

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of presentation and accounting policies

These unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of the Hong Kong Limited. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 30th June 2002, except that the following new and revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (Revised) prescribes the basis of presentation of financial statements and set out guidelines for their structure and minimum requirements for the content thereof. The main revision of SSAP 1 is to change the requirements from presenting a statement of recognized gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the period and the comparative figures have been presented accordingly.

SSAP 11 (Revised) prescribes the basis for translation of foreign currency transactions and financial statements. It requires that the income statements of the Group's operations outside Hong Kong have to be translated at the average rates for the period rather than at the exchange rates ruling on the balance sheet date. This change in accounting policy has not had any material effect on the results for the current and prior accounting periods.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. Cash flows arising from taxes on income are classified as operating activities, and the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. The condensed consolidated cash flow statement for the period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosure for employee benefits. This SSAP has not had any material effect on the results for the current and prior accounting periods.

## 2. Turnover and segment information

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

- a) the CRT computer monitors segment, which engages in the manufacturing, trading and distribution of CRT computer monitors;
- b) the LCD monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors; and
- c) the computer monitor components and parts segment, which engages in the manufacturing, trading and distribution of computer monitor components and parts.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

## Proview International Holdings Limited

### Turnover and segment information

#### (a) Business segments

	(Unaudited) CRT Monitors		(Unaudited) LCD Monitors		(Unaudited) Computer monitor components and parts		(Unaudited) Eliminations		(Unaudited) Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	1,686,433	1,218,955	1,604,282	894,402	65,055	157,191	-	-	3,355,770	2,270,548
Inter-segment sales	-	-	-	-	75,974	36,475	(75,974)	(36,475)	-	-
	1,686,433	1,218,955	1,604,282	894,402	141,029	193,666	(75,974)	(36,475)	3,355,770	2,270,548
Segment results	76,648	39,731	40,111	23,337	(9,005)	(1,244)	-	-	107,754	61,824
Unallocated expenses									(12,256)	(5,059)
Unallocated income									8,191	3,626
Operating profit									103,689	60,391
Finance cost									(23,573)	(30,345)
Profit before tax									80,116	30,046
Tax									(3,828)	(5,898)
Profit before minority interests									76,288	24,148
Minority interests									(3,012)	(4,170)
Net profit from ordinary activities attributable to shareholders									73,276	19,978

## (b) Geographical segments

	(Unaudited) North America		(Unaudited) Europe		(Unaudited) Asia		(Unaudited) Others		(Unaudited) Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	1,254,543	516,113	1,027,234	658,998	897,690	1,012,557	176,303	82,880	3,355,770	2,270,548
Segment results	39,945	14,639	44,896	21,775	33,804	27,903	(10,891)	(2,493)	107,754	61,824

## 3. Profit from operating activities

Profit from operating activities was determined after charging the following:

	(Unaudited) Six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Loss on disposal of subsidiaries	3,246	—
Depreciation	23,598	24,055

## 4. Tax

	(Unaudited) Six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Current:		
Hong Kong	100	2,000
Overseas	3,728	3,898
Tax charge for the period	3,828	5,898

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No deferred tax has been provided (2001: Nil) by the Company and the Group because there were no significant timing differences at 31st December 2002.

**5. Interim dividends**

The Directors declares an interim dividend of HK1.7 cents per share for the six months ended 31st December 2002. The proposed interim dividend is not included as a liability in the condensed consolidated balance sheet, but as a separate component of shareholders' funds as at 31st December 2002.

No interim dividend was declared for the corresponding period last year.

**6. Earnings per share**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$73,276,000 (2001: HK\$19,978,000) and on the weighted average of 635,514,000 (2001: 635,514,000) shares in issue during the period.

No diluted earnings per share has been shown because the exercise price of the dilutive potential shares during that periods were higher than the average market price of the Company's shares and, accordingly, there was no dilutive effect on the basic earnings per share.

**7. Accounts and bills receivable**

Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to 180 days. The Group has adopted various measures to exercise strict control over its outstanding receivables; amongst these are the uses of export credit insurance arrangements, letter of credit and factoring to minimize its credit risk. Overdue balances are regularly reviewed by the Group's senior management.

The Group recorded a significant growth of 47.8% in its turnover as compared to that of the corresponding period last year, and thus, the amount of receivables has increased.

An aged analysis of the Group's accounts and bills receivable as at the balance sheet date, based on the date of goods delivery and net of provision, is as follows:

	<b>(Unaudited)</b> <b>31st December</b> <b>2002</b> <b>HK\$'000</b>	(Audited) 30th June 2002 HK\$'000
Within 90 days	<b>1,129,875</b>	461,488
Between 91 to 180 days	<b>5,833</b>	130,030
Over 181 days	<b>28,014</b>	34,663
	<b>1,163,722</b>	626,181

**8. Accounts and bills payable**

The aged analysis of the Group's accounts and bills payable as at the balance sheet date, based on the date of goods received, is as follows:

	(Unaudited) 31st December 2002 HK\$'000	(Audited) 30th June 2002 HK\$'000
Within 90 days	904,923	786,187
Between 91 to 180 days	397,303	210,018
Over 181 days	4,248	18,677
	<b>1,306,474</b>	<b>1,014,882</b>

**9. Bank and other borrowings**

As at 31st December 2002, the amount of borrowings through export credit insurance arrangements was HK\$72,940,800 (30th June 2002: HK\$51,883,000), while the amount of borrowing through negotiation of usance letter of credit was HK\$55,165,000 (30th June 2002: HK\$29,888,000).

**10. Related party and connected transactions**

During the period, the Group had transactions with 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) own 19.4% and 16.8% of the issued share capital, respectively. A summary of the transactions was as follow:

	(unaudited) Six month ended 31st December 2002 HK\$'000	2002 HK\$'000
Operating lease rentals paid to Isystems in respect of:		
Land and buildings	557	602
Machinery	167	161

The monthly rental expenses were calculated with reference to the prevailing market rentals as confirmed by an independent firm of professional valuers.

The directors, including the independent non-executive directors, have reviewed the above transactions and confirmed that they were carried out in the ordinary course of business and are on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned.

**11. Contingent liabilities**

The Group had no significant contingent liabilities as at balance sheet date.