PROVIEW

PROVIEW INTERNATIONAL HOLDINGS LIMITED

唯冠國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

The Board of Directors (the "Board") of Proview International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "Proview") for the year ended 30 June 2008 together with the comparative figures for 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	3	**17,394,950**	15,650,016
Cost of sales		**(16,258,158)**	(14,568,602)
Gross profit		**1,136,792**	1,081,414
Other income	5	**91,233**	57,410
Net foreign exchange gain		**378,030**	27,607
Selling and distribution expenses		**(711,206)**	(384,111)
Administrative expenses		**(465,216)**	(329,704)
Research and development costs		**(94,148)**	(76,762)
Other expenses		**(4,015)**	(1,330)
Share of results of associates		**(21,460)**	(1,407)
Changes in fair value of derivative financial instruments	6	**(80,728)**	–
Finance costs	7	**(279,364)**	(202,650)
(Loss) profit before taxation		**(50,082)**	170,467
Income tax expense	8	**(216)**	(27,679)
(Loss) profit for the year	9	**(50,298)**	142,788
Attributable to:			
Equity holders of the Company		**(61,642)**	127,103
Minority interests		**11,344**	15,685
		(50,298)	142,788
Dividends recognised as distribution	10	**11,580**	32,342
		HK cents	*HK cents*
(Loss) earnings per share – basic and diluted	11	**(8.36)**	19.65

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Non-current Assets			
Property, plant and equipment		**1,125,538**	918,594
Prepaid lease payments		**66,478**	64,353
Intangible assets		**46,400**	52,200
Investments in associates		**22,379**	38,747
Investment in a jointly controlled entity		**–**	–
Available-for-sale investments		**13,478**	198
Prepayments and deposits		**3,474**	11,314
		1,277,747	1,085,406
Current Assets			
Inventories		**2,920,257**	2,862,964
Properties held for sale		**86,999**	67,302
Trade and bills receivables	12	**1,861,423**	2,038,417
Prepayments, deposits and other receivables		**486,884**	375,716
Prepaid lease payments		**1,802**	1,717
Amount due from a jointly controlled entity		**–**	1,000
Derivative financial instruments	6	**37,195**	–
Pledged bank deposits		**152,856**	203,854
Bank balances and cash		**1,146,938**	1,267,930
		6,694,354	6,818,900
Current Liabilities			
Trade and bills payables	13	**3,221,356**	3,898,181
Accruals and other payables		**346,679**	211,009
Amount due to an associate		**975**	975
Taxation payable		**26,259**	56,341
Derivative financial instruments	6	**117,923**	–
Bank borrowings – due within one year		**2,301,576**	2,191,230
Obligations under finance leases – due within one year		**5,315**	4,963
		6,020,083	6,362,699
Net Current Assets		**674,271**	456,201
Total Assets less Current Liabilities		**1,952,018**	1,541,607
Capital and Reserves			
Share capital		**77,200**	64,681
Reserves		**1,292,696**	1,109,885
Equity attributable to equity holders of the Company		**1,369,896**	1,174,566
Minority interests		**101,198**	73,615
Total Equity		**1,471,094**	1,248,181
Non-current Liabilities			
Bank borrowings – due after one year		**397,119**	229,498
Obligations under finance leases – due after one year		**46,380**	46,674
Deferred taxation		**37,425**	17,254
		480,924	293,426
		1,952,018	1,541,607

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[4]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 12	Service Concession Arrangements[3]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The Directors of the Company anticipate that the application of the other new, revised or amended standards or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

4. SEGMENTAL INFORMATION

Segmental information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by business segment; and

(ii) on a secondary segment reporting basis, by geographical segment.

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. Summarised details of each of the business segments are as follows:

(a) the liquid crystal display ("LCD") monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors;

(b) the thin-film transistor ("TFT")-LCD televisions segment, which engages in the manufacturing, trading and distribution of TFT-LCD televisions;

(c) the cathode ray tube ("CRT") monitors segment, which engages in the manufacturing, trading and distribution of CRT monitors; and

(d) the others segment, which engages in the manufacturing, trading and distribution of computer monitor components, non-TFT-LCD televisions as well as audio and video products other than monitor and television.

For the year ended 30 June 2008

	LCD monitors *HK$'000*	TFT-LCD televisions *HK$'000*	CRT monitors *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
CONSOLIDATED INCOME STATEMENT						
REVENUE						
Sales to external customers	**7,613,034**	**7,995,475**	**1,282,514**	**503,927**	**–**	**17,394,950**
Inter-segment sales *	**–**	**–**	**–**	**6,097**	**(6,097)**	**–**
	7,613,034	**7,995,475**	**1,282,514**	**510,024**	**(6,097)**	**17,394,950**
RESULTS						
Segmental results	**56,844**	**59,263**	**4,600**	**238**	**–**	**120,945**
Unallocated corporate income						**469,263**
Unallocated corporate expenses						**(258,738)**
Share of results of associates	**–**	**–**	**–**	**(21,460)**	**–**	**(21,460)**
Changes in fair value of derivative financial instruments						**(80,728)**
Finance costs						**(279,364)**
Loss before taxation						**(50,082)**
Income tax expense						**(216)**
Loss for the year						**(50,298)**

For the year ended 30 June 2007

	LCD monitors *HK$'000*	TFT-LCD televisions *HK$'000*	CRT monitors *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
CONSOLIDATED INCOME STATEMENT						
REVENUE						
Sales to external customers	10,583,064	3,666,156	1,315,243	85,553	–	15,650,016
Inter-segment sales *	–	–	–	127,492	(127,492)	–
	10,583,064	3,666,156	1,315,243	213,045	(127,492)	15,650,016
RESULTS						
Segmental results	286,593	93,750	12,779	713	–	393,835
Unallocated corporate income						85,017
Unallocated corporate expenses						(104,328)
Share of results of associates	–	–	–	(1,407)	–	(1,407)
Finance costs						(202,650)
Profit before taxation						170,467
Income tax expense						(27,679)
Profit for the year						142,788

* In the opinion of the Directors of the Company, inter-segment sales were charged at cost plus a percentage markup.

As at 30 June 2008

	LCD monitors *HK$'000*	TFT-LCD televisions *HK$'000*	CRT monitors *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	**2,764,842**	**3,015,991**	**509,113**	**247,819**	**6,537,765**
Investments in associates	**–**	**–**	**–**	**22,379**	**22,379**
Unallocated corporate assets					**1,411,957**
Consolidated total assets					**7,972,101**
LIABILITIES					
Segment liabilities	**1,823,679**	**1,372,064**	**109,900**	**253,849**	**3,559,492**
Bank borrowings					**2,698,695**
Obligations under finance leases					**51,695**
Unallocated corporate liabilities					**191,125**
Consolidated total liabilities					**6,501,007**

For the year ended 30 June 2008

OTHER INFORMATION					
Capital additions	**149,948**	**97,405**	**4,975**	**7,745**	**260,073**
Depreciation of property, plant and equipment	**66,792**	**59,769**	**13,008**	**18,469**	**158,038**
Release of prepaid lease payments	**620**	**742**	**98**	**289**	**1,749**
Reversal of impairment loss on trade receivables	**(907)**	**(1,321)**	**(389)**	**(660)**	**(3,277)**
Write-down of inventories	**25,931**	**15,850**	**5,373**	**1,808**	**48,962**

As at 30 June 2007

	LCD monitors *HK$'000*	TFT-LCD televisions *HK$'000*	CRT monitors *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,138,424	2,094,766	635,453	404,432	6,273,075
Investments in associates	–	–	–	38,747	38,747
Unallocated corporate assets					1,592,484
Consolidated total assets					7,904,306
LIABILITIES					
Segment liabilities	2,639,967	1,009,661	354,855	104,927	4,109,410
Bank borrowings					2,420,728
Obligations under finance leases					51,637
Unallocated corporate liabilities					74,350
Consolidated total liabilities					6,656,125

For the year ended 30 June 2007

OTHER INFORMATION					
Capital additions	157,696	140,548	8,663	8,741	315,648
Depreciation of property, plant and equipment	58,660	38,401	12,816	18,503	128,380
Release of prepaid lease payments	1,058	161	350	8	1,577
Impairment loss on trade receivables	250	230	1,093	446	2,019
Write-down of inventories	3,718	585	4,382	1,241	9,926

Geographical Segment

The following tables provide an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	2008	2007
	HK$'000	*HK$'000*
Asia *(Note i)*	**8,598,434**	6,517,424
North America	**4,262,707**	4,709,952
Europe *(Note ii)*	**2,795,303**	3,129,184
Others	**1,738,506**	1,293,456
	17,394,950	15,650,016

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia *(Note i)*	**3,645,289**	4,393,403	**252,217**	258,069
North America	**1,309,183**	610,442	**38**	25,585
Europe *(Note ii)*	**709,627**	411,597	**304**	16,879
Others	**873,666**	857,633	**7,514**	15,115
	6,537,765	6,273,075	**260,073**	315,648

Notes:

(i) Asia mainly includes Taiwan and the People's Republic of China (including Hong Kong) (the "PRC").

(ii) Europe mainly includes Belgium, the United Kingdom, the Netherlands, Germany and France.

5. OTHER INCOME

Other income includes:

	2008	2007
	HK$'000	*HK$'000*
Interest income	**35,214**	28,502

6. DERIVATIVE FINANCIAL INSTRUMENTS

At the balance sheet date, the Group's derivative financial instruments represented outstanding foreign currency forward contracts, which will mature at various dates within one to twelve months from the balance sheet date.

As at 30 June 2008, a fair value loss of approximately HK$80,728,000 (2007: Nil) has been recognised in profit or loss. The fair value of above foreign currency forward contracts are estimated based on the prices provided by the counterparty financial institutions that are determined based on estimated cash flows with appropriate yield curve for equivalent instruments at the balance sheet date. During the year ended 30 June 2008, an amount of approximately HK$290 million (2007: Nil) has been included in net foreign exchange gain as shown in the consolidated income statement, representing the sum of realised and unrealised gain on borrowings denominated in US$ which are hedged by the Group's forward contracts.

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**278,325**	201,831
Bank borrowings not wholly repayable within five years	**738**	536
Finance leases	**301**	283
	279,364	202,650

8. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**–**	–
(Over)underprovision in prior years	**(25,200)**	125
	(25,200)	125
Other jurisdictions		
Current year	**24,732**	29,390
Under(over)provision in prior years	**684**	(1,836)
	25,416	27,554
	216	27,679

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in Hong Kong Profits Tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Hong Kong Profits Tax is therefore calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's subsidiaries operating in Hong Kong either had no assessable profit or incurred tax losses.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). In accordance with the New Law and Implementation Regulations, the tax rate for certain principal subsidiaries will ratchet up to 18%, 20%, 22%, 24%, 25% in 2008 to 2012, respectively, whilst the tax rate for other PRC subsidiaries has been unified at 25% with effect from 1 January 2008.

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

9. (LOSS) PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and other benefits	**501,900**	394,061
Retirement benefits scheme contributions	**17,145**	15,650
Share-based payment expenses	**13,535**	3,844
	532,580	413,555
Write-down of inventories	**48,962**	9,926
Amortisation of intangible assets (included in administrative expenses)	**5,800**	5,800
Auditor's remuneration	**4,015**	3,738
Cost of inventories recognised as an expense	**16,209,196**	14,558,676
Depreciation of property, plant and equipment	**158,038**	128,380
Impairment loss on amount due from a jointly controlled entity	**1,000**	–
Impairment loss on available-for-sale investments	**539**	–
Loss on disposal of property, plant and equipment	**4,109**	1,300
Release of prepaid lease payments	**1,749**	1,577
(Reversal of) impairment loss on trade receivables	**(3,277)**	2,019

10. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final – in respect of the immediately preceding financial year: HK1.5 cents (2007: HK2.5 cents) per share	**11,580**	16,171
Interim – for the year ended 30 June 2008: Nil (2007: HK2.5 cents) per share	**–**	16,171
	11,580	32,342

The Directors do not recommend the payment of a final dividend for the year.

11. (LOSS) EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit attributable to the equity holders of the Company for the purpose of basic and diluted (loss) earnings per share	**(61,642)**	127,103

	2008	2007
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**737,367,376**	646,818,992

Note: The computation of diluted (loss) 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 both years.

12. 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. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts prepared based on the invoice date at the reporting date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**1,768,339**	1,956,318
Between 91 to 180 days	**13,387**	27,283
Over 181 days	**79,697**	54,816
	1,861,423	2,038,417

13. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**2,676,541**	3,324,566
Between 91 to 180 days	**484,018**	528,967
Over 181 days	**60,797**	44,648
	3,221,356	3,898,181

The average credit period on purchase of goods is 90 days.

CHAIRMAN'S STATEMENT

OVERVIEW

The worldwide economy deteriorated during the year under review. United States and Europe are on the verge of recession after the outbreak of subprime mortgage crisis. The confident of consumers was weakened which brought down their spending on electronic appliances and computer products. The Group is facing a tough business environment, which is unprecedent since establishment. For the year ended 30 June 2008, Proview recorded a loss attributable to equity holders of the Company of HK$62 million. The adverse performance was caused by the decrease in profit margin resulted from the drop in selling prices of TV and monitor products. Other than that, material costs of plastic components and transportation expenses significantly increased due to the persistently rising oil prices. Making the situation worse was that new labor regulations and tax law were introduced in Mainland China during the year. This dramatically raised the Group's expenses, which was reflected in the sharp increase in staff costs and effective income tax expenses in China. Thanks to the rapidly rising demand for flat-panel digital TVs, the Group still recorded an increase in consolidated turnover even against such a weak economic backdrop. The sales performance of flat-panel digital TV segment was notable. It experienced a growth in sales of 118% as compared with that of last year. However, LCD monitor and CRT monitor sales dropped by 28% and 3% respectively. This eventually reduced the Group's overall sales growth to only 11% for the whole year.

PROSPECTS

Facing the challenges in the pessimistic economic environment, Proview will focus on the following strategies in order to enhance its competitiveness:

Vertical Integration with Tatung Group

Tatung Group is a reputable business conglomerate listed in Taiwan. It operates full-line branded home appliance business and has direct control over one of the world's leading panel suppliers, Chunghwa Picture Tubes Ltd.. Tatung Group has invested into Proview since October 2007 and is now a strategic investor holding 16.22% of the Group's issued shares. On 23 May 2008, Proview entered into three agreements with Tatung Group, which are effective from 24 June 2008 to 30 June 2010. According to these agreements, Tatung Group will supply panels to Proview with an annual cap of at least HK$3,500 million in each of the coming two years. This will take up a significant portion of the Group's panel purchase and will help to secure a stable supply of high quality panels at competitive prices. Meanwhile, Proview will supply TV products to Tatung Group with an annual cap of at least HK$620 million in each of the coming two years. This helps to further build up sales of Proview, by taking advantage of Tatung Group's well-established distribution channels. The alliance goes a further step forward, whereby Tatung Group is committed to provide Proview with manufacturing and processing service through its production sites in Eastern Europe and Asia. Tatung Group owns world-class factories in the Czech Republic and Mainland China. This cooperation allows Proview and Tatung Group to combine their respective competitive advantages and create synergy. All the above plans have begun in June 2008. The management believes that they will significantly enhance the Group's performance in the coming years.

Marketing Focus

The Group will continue to acquire further sales growth in flat-panel digital TVs. According to several display industry analysts, as the world is undergoing a global economic retrenchment, the global demand for lower-priced flat-panel digital TVs will increase greatly. The management believes that this opens up a tremendous opportunity for the Group's already well established "white box" and "private label" ODM TV business. The management is also impressed by the remarkable potential of the market in Mainland China, which is a region supported by strong domestic demand and is expected to be less affected by the global economic turmoil. Proview currently has solid customer base in China, which consists of top-tier local brands and leading retail chains of electronic appliances. The Group will further spend resources to enlarge its market shares in China. In order to explore new source of income and diversify the product mix, Proview launched a set-top box project in Brazil during the year. Following the commencement of digital broadcasting in December 2007, the Group introduced to the Brazilian market the first set-top box product, which brings affordable digital TV solution to Brazil. It is estimated that 60 million households will be finally covered by digital broadcasting. The project is expected to provide the Group with a considerable potential income.

Loan and Working Capital Management

The Group is working on a plan to improve its existing loan structure. The management is actively seeking borrowings and facilities with relatively longer tenor from banks in order to reduce the Group's reliance on short-term borrowings. Other than that, capital expenditure is optimized to minimize the Group's overall borrowings as well as the related finance costs. Proview is continuously negotiating with customers for the adoption of consignment panel arrangement. Under such an arrangement, customers will acquire and bring along their own panels for Proview's production. Panels take up a very significant portion of the Group's production costs. Through this method, working capital can be released from inventory for operations. It also allows the Group to reduce its stocks on hand, which will in turn lower the Group's inventory risk.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 30 June 2008, the Group's consolidated turnover increased by 11% to HK$17.4 billion (2007: HK$15.7 billion). The growth was driven by the continuously rising demand for flat-panel digital TVs. However, the Group recorded a loss attributable to equity holders of the Company of HK$62 million as a result of the unfavorable developments in the global economy since the outbreak of the subprime mortgage crisis. During the year, the poor economic outlook in North America exerted downward price pressure on display products. Meanwhile, the operating costs of the Group were affected by the global inflation and high oil price. Interest spread widen on average after the credit crunch, which increased the borrowing costs of the Group. At last, panel price dropped in June 2008, which induced the Group to make an exceptional once-off inventory provision at year end. Encountering the economic downturn, the management is aware that it is vital for the Group to preserve its competitiveness. The Group is now running programs to further strengthen supply chain management with the objective of lowering its operating costs. Production process is being further streamlined to enhance overall efficiency. Customer profile and product mix are re-examined to ensure that the Group can earn the highest return with the existing resources. The management expects that the above measures will help to improve the overall profitability of the Group, which will in turn bring the performance back on track in the coming financial year.

Despite the tough business environment, there was still a remarkable growth in the demand for flat-panel digital TVs. During the year, the Group's sales of flat-panel digital TVs increased by 118%, which bringing in a record-breaking HK$8.0 billion (2007: HK$3.7 billion) in segment revenue. It contributed about 46% of the Group's consolidated turnover and became the largest source of the Group's income. The management believes that global demand for flat-panel digital TVs will persistently grow even in the economic hard time. Flat-panel digital TVs will be a significant driver for the Group's future growth.

LCD monitor sales dropped by 28% to HK$7.6 billion (2007: HK$10.6 billion). This reflected the Group's ongoing plan to reallocate internal resources. Starting from last year, the management has started to re-examine the Group's customer profile for LCD monitors. The Group carefully reviews and selects its sales orders to ensure a satisfactory return from LCD monitor sales. Meanwhile, the Group introduces innovative products in order to improve the overall profitability of its LCD monitor business. VisBoard™, a new-generation tablet monitor equipped with state-of-the-art pen-writing technology which leverages Microsoft's cutting edge touch-screen functionality in Vista operating system, has been launched to the market in the third quarter of 2008. The Group is now continuously streamlining this new strategic product and adding variety (in terms of screen size and functionality) for customers' choice. The sales of VisBoard™ have just been kicked off this year, but the management is impressed by its prodigious potential, which is reflected by its shipment growth and remarkable profit margin. We expect that the sales of VisBoard™ will further increase in the coming year. This will help to enhance the Group's overall profitability as VisBoard™ contributes a much higher profit margin to the Group than traditional LCD monitors.

CRT monitor sales dropped by 3% to HK$1,283 million (2007: HK$1,315 million), which resulted from the further decline in the global CRT monitor market. In this financial year, the Group's shipment of CRT monitors was mainly made to countries including Mainland China and Brazil. Foreseeing that CRT monitors will soon be completely replaced by LCD monitors within the coming five years, the Group will scale down its existing production of CRT monitors in phases, in order to release resources to develop other core businesses.

The Group's geographical market mix was well managed and diversified. For the year ended 30 June 2008, the sales to North America, Europe and Asia accounted for about 25% (2007: 30%), 16% (2007: 20%) and 49% (2007: 42%) of the Group's consolidated turnover respectively. In the 2008 financial year, sales to North America and Europe amounted to HK$ 4.3 billion and HK$2.8 billion. As compared with last year, this represented a drop of 10% and 11% respectively. Nevertheless, such negative impact was compensated by the rapid sales growth in the Asian market, which posted an increase in sales of 32% to HK$8.6 billion. The remarkable growth in Asia was driven by the blooming demand for display products in Mainland China, a country which we expect to be a shelter from the global financial crisis. The Group will continue allocating resources to develop the market in China. At the same time, we will keep on exploring the emerging market in South America, Eastern Europe and the Pacific region.

The gross profit margin of the Group decreased from 6.9% to 6.5%, which was mainly because of the falling selling price against the pessimistic economic backdrop as well as the rising production costs in the inflating environment. For the year under review, the gross profit margins contributed from the sales of flat-panel digital TVs, LCD monitors and CRT monitors were 7.0% (2007: 7.8%), 6.2% (2007: 6.8%) and 6.0% (2007: 5.3%) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group held cash and bank balances (including pledged bank deposits) of approximately HK$1.3 billion (2007: HK$1.5 billion), with total equity attributable to equity holders of the Company standing at approximately HK$1,370 million (2007: HK$1,175 million).

The Group was more focused on producing flat-panel digital TVs during the year. Since TV products, as compared with monitor products, are associated with relatively higher material costs and a longer production lead-time, inventories slightly increased to approximately HK$2.9 billion (2007: HK$2.8 billion), with inventory turnover days increased to 65 days (2007: 60 days).

Trade and bills receivables decreased to approximately HK$1.9 billion (2007: HK$2.0 billion) because the Group strengthened its debts collection during the year. Accordingly, trade and bills receivables turnover days dropped to 41 days (2007: 46 days).

Trade and bills payables decreased to HK$3.2 billion (2007: HK$3.9 billion). In the meantime, trade and bills payables turnover days decreased to 80 days (2007: 96 days). Proview maintains a long lasting relationship with its suppliers, which helps to assure the Group of a secure and steady supply of materials at low cost.

CAPITAL COMMITMENT AND CAPITAL STRUCTURE

In order to enhance production capacity, the Group invested approximately HK$260 million in the acquisition of new fixed assets. These were mainly machinery used by the Group's factories in Shenzhen and Ningbo. The Group carefully controls its capital expenditures, with an aim to maximize the return on assets as well as prevent unnecessary borrowings. For this reason, the Group's capital commitments reduced to approximately HK$1 million (2007: HK$16 million) as at 30 June 2008.

The Group raised additional funding from banks and investor to finance its business plan. Bank borrowings increased to HK$2.7 billion (2007: HK$2.4 billion), of which non-current bank borrowings increased to HK$397 million (2007: HK$230 million). Meanwhile, a capital of HK$157 million was obtained through placement of shares to Tatung Group. The Group closely monitors its capital structure and is actively seeking stable funds at 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 2.0 (2007: 2.1). The decrease in financial gearing was due to the placement of new shares during the year as well as the Group's effort in controlling its borrowings. 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.

CONTINGENT LIABILITIES

During the year, the Group has been involved in a patent litigation. The concerned plaintiff has not yet identified the amount of damages sought. The Group is vigorously defending itself against the complaint and the proceeding is still sub judice. The outcome of the litigation cannot be estimated with certainty at this stage, and the Court has not yet set the schedule for the case.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC and the exposure to foreign exchange rate risks mainly arises from fluctuations between the US dollars and Renminbi exchange rates. Foreign currency exposures are managed through using natural hedges and forward contracts. As at 30 June 2008, there were forward contracts in place to hedge against possible exchange risk from future net cash flows.

CHARGES ON GROUP ASSETS

As at 30 June 2008, the Group's banking facilities were mainly collateralised by certain plant and machinery of the Group with a carrying amount of approximately HK$33 million (2007: HK$4 million), and first legal charges over certain land and buildings of the Group of approximately HK$178 million (2007: HK$139 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 10,000 full-time employees. Remuneration of the Group's employees is based largely on the prevailing industry practices in the countries in which it operates. The Group offers share options to selective senior executives, as well as monetary awards to reward employees with very outstanding performance.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19 November 2008 to Friday, 21 November 2008, (both days inclusive) during which period no transfer of shares can be registered. To qualify for attending the 2008 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:00 p.m. on Tuesday, 18 November 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has recognised the importance of good corporate governance, which is crucial to the development of the Group and safeguard the interest of the shareholders of the Company. The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange except for the following deviations.

Code Provision A.1.1 of the CG Code

Code Provision A.1.1 of the CG Code stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

As the Company did not announce its quarterly results, 3 regular Board meetings were held during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Code Provision A.2.1 of the CG Code

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yang Long-san, Rowell currently holds the offices of Chairman and Chief Executive Officer ("CEO") of the Company. The Board considers that the current structure of vesting the roles of Chairman and CEO in the same person will not impair the balance of power and authority between the Board as the Chairman and CEO shared the power and authority with the Deputy Chairman and all major decisions are made in consultation with members of the Board as well as the top management of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 of the CG Code

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Although some non-executive Directors are not appointed for a specific term, the Company believes that as all Directors of the Company are subject to retirement by rotation once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-Laws, such practice meets the same objective and is no less exacting than those prescribed under the code provision of the CG Code.

AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 30 June 2008 have been reviewed by the Audit Committee of the Company, which is of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 30 June 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

Finally, the Board would like to extend the gratitude and sincere appreciation to all management and staff member of the Group for their dedicated efforts, and to the Company's shareholders and business associates for their continued support.

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

Hong Kong, 22 October 2008

As at the date of this announcement, 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. Lau Siu-ki, Kevin, Mr. Lee Chiu-kang, Alex, Mr. Liu Zixian and Mr. Wang Kuei-ching, Will.

This announcement is available for viewing on the designated website of HKExnews at www.hkexnews.hk under "Latest Information" and on the website of the Company at www.proview.com/Investors.aspx.