- (c) Date of share option granted (*note i*): 13 February 2006
 Exercise price per share (*note ii*): HK\$1.70

Name or Category of participant	Number of share options				As at 31 December 2007	Exercisable period of share options
	As at 1 July 2007	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period		
Directors						
Mr. Wang Ming-chun, Morris	1,000,000	-	-	-	1,000,000	1 July 2006 – 31 December 2008
	1,000,000	-	-	-	1,000,000	1 January 2007 – 31 December 2008
	2,000,000	-	-	-	2,000,000	
Mr. Chang Su-pong, Steve	300,000	-	-	-	300,000	1 July 2006 – 31 December 2008
	300,000	-	-	-	300,000	1 January 2007 – 31 December 2008
	600,000	-	-	-	600,000	
Ms. Hui Siu-ling, Elina	300,000	-	-	-	300,000	1 July 2006 – 31 December 2008
	300,000	-	-	-	300,000	1 January 2007 – 31 December 2008
	600,000	-	-	-	600,000	
Mr. Lee Chiu-kang, Alex	200,000	-	-	-	200,000	1 July 2006 – 31 December 2008
	200,000	-	-	-	200,000	1 January 2007 – 31 December 2008
	400,000	-	-	-	400,000	
Mr. Liu Zixian	100,000	-	-	-	100,000	1 July 2006 – 31 December 2008
	100,000	-	-	-	100,000	1 January 2007 – 31 December 2008
	200,000	-	-	-	200,000	
Mr. Lau Siu-ki, Kevin	100,000	-	-	-	100,000	1 July 2006 – 31 December 2008
	100,000	-	-	-	100,000	1 January 2007 – 31 December 2008
	200,000	-	-	-	200,000	
Sub-total	4,000,000	-	-	-	4,000,000	
Other employees and a former director						
In aggregate	10,000,000	-	-	-	10,000,000	1 July 2006 – 31 December 2008
	500,000	-	-	-	500,000 ^(v)	1 July 2006 – 18 May 2008
	10,000,000	-	-	-	10,000,000	1 January 2007 – 31 December 2008
	500,000	-	-	-	500,000 ^(v)	1 January 2007 – 18 May 2008
	21,000,000	-	-	-	21,000,000	
Total	25,000,000	-	-	-	25,000,000	

- (d) Date of share option granted (*note i*): 14 November 2007
 Exercise price per share (*note ii*): HK\$1.02

Name or Category of participant	Number of share options					Exercisable period of share options
	As at 1 July 2007	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	As at 31 December 2007	
Directors						
Mr. Wang Ming-chun, Morris	-	2,500,000	-	-	2,500,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	2,500,000	-	-	2,500,000	
	-	5,000,000	-	-	5,000,000	
Ms. Hui Siu-ling, Elna	-	2,500,000	-	-	2,500,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	2,500,000	-	-	2,500,000	
	-	5,000,000	-	-	5,000,000	
Mr. Lee Chiu-kang, Alex	-	100,000	-	-	100,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	100,000	-	-	100,000	
	-	200,000	-	-	200,000	
Mr. Liu Zixian	-	100,000	-	-	100,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	100,000	-	-	100,000	
	-	200,000	-	-	200,000	
Mr. Lau Siu-ki, Kevin	-	100,000	-	-	100,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	100,000	-	-	100,000	
	-	200,000	-	-	200,000	
Sub-total	-	10,600,000	-	-	10,600,000	
Other employees						
In aggregate	-	14,450,000	-	-	14,450,000	1 December 2007 – 31 December 2013 1 June 2008 – 31 December 2013
	-	14,450,000	-	-	14,450,000	
	-	28,900,000	-	-	28,900,000	
Total	-	39,500,000	-	-	39,500,000	

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (iii) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 23 March 2013 to 18 May 2008 as a result of his resignation on 19 May 2006.
- (iv) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 10 February 2014 to 18 May 2008 as a result of his resignation on 19 May 2006.
- (v) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 31 December 2008 to 18 May 2008 as a result of his resignation on 19 May 2006.

Save as disclosed above, at no time during the review period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate, and none of the Directors or chief executive of the Company, or their spouse or children under the age of 18, had been granted any right to subscribe for securities of the Company, or had exercised any such rights during the review period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 17 to the unaudited condensed consolidated financial statements, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2007 or during the six months ended 31 December 2007.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2007, to the best knowledge of the Directors of the Company, the interests or short positions of the substantial shareholders in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in shares of the Company

Name of substantial shareholder	Capacity and nature of interest	No. of ordinary shares held	Interest in underlying shares pursuant to share options held	Aggregated interest	% of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner of 13,852,000 shares and 4,800,000 share options and interest in controlled corporation of 224,710,724 shares (i)	238,562,724	4,800,000	243,362,724	31.52%
Peipus International Ltd. (i)	Beneficial owner	224,710,724	-	224,710,724	29.11%
San-Chih Asset International Holding Corp. ("San-Chih") (ii)	Beneficial owner	125,190,000	-	125,190,000	16.22%
Shan Chih Assets Developments Company Limited ("Shan Chih")	Interest in control corporation (ii)	125,190,000	-	125,190,000	16.22%
大同股份有限公司 ("Tatung")	Interest in control corporation (ii)	125,190,000	-	125,190,000	16.22%
Barclays Global Investors UK Holdings Limited ("Barclays UK")	Interest in control corporation (iii)	43,269,906	-	43,269,906	5.6%
Barclays PLC	Investment manager corporation (iii)	43,269,906	-	43,269,906	5.6%

Notes:

- (i) The entire issued share capital of Peipus International Ltd., is owned by Mr. Yang Long-san, Rowell. Accordingly, Mr. Yang Long-san, Rowell is deemed to be interested in all the shares in which Peipus International Ltd. is interested pursuant to the SFO.
- (ii) The entire issued share capital of San-Chih is owned by Shan Chih which in turn, the entire issued share capital of Shan Chih is owned by Tatung. Accordingly, Shan Chih and Tatung are deemed to be interested in all the shares in which San-Chih is interested in pursuant to the SFO.
- (iii) Barclays PLC is deemed to be interested in all the shares in which Barclays UK is interested in which in turn, Barclays UK is deemed to be interested in all the shares aggregately in which its subsidiaries are interested in pursuant to the SFO.

Save as disclosed above, at 31 December 2007, the Company has not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

No provision for pre-emptive rights under the Company's Bye-Laws, or the Companies Act 1981 of Bermuda (as amended) would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

During the six months ended 31 December 2007, the Company has complied with the code provision set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules with certain deviations which have been disclosed in the Corporate Governance Report in the immediately preceding 2007 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the review period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Lau Siu-ki, Kevin, Mr. Lee Chiu-kang, Alex and Mr. Liu Zixian, with written terms of reference in line with the CG Code.

The Group's unaudited condensed consolidated financial statements for the period ended 31 December 2007 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive Directors of the Company, namely Mr. Lee Chiu-kang, Alex, Mr. Lau Siu-ki, Kevin and an executive Director of the Company, Mr. Wang Ming-chun, Morris. The remuneration committee has adopted terms of reference which are in line with the CG Code.

THE BOARD

As at the date of this report, the executive Directors of the Company are Mr. Yang Long-san, Rowell, Mr. Wang Ming-chun, Morris and Ms. Hui Siu-ling, Elina. The non-executive Directors are Mr. Chang I-hua and Mr. Huang Ying-che, Michael. The independent non-executive Directors are Mr. Lee Chiu-kang, Alex, Mr. Lau Siu-ki, Kevin, Mr. Liu Zixian and Mr. Wang Kuei-ching, Will.

On behalf of the Board
Yang Long-san, Rowell
Chairman and Chief Executive Officer

Hong Kong, 26 March 2008