INTERIM REPORT 2008/2009

- For the six months ended 31 December 2008 -

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PROVIEW INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) HK Stock Code:334

CONTENTS

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

		Six months ended	
	NOTES	**31 December 2008 *HK$'000* (Unaudited)**	31 December 2007 *HK$'000* (Unaudited)
Revenue		**3,901,746**	11,156,126
Cost of sales		**(4,666,416)**	(10,371,552)
Gross (loss) profit		**(764,670)**	784,574
Other income		**90,659**	27,483
Selling and distribution expenses		**(287,170)**	(292,500)
Administrative expenses		**(220,298)**	(213,596)
Research and development costs		**(43,691)**	(67,305)
Net foreign exchange loss		**(121,569)**	(15,586)
Other expenses		**(3,611)**	(1,877)
Share of losses of associates		**(145)**	(873)
Loss on disposal of an associate		**(522)**	–
Changes in fair value of derivative financial instruments		**237,482**	–
Finance costs		**(214,199)**	(125,230)
(Loss) profit before taxation		**(1,327,734)**	95,090
Income tax credit (expense)	*4*	**7,456**	(9,581)
(Loss) profit for the period	*5*	**(1,320,278)**	85,509
Attributable to:			
Equity holders of the Company		**(1,311,430)**	80,281
Minority interests		**(8,848)**	5,228
		(1,320,278)	85,509
Dividend paid	*6*	**–**	11,580
(Loss) earnings per share – basic and diluted	*7*	**HK(169.87) cents**	HK11.50 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	31 December 2008 HK$'000 (Unaudited)	30 June 2008 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	8	**1,037,458**	1,125,538
Prepaid lease payments		**65,455**	66,478
Intangible assets	9	**43,500**	46,400
Interests in associates		**5,657**	22,379
Interest in a jointly controlled entity		**–**	–
Available-for-sale investments		**43**	13,478
Prepayments and deposits		**–**	3,474
		1,152,113	1,277,747
Current Assets			
Inventories		**2,008,819**	2,920,257
Properties held for sale		**60,097**	86,999
Trade and bills receivables	10	**936,131**	1,861,423
Prepayments, deposits and other receivables		**433,874**	486,884
Prepaid lease payments		**1,799**	1,802
Tax recoverables		**59,967**	–
Derivative financial instruments		**177,838**	37,195
Pledged bank deposits		**329,073**	152,856
Bank balances and cash		**303,520**	1,146,938
		4,311,118	6,694,354
Current Liabilities			
Trade and bills payables	11	**2,884,044**	3,221,356
Accruals and other payables		**262,077**	346,679
Amount due to an associate		**975**	975
Tax liabilities		**–**	26,259
Derivative financial instruments		**21,083**	117,923
Bank borrowings – due within one year	12	**1,789,501**	2,301,576
Obligations under finance leases – due within one year		**5,130**	5,315
		4,962,810	6,020,083
Net Current (Liabilities) Assets		**(651,692)**	674,271
Total Assets less Current Liabilities		**500,421**	1,952,018

	NOTES	31 December 2008 HK$'000 (Unaudited)	30 June 2008 HK$'000 (Audited)
Capital and Reserves			
Share capital	13	**77,200**	77,200
Reserves		**(35,953)**	1,292,696
Equity attributable to equity holders of the Company		**41,247**	1,369,896
Minority interests		**91,497**	101,198
Total Equity		**132,744**	1,471,094
Non-current Liabilities			
Bank borrowings – due after one year	12	**286,519**	397,119
Obligations under finance leases – due after one year		**43,733**	46,380
Deferred taxation		**37,425**	37,425
		367,677	480,924
		500,421	1,952,018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

	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 2008													
At 1 July 2008	**77,200**	**316,692**	**40,824**	**79,152**	**–**	**39,959**	**121,294**	**307,251**	**26,458**	**361,066**	**1,369,896**	**101,198**	**1,471,094**
Exchange differences arising on translation of operations outside Hong Kong	**–**	**–**	**–**	**–**	**–**	**–**	**(19,969)**	**–**	**–**	**–**	**(19,969)**	**(853)**	**(20,822)**
Share of exchange reserve of associates	**–**	**–**	**–**	**–**	**–**	**–**	**2,750**	**–**	**–**	**–**	**2,750**	**–**	**2,750**
Net expense recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**(17,219)**	**–**	**–**	**–**	**(17,219)**	**(853)**	**(18,072)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,311,430)**	**(1,311,430)**	**(8,848)**	**(1,320,278)**
Total recognised expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(17,219)**	**–**	**–**	**(1,311,430)**	**(1,328,649)**	**(9,701)**	**(1,338,350)**
Release upon lapse of vested share options	**–**	**–**	**–**	**–**	**–**	**(12,518)**	**–**	**–**	**–**	**12,518**	**–**	**–**	**–**
Release upon disposal of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**(7,136)**	**–**	**–**	**7,136**	**–**	**–**	**–**
At 31 December 2008	**77,200**	**316,692**	**40,824**	**79,152**	**–**	**27,441**	**96,939**	**307,251**	**26,458**	**(930,710)**	**41,247**	**91,497**	**132,744**
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	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	1,517,914

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	Six months ended	
	31 December 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**903**	(767,669)
Net cash used in investing activities	**(83,150)**	(125,872)
Net cash (used in) from financing activities	**(749,758)**	296,431
Net decrease in cash and cash equivalents	**(832,005)**	(597,110)
Cash and cash equivalents brought forward	**1,146,938**	1,267,930
Effect of foreign exchange rate changes	**(11,413)**	12,044
Cash and cash equivalents carried forward, representing bank balances and cash	**303,520**	682,864

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

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") 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 2008.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (the "new HKFRSs"), issued by the HKICPA, which are effective for the Group's financial periods beginning 1 July 2008. 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.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – INT 18	Transfers of Assets from Customers[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods beginning on or after 1 October 2008.

[5] Effective for transfers on or after 1 July 2009.

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 these new, revised or amended standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION

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 monitors and televisions.

Six months ended 31 December 2008

	LCD monitors *HK$'000* (Unaudited)	TFT-LCD televisions *HK$'000* (Unaudited)	CRT monitors *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
REVENUE						
Sales to external customers	1,718,963	1,741,333	151,425	290,025	–	3,901,746
Inter-segment sales *	–	–	–	31,550	(31,550)	–
	1,718,963	1,741,333	151,425	321,575	(31,550)	3,901,746
RESULTS						
Segmental results	(389,140)	(825,730)	(8,458)	(105,265)	–	(1,328,593)
Unallocated corporate income						90,659
Unallocated corporate expenses						(112,416)
Share of losses of associates	–	–	–	(145)	–	(145)
Loss on disposal of an associate	–	–	–	(522)	–	(522)
Changes in fair value of derivative financial instruments						237,482
Finance costs						(214,199)
Loss before taxation						(1,327,734)
Income tax credit						7,456
Loss for the period						(1,320,278)

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

Six months ended 31 December 2007

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

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

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	31 December 2008 ***HK$'000*** **(Unaudited)**	31 December 2007 *HK$'000* (Unaudited)
Hong Kong Profits Tax		
Current year	**–**	–
Other jurisdictions		
Current year	**–**	9,581
Overprovision in prior years	**(7,456)**	–
	(7,456)	9,581

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. 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 six months ended 31 December 2008.

No provision for Hong Kong Profits Tax has been made in the financial statements for the period ended 31 December 2008 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.

On 16 March 2007, the People's Republic of China (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% and 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. For those subsidiaries under exemption as mentioned above, they are able to continue to enjoy the tax exemption based on the new rate under the New Law and Implementation Regulations.

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. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended	
	31 December 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Release of prepaid lease payments	**901**	846
Amortisation of intangible assets	**2,900**	2,900
Depreciation and amortisation of property, plant and equipment	**71,962**	60,732
Cost of inventories recognised as an expense	**4,080,427**	10,359,599
Loss on disposal of property, plant and equipment	**2,175**	2,910
Impairment loss on trade receivables	**25,408**	11,444
Interest income	**(43,235)**	(5,745)

6. DIVIDENDS

The Directors did not recommend the payment of the final dividend for the year ended 30 June 2008.

No interim dividend is proposed by the Directors for the six months ended 31 December 2008 (2007: Nil).

7. (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:

	Six months ended 31 December 2008 HK$'000 (Unaudited)	Six months ended 31 December 2007 HK$'000 (Unaudited)
(Loss) profit attributable to the equity holders of the Company for the purpose of basic and diluted (loss) earnings per share	**(1,311,430)**	80,281
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**772,008,992**	697,847,525

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 periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$20,723,000 (2007: HK$135,243,000) 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$30,875,000 (30 June 2008: HK$33,182,000) and HK$334,264,000 (30 June 2008: HK$177,900,000) respectively were pledged to banks as security for the credit facilities granted to the Group.

As at 31 December 2008, 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 (2007: 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. 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 balance sheet date:

	31 December 2008	30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**674,847**	1,768,339
Between 91 to 180 days	**26,072**	13,387
Over 181 days	**235,212**	79,697
	936,131	1,861,423

11. TRADE AND BILLS PAYABLES

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

	31 December 2008	30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**1,912,051**	2,676,541
Between 91 to 180 days	**806,855**	484,018
Over 181 days	**165,138**	60,797
	2,884,044	3,221,356

12. BANK BORROWINGS

During the period, the Group obtained new bank loans in an amount of approximately HK$3,238,129,000 (2007: HK$2,128,359,000). The loans bear interest at market rates from 0.83% to 10.52% and are repayable by instalments over a period from one to five years. The proceeds were used to finance for the general working capital and capital expenditure of the Group.

13. SHARE CAPITAL

Share

	Number of ordinary shares of HK$0.10 each	**Amount**
		HK$'000
Authorised:		
At 1 July 2008 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 2008 and 31 December 2008	772,008,992	77,200

14. SHARE-BASED PAYMENTS

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

15. CONTINGENT LIABILITIES

During the period, the Group has been involved in two patent litigations.

In October 2007, 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 the system for forming and processing information suitable for broadcast and the technology of asymmetric picture compression.

In October 2008, a third party company ("Plaintiff B") 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 a digital television format, TV disruption, controlling channel tunning and combined use of information processing technique.

Up to the date of report, both Plaintiff A and Plaintiff B have not yet identified the amount 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 2008 ***HK$'000*** **(Unaudited)**	30 June 2008 *HK$'000* (Audited)
Capital commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**2,683**	780

17. RELATED PARTY DISCLOSURE

The Group had the following significant transactions with related parties during the six-month period ended 31 December 2008:

(a) Connected party transactions

During the period, the Group entered into the following significant transactions with a connected party. Sale and purchase transactions are negotiated with the connected party with a margin on the same basis as with non-related parties:

Connected party	**Nature of transactions**	**Six months ended** **31 December 2008** ***HK$'000***	31 December 2007 *HK$'000*
大同股份有限公司 ("Tatung"), a substantial shareholder of the Company, and its subsidiaries	Sales of goods	**108,453**	–
	Purchases of materials	**328,153**	–

(b) 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 (2007: HK$498,000) to Isystems Technology, Inc. ("Isystems"), a company of which Mr. Yang Long-san, Rowell and Mr. Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) owns 19.4% and 16.8% of the issued share capital respectively. The rentals were charged in accordance with the terms of the tenancy agreement entered into between the Group and Isystems.

(c) Banking facilities

Certain of the Group's banking 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.

The significant transactions with related parties during the period were conducted in the ordinary and usual course of business of the Group and are on normal commercial terms.

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 30 March 2009.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

During the six-month period ended 31 December 2008 (the "Review Period"), Proview International Holdings Limited (the "Company") and its subsidiaries (hereafter collectively referred as the "Group") were affected by the extreme volatility of economic conditions which caused a fall in prices of the Group's products and directly affected the profit margin and operating results of the Group. The consolidated turnover of the Group for the Review Period was approximately HK$3.9 billion (2007: HK$11.1 billion), representing a 65% decrease period on period. The results attributable to equity holders of the Company have turned to a loss of HK$1.31 billion, from a profit of HK$80 million in the same period last year.

During the Review Period, the global financial turmoil has had an unprecedented negative effect on economic conditions and consumer sentiment worldwide, and has caused significant damage to the global economy, affecting consumers in all markets. The overall turnover of the Group, as well as its gross profit margin, were undoubtedly affected and a loss was therefore incurred.

The U.S. sub-prime mortgage crisis and the failures of major financial institutions have evolved into a worldwide economic recession and caused the consumer market to shrink. The exports of the Group were seriously hit because orders from the Group's major markets, i.e. North America and Western Europe, diminished significantly, resulting in the adverse performance of the Group for the Review Period.

The Group's sales of flat-panel digital TVs amounted to approximately HK$1.74 billion (2007: HK$5.10 billion) and LCD monitor sales brought in approximately HK$1.72 billion (2007: HK$5.56 billion) for the Review Period, a 66% and 69% decrease respectively as compared with the figures for the same period last year.

Under the impact of the crumbling global financial market, the challenges and uncertainties confronted by the electronic products manufacturing industry are becoming increasingly rigorous. As for the sales of two major businesses of the Group, flat-panel digital TVs and LCD monitors, external market analysts are alert to the first ever decline expected in this year. The gross profit margins of these segments have therefore declined significantly.

The LCD panel is the main material component for the production of flat-panel digital TVs and LCD monitors. During the Review Period, an unprecedented decline in market demand for LCD panels, combined with the economic downturn, resulted in the market price of LCD panels and end products plummeting in the second half of the year. This acute product price drop, coupled with relatively high average inventory cost, resulted in a sharp decline in gross profit margin.

CRT monitor sales dropped by 63% to HK$150 million (2007: HK$410 million) as a result of the further decline in the global CRT monitor market. The management expects that CRT monitors will be completely replaced by LCD monitors within the coming four to five years; hence, in order to release resources to develop other core businesses, the Group will scale down its existing production of CRT monitors in phases.

The Group has experienced its most difficult period under the impact of the economic crisis. Since sales volume is low, fixed costs and financial interest became a heavy burden for the Group, which was reflected in the significant amount of administrative expenses and finance costs incurred during the Review Period.

During the Review Period, significant amount of net foreign exchange loss was recorded from a subsidiary of the Company incorporated in Brazil, owing to depreciation of the Brazilian Real against the US Dollar. Together with an increase in impairment of trade receivable balance, the profit of the Group for the Review Period was further diminished.

As credit from the financial market shrank, financial institutions became very conservative, greatly reducing their financial limits. Lengthened customer repayment lead time has also affected the normal turnaround of the Group's operating funds, causing difficulties in material purchases as well as an increase in finance costs during the Review Period.

Major geographical markets of the Group during the Review Period included Asia, Western Europe and North America. In addition to seeking new business opportunities in emerging markets, including Eastern Europe, South America and the Middle East, the Group has spent further resources to enlarge its market share in Mainland China, which is considered a region supported by strong domestic demand and is expected to be less affected by the global economic turmoil.

PROSPECTS

In facing such a severe economic environment, the Group will focus on the following improvement plans and operational strategies, so as to overcome the difficult situation and get back to normal operations.

Continuous support of banking facilities

Despite the impact of the economic crisis, the Group's major manufacturing bases in the Mainland China, has received continuous funding support from each related bank. The Group's major manufacturing base, Shenzhen factory, has obtained written promises from its banks of their continuous funding support to help the Group quickly get back to normal operations.

Ensure stable and reliable supply

The Group maintains long lasting relationship with its suppliers, and this is helping the Group to obtain stable and reliable material support despite the impact of the economic crisis. The major suppliers of the Group has kept up their supply, and the major panel supplier of the Group has agreed to provide continuous support to meet the Group's production requirement. A collaborative operation platform maintained between the Group and its upstream suppliers resulting in a win-win situation for both parties amidst the global economic downturn.

Actively seeking strategic investors

To improve its financial structure, the Group is actively working on different plans to increase the capital, including seeking strategic investors, both to help the Group to bring in new funds to retain a strong financial position for its overall operation and to help to enhance the business cooperation and cement its operation bases.

Enhance the quality of the Group's products

Through development to standardize the existing assembling technique design, the Group's quality control process is improved; this help to enhance the products quality directly. Meanwhile, standardized assembling technique can also help streamline the manufacturing processes resulting in a better stock control. The Group will also improve its after-sales service, ingest the customers' opinion and feedback on the Group's products, and take immediate and efficiency measures and responses, the Group will also improve the research and development on its products in order to enhance their future quality.

Introduce new "MVP" product series with better cost-competitiveness

"MVP" Products – "M" for LCD Monitor, "V" for LCD TV, and "P" for All-in-One PC; "MVP" also represents "Multiple-Value Products". The Group has leveraged its 20-year experience in the display industry, particularly its core technologies in backlight modules, power supply and tooling, to successfully develop the highly cost-competitive MVP product line with very clear display, super light weight, and stylish ultra-slim industrial design. Through the consistent hard work of the Group's sales staff, many overseas and China domestic customers have responded positively to these products. The Group is confident "MVP" will bring new business opportunities to the Group, including expanding the China market, which has not been affected much by the world's economic crisis.

Focus our strategy on products with high profit margin

On the strategy of products marketing, in addition to MVP products, the Group will focus on products that command higher profit margins, instead of going after sales volume expansion. The Group will also focus on customers with short payment terms so as to enhance cash flow.

Streamline the organization and reduce expenses in all areas

The Group will reduce staff numbers by one third of its current total to form a more streamlined and flattened organization. Its operational processes will also be fine-tuned. Proview will also work on greatly reducing costs of rental factory space, and apply strict control over all types of expenses. Additionally, the Group will review the operational effectiveness of every subsidiary and branch office, pursuing further reorganization as needed.

Operating capital management

Other than applying better credit control, the Group will also choose customer sales orders that give a shorter payment period. For those customers with a good credit rating but longer payment period, the Group will negotiate wherever possible for advance payment collection as a security precaution.

The Group will also further pursue the possibility of cashing in its stock, improve planning for material purchasing, and respond quickly and flexibly to material needs as the sales order situation changes. As MVP products require substantially fewer parts and components, this allows the Group to have better stock control and to speed up its inventory turnover.

Last but not least, the Board wishes to take this opportunity to thank its customers, suppliers, bankers and shareholders of the Group for their invaluable support, and its employees for their hard work over the years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's cash and bank balances (including pledged bank deposits) stood at approximately HK$630 million (30 June 2008: HK$1.3 billion), with total equity attributable to equity holders of the Company standing at approximately HK$41.2 million (30 June 2008: HK$1.37 billion).

As compared with 30 June 2008, inventories reduced to approximately HK$2.01 billion (30 June 2008: HK$2.92 billion). Since the Group was more focused on producing flat-panel digital TVs, as compared with monitor products, are associated with a longer production lead-time also with the reduced in the sales for the period, the inventory turnover days increased to 97 days (30 June 2008: 65 days).

Trade and bills receivables decreased to approximately HK$940 million (30 June 2008: HK$1.86 billion), which in line with the decrease of turnover for the period. The Group continued to monitor closely the settlement status of trade debts. During the period, trade and bills receivables turnover days increased to 66 days (30 June 2008: 41 days).

Trade and bills payables decreased to approximately HK$2.88 billion (30 June 2008: HK$3.22 billion). Meanwhile, trade and bills payables turnover days increased to 120 days (30 June 2008: 80 days). During the period, the Group continued to obtain support from our suppliers and our relationship with suppliers is long lasting and mutually beneficial.

CAPITAL COMMITMENTS AND CAPITAL STRUCTURE

For the reporting period, the Group invested approximately HK$20.7 million in the acquisition, maintenance and enhancement of production facilities. The new machineries and equipments were mainly used in the Group's factories located in Shenzhen and Ningbo. As at 31 December 2008, the Group's capital commitments amounted to approximately HK$2.7 million (30 June 2008: HK$1 million).

In order to finance the Group's business plan, additional bank borrowings were raised during the period. As at 31 December 2008, the total bank borrowings of the Group amounted to approximately HK$2.08 billion (30 June 2008: HK$2.7 billion). The Group monitors closely its loan portfolio and maintains continuous fundings support from the banks.

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 50.3 (30 June 2008: 2.0). 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 2008, the Group's banking facilities and other loans were mainly supported by pledged of bank deposits of the Group of approximate to HK$329 million (30 June 2008: HK$153 million) and certain inventories of the Group of approximate to HK$15 million (30 June 2008: Nil) and certain plant and machinery of the Group with a net book value of approximately HK$31 million (30 June 2008: HK$33 million), and first legal charges over certain land and buildings of the Group of approximately HK$334 million (30 June 2008: HK$178 million).

CONTINGENT LIABILITIES

During the reporting period, the Group has been involved in two 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 mainly operates in the People's Republic of China and the exposure to foreign exchange rate risks mainly arises from fluctuations between the United States dollars against Renminbi and Brazilian Real exchange rates. Foreign currency exposures are managed through using natural hedges and forward contracts. As at 31 December 2008, there were forward contracts in place to hedge against possible exchange risk from future net cash flows.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed approximately 6,700 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 selective senior executives, as well as monetary awards to reward employees with very 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 2008 (2007: Nil).

OTHER INFORMATION

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

During the six-month period ended 31 December 2008, 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

As at 31 December 2008, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or its 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 number of ordinary shares and share options held	Percentage of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner	7,000,000	4,800,000	11,800,000	1.53%
Mr. Wang Ming-chun, Morris	Beneficial owner	388,000	13,200,000	13,588,000	1.76%
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%

Save as disclosed above and under the heading "SHARE OPTIONS", as at 31 December 2008, none of the Directors, chief executives of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

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 (the "Scheme") currently operated by the Company was approved and adopted. No share options were granted pursuant to the Scheme during the Review Period. Details and movement of the share options granted under the Scheme during the 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 1 July 2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 31 December 2008	Exercisable period of share options
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. 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	10,000,000	–	–	–	10,000,000	
Other employees and a former Director						
In aggregate	1,450,000	–	–	–	1,450,000	24 September 2003 – 23 March 2013
	2,500,000	–	–	–	2,500,000	24 March 2004 – 23 March 2013
	3,950,000	–	–	–	3,950,000	
Total	13,950,000	–	–	–	13,950,000	

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

	Number of share options					
Name or category of participant	**As at 1 July 2008**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the period**	**As at 31 December 2008**	**Exercisable period of share options**
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	
Ms. Hui Siu-ling, Elina	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	1,600,000	–	–	–	1,600,000	
Other employees and a former Director						
In aggregate	9,296,000	–	–	(286,000)	9,010,000	16 February 2005 – 10 February 2014
	9,378,000	–	–	(296,000)	9,082,000	16 August 2005 – 10 February2014
	7,906,000	–	–	(168,000)	7,738,000	16 February 2006 – 10 February 2014
	26,580,000	–	–	(750,000)	25,830,000	
Total	28,180,000	–	–	(750,000)	27,430,000	

(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 1 July 2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 31 December 2008	Exercisable period of share options
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)	–	
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. 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)	–	
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)	–	
Sub-total	3,400,000	–	–	(3,400,000)	–	
Other employees and a former Director						
In aggregate	10,300,000	–	–	(10,300,000)	–	1 July 2006 – 31 December 2008
	10,300,000	–	–	(10,300,000)	–	1 January 2007 – 31 December 2008
	20,600,000	–	–	(20,600,000)	–	
Total	24,000,000	–	–	(24,000,000)	–	

(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: As at 1 July 2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 31 December 2008	Exercisable period of share options
Directors						
Mr. Wang Ming-chun, Morris	2,500,000	–	–	–	2,500,000	1 December 2007 – 31 December 2013
	2,500,000	–	–	–	2,500,000	1 June 2008 – 31 December 2013
	5,000,000	–	–	–	5,000,000	
Ms. Hui Siu-ling, Elina	2,500,000	–	–	–	2,500,000	1 December 2007 – 31 December 2013
	2,500,000	–	–	–	2,500,000	1 June 2008 – 31 December 2013
	5,000,000	–	–	–	5,000,000	
Mr. Lau Siu-ki, Kevin	100,000	–	–	–	100,000	1 December 2007 – 31 December 2013
	100,000	–	–	–	100,000	1 June 2008 – 31 December 2013
	200,000	–	–	–	200,000	
Mr. Lee Chiu-kang, Alex	100,000	–	–	–	100,000	1 December 2007 – 31 December 2013
	100,000	–	–	–	100,000	1 June 2008 – 31 December 2013
	200,000	–	–	–	200,000	
Mr. Liu Zixian	100,000	–	–	–	100,000	1 December 2007 – 31 December 2013
	100,000	–	–	–	100,000	1 June 2008 – 31 December 2013
	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
	14,450,000	–	–	–	14,450,000	1 June 2008 – 31 December 2013
	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.

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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the heading "SHARE OPTIONS", at no time during the six-month period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2008, to the best knowledge of the Directors of the Company, the interests and short positions of the substantial shareholders in more than 5% of the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of the SFO; or which were 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	Number of ordinary shares held	Percentage of issued share capital
Peipus International Ltd. ("Peipus") *(i)*	Beneficial owner	231,562,724	29.99%
Smartview Invest Limited ("Smartview")	Interest in controlled corporation *(i)*	231,562,724	29.99%
Mr. Yang Christian Laurent Tan ("Christian")	Interest in controlled corporation *(i)*	231,562,724	29.99%
San-Chih Asset International Holding Corp. ("San-Chih") *(ii)*	Beneficial owner	125,190,000	16.22%
Shan Chih Assets Development Company Limited ("Shan Chih")	Interest in controlled corporation *(ii)*	125,190,000	16.22%
大同股份有限公司 ("Tatung")	Interest in controlled corporation *(ii)*	125,190,000	16.22%
Pope Asset Management, LLC	Beneficial owner	47,042,000	6.09%

Notes:

(i) The entire issued share capital of Peipus is owned by Smartview which in turn, approximately 99.85% of the issued share capital of Smartview is owned by Christian. Accordingly, Smartview and Christian are deemed to be interested in all the shares in which Peipus is interested in 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.

Save as disclosed above, as at 31 December 2008, the Company has not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

During the six-month period ended 31 December 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual. Mr. Yang Long-san, Rowell currently holds the offices of Chairman and CEO 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.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. However, according to the Company's Bye-Laws, 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, such practice meets the same objective and is no less exacting than those prescribed under the code provision of the CG Code.

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 the Model Code. 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

As at the date of this report, the Audit Committee of the Company (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 Audit Committee has, as at the date of this report, review with the Company's management, the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2008, who was 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 of the Company (the "Remuneration Committee") comprises two independent non-executive Directors of the Company, namely Mr. Lee Chiu-kang, Alex and Mr. Lau Siu-ki, Kevin and a non-executive Director of the Company, namely Mr. Wang Kuei-ching, Will. 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 and Ms. Hui Siu-ling, Elina. The non-executive Directors are Mr. Chang I-hua, Mr. Huang Ying-che, Michael and Mr. Wang Kuei-ching, Will. The independent non-executive Directors are Mr. Lau Siu-ki, Kevin, Mr. Lee Chiu-kang, Alex and Mr. Liu Zixian.

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

Hong Kong, 30 March 2009