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 2009

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 2009 together with the comparative figures for 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
Revenue	3	**4,454,891**	17,394,950
Cost of sales		**(6,064,673)**	(16,258,158)
Gross (loss) profit		**(1,609,782)**	1,136,792
Other income	4	**85,030**	87,956
Net foreign exchange gain		**75,352**	378,030
Selling and distribution expenses		**(447,013)**	(711,206)
Administrative expenses		**(481,184)**	(465,216)
Research and development costs		**(80,201)**	(94,148)
Impairment loss on intangible assets		**(20,600)**	–
(Impairment loss) reversal of impairment loss on trade receivables		**(205,789)**	3,277
Impairment loss on other receivables		**(49,023)**	–
Other expenses		**(5,166)**	(4,015)
Share of results of associates		**3,675**	(21,460)
Changes in fair value of derivative financial instruments	5	**23,259**	(80,728)
Finance costs	6	**(209,453)**	(279,364)

* *For identification purpose only*

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Loss before taxation		**(2,920,895)**	(50,082)
Income tax credit (expense)	7	**3,769**	(216)
Loss for the year	8	**(2,917,126)**	(50,298)
Attributable to:			
Equity holders of the Company		**(2,905,391)**	(61,642)
Minority interests		**(11,735)**	11,344
		(2,917,126)	(50,298)
Dividend recognised as distribution	9	**–**	11,580
		HK cents	*HK cents*
Loss per share – basic and diluted	10	**(376.34)**	(8.36)

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current Assets			
Property, plant and equipment		**1,063,537**	1,125,538
Prepaid lease payments		**76,220**	66,478
Intangible assets		**20,000**	46,400
Investments in associates		**2,816**	22,379
Investment in a jointly controlled entity		**–**	–
Available-for-sale investments		**–**	13,478
Bonds receivables		**67,861**	–
Prepayments and deposits		**4,473**	3,474
		1,234,907	1,277,747
Current Assets			
Inventories		**993,234**	2,920,257
Properties held for sale		**19,430**	86,999
Trade and bills receivables	11	**282,342**	1,861,423
Prepayments, deposits and other receivables		**365,238**	486,884
Prepaid lease payments		**1,980**	1,802
Derivative financial instruments	5	**23,730**	37,195
Tax recoverable		**5,164**	1,901
Pledged bank deposits		**80,709**	152,856
Restricted bank deposits		**83,836**	–
Bank balances and cash		**109,000**	1,146,938
		1,964,663	6,696,255
Current Liabilities			
Trade and bills payables	12	**2,522,680**	3,221,356
Accruals and other payables		**321,369**	346,679
Amount due to an associate		**975**	975
Taxation payable		**19,863**	28,160
Derivative financial instruments	5	**471**	117,923
Bank borrowings – due within one year		**1,418,109**	2,301,576
Obligations under finance leases – due within one year		**5,132**	5,315
		4,288,599	6,021,984
Net Current (Liabilities) Assets		**(2,323,936)**	674,271
Total Assets less Current Liabilities		**(1,089,029)**	1,952,018

	2009	2008
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**77,200**	77,200
Reserves	**(1,645,967)**	1,292,696
(Deficit) equity attributable to equity holders of the Company	**(1,568,767)**	1,369,896
Minority interests	**86,508**	101,198
Total (Deficit) Equity	**(1,482,259)**	1,471,094
Non-current Liabilities		
Bank borrowings – due after one year	**304,724**	397,119
Obligations under finance leases – due after one year	**41,118**	46,380
Deferred taxation	**47,388**	37,425
	393,230	480,924
	(1,089,029)	1,952,018

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the significant decline in the Group's revenue and the loss of HK$2,917,126,000 for the year ended 30 June 2009 and, as of that date, the Group's net current liabilities and net liabilities of HK$2,323,936,000 and HK$1,482,259,000, respectively. In addition, the Group defaulted on repayments of certain bank borrowings and related interest during the year. Accordingly, certain of the Group's major operating subsidiaries have entered into an agreement with the banks (the "Framework Agreement") to restructure these borrowings. The Framework Agreement allows the banks to appoint representatives to the management of the subsidiaries and monitor the subsidiaries' cash position and approve the use of the subsidiaries' cash. Under the Framework Agreement, the banks will not grant new loans to or demand repayment of the existing borrowings from the Group.

As set out in the consolidated financial statements, during the year, certain of the Group's major operating subsidiaries also defaulted on repayments to their creditors and suppliers. Accordingly, these subsidiaries have been named as defendants in several court actions in the People's Republic of China, with amounts unpaid of HK$436,425,000 together with interest of HK$2,609,000 thereon as at 30 June 2009. The Group is currently negotiating with these suppliers and creditors to reschedule these payments.

In view of the above, the Directors of the Company have been taking steps to improve the liquidity of the Group. These steps included (i) entering into agreement with bankers to reschedule the repayments of bank borrowings under the Framework Agreement refered to above; (ii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses; (iii) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures as described above and (iv) exploring new business opportunities. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the Directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
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 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, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

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, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 January 2010

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

3. REVENUE AND SEGMENTAL INFORMATION

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

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 monitors and televisions.

For the year ended 30 June 2009

	LCD monitors	TFT-LCD televisions	CRT monitors	Others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT						
REVENUE						
Sales to external customers	**2,392,453**	**1,630,236**	**73,461**	**358,741**	**–**	**4,454,891**
Inter-segment sales *	**–**	**–**	**–**	**46,585**	**(46,585)**	**–**
	2,392,453	**1,630,236**	**73,461**	**405,326**	**(46,585)**	**4,454,891**
RESULTS						
Segmental results	**(975,382)**	**(1,457,162)**	**(55,622)**	**(220,799)**	**–**	**(2,708,965)**
Unallocated corporate income						**160,382**
Unallocated corporate expenses						**(189,793)**
Share of results of associates	**–**	**–**	**–**	**3,675**	**–**	**3,675**
Changes in fair value of derivative financial instruments						**23,259**
Finance costs						**(209,453)**
Loss before taxation						**(2,920,895)**
Income tax credit						**3,769**
Loss for the year						**(2,917,126)**

* Inter-segment sales were charged at cost plus a percentage markup.

For the year ended 30 June 2008

	LCD monitors	TFT-LCD televisions	CRT monitors	Others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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)

* Inter-segment sales were charged at cost plus a percentage markup.

As at 30 June 2009

	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	1,283,186	1,210,925	79,538	234,189	2,807,838
Investments in associates	–	–	–	2,816	2,816
Unallocated corporate assets					388,916
Consolidated total assets					3,199,570
LIABILITIES					
Segment liabilities	1,337,851	1,267,124	48,073	172,152	2,825,200
Bank borrowings					1,722,833
Obligations under finance leases					46,250
Unallocated corporate liabilities					87,546
Consolidated total liabilities					4,681,829

For the year ended 30 June 2009

OTHER INFORMATION

	LCD monitors *HK$'000*	TFT-LCD televisions *HK$'000*	CRT monitors *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	64,373	83,294	657	1,328	149,652
Depreciation of property, plant and equipment	68,510	72,699	10,547	16,225	167,981
Release of prepaid lease payments	818	784	104	294	2,000
Impairment loss on trade and other receivables	91,997	123,075	22,875	16,865	254,812
Write-down of inventories	377,214	120,940	12,435	28,246	538,835

As at 30 June 2008

	LCD monitors	TFT-LCD televisions	CRT monitors	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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					1,413,858
Consolidated total assets					7,974,002
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					193,026
Consolidated total liabilities					6,502,908

For the year ended 30 June 2008

OTHER INFORMATION

	LCD monitors	TFT-LCD televisions	CRT monitors	Others	Consolidated
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

Geographical Segment

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

	2009	2008
	HK$'000	*HK$'000*
Asia *(note i)*	**1,970,605**	8,598,434
North America	**1,519,735**	4,262,707
Europe *(note ii)*	**622,647**	2,795,303
Others	**341,904**	1,738,506
	4,454,891	17,394,950

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**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia *(note i)*	**1,648,335**	3,645,289	**145,185**	252,217
North America	**519,424**	1,309,183	**21**	38
Europe *(note ii)*	**341,288**	709,627	**–**	304
Others	**298,791**	873,666	**4,446**	7,514
	2,807,838	6,537,765	**149,652**	260,073

Notes:

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

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

4. OTHER INCOME

Other income includes:

	2009	2008
	HK$'000	*HK$'000*
Interest income	**54,087**	35,214

5. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 30 June 2009, a fair value gain of HK$23,259,000 (2008: loss of HK$80,728,000) has been recognised in profit or loss. The fair values 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.

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**205,754**	278,325
Bank borrowings not wholly repayable within five years	**714**	738
Finance leases	**376**	301
Others	**2,609**	–
	209,453	279,364

7. INCOME TAX (CREDIT) EXPENSE

	2009	2008
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	**45**	–
Overprovision in prior years	**–**	(25,200)
	45	(25,200)
Other jurisdictions		
Current year	**319**	24,732
(Over)underprovision in prior years	**(4,133)**	684
	(3,814)	25,416
	(3,769)	216

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation, followed by a 50% relief from PRC enterprise income tax for the following three years. Accordingly, provision for the PRC enterprise income tax has been made after taking into account these tax incentives. Two (2008: two) of the subsidiaries of the Company are subject to PRC enterprise income tax at rates with a 50% relief during the year.

In accordance with the Law of the PRC on Enterprise Income Tax (the "New Law"), the tax rate for certain principal subsidiaries will ratchet up from 18% in 2008 and 20% in 2009 to 22%, 24%, 25% in 2010 to 2012, respectively, whilst the tax rate for other PRC subsidiaries is 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. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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.

There are no significant income tax exposures in other jurisdictions.

8. LOSS FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and other benefits	**323,047**	501,900
Retirement benefits scheme contributions	**14,418**	17,145
Share-based payment expenses	**–**	13,535
	337,465	532,580
Amortisation of intangible assets (included in administrative expenses)	**5,800**	5,800
Auditor's remuneration	**5,166**	4,015
Cost of inventories recognised as an expense, including write-down of inventories of HK$538,835,000 (2008: HK$48,962,000) *(note)*	**6,064,673**	16,258,158
Depreciation of property, plant and equipment	**167,981**	158,038
Gain on disposal of available-for-sale investments	**(76)**	–
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 (included in administrative expenses)	**28,060**	4,109
Release of prepaid lease payments	**2,000**	1,749

Note: Write-down of inventories has been recognised against the slow-moving and obsolete inventories and for drop in net realisable value.

9. DIVIDEND

	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend for the year ended 30 June 2007: HK1.5 cents per share	**–**	11,580

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

10. LOSS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company for the purposes of basic and diluted loss per share	**(2,905,391)**	(61,642)

	2009	2008
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**772,008,992**	737,367,376

The computation of diluted loss 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.

11. 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:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**235,965**	1,768,339
Between 91 to 180 days	**46,377**	13,387
Over 181 days	**–**	79,697
	282,342	1,861,423

12. TRADE AND BILLS PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**727,311**	2,676,541
Between 91 to 180 days	**460,508**	484,018
Over 181 days	**1,334,861**	60,797
	2,522,680	3,221,356

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

CHAIRMAN'S STATEMENT

OVERVIEW

Due to the outbreak of the global financial turmoil, Proview's business operation has been substantially influenced. Tightened credit together with declined demands have caused the turnover of the Group to significantly drop by over 70%, which consequently cast an impact on the Group's cash flow. The market prices of the main material component, LCD panel, decreased noticeably in 2008, which also resulted in a significant loss for the Group due to inventory purchases at higher prices. Since the fourth quarter in 2008, tightened funds constituted inefficiencies along the supply chain and resulted in default in payment to suppliers. Supply in several raw materials was hindered, and consequently we failed to meet just-in-time delivery, and hence default penalties is required to be paid to our customer. As sales dropped significantly, the burden of fixed costs and financing interests has become significant. During the most difficult period, the Shenzhen factory, the Group's primary manufacturing base, only managed to continue its operation with the assistance of the municipal government and the creditor banks in China.

Having learnt from this lesson, the management focused on the reform of management system and modification of our operation strategies. As such, the Group's human resources and expenses were reduced significantly. While actively realizing on inventories to acquire working capital, the Group has also largely cut back on orders with long trade receivables collection period and low profit margins. We also actively sought strategic production partners for cooperative production to ease pressures on our capital. As fruits are bearing in this aspect, the Group is also planning to enter into new businesses with higher profit margin, namely the LED lighting and mineral resources businesses. Despite the numerous challenges, the Group managed to weather the winter with streamlined operations and escorted by the management's effort and other external parties' support. Strategic production partnership with PRC enterprises, which helped smoothen the supply chain and relieve the pressure on our own capital, was also part of our efforts to steer through difficulties.

PROSPECTS

Being baptized by severe tests, the Group, backed by banks and suppliers, proceeded with a thorough internal reform. Subsequently, Proview is now faced with new challenges and opportunities. While encountering severe challenges arising from material debt repayment, we are embraced by warm supports as well. Under such environment, we expect to see a new start and to give birth to a new Proview, which focuses on three core businesses, in the next few years as follow:

I. LCD TV and Displays Business

Due to fundamental factors such as low profit margin of the industry, cost differences arisen from scale and significant requirements for upstream resources and substantial liquidity, the Group is handicapped rather than advantaged in the industry. Therefore, it chose to reduce the scale of this business and turn to focus on the marketing of new MVP product series, primarily LED lighting, which will deliver higher added-value to the product portfolio. The business will be developed mainly by cooperative production with processing outsourced, so as to minimize demand on liquidity and underline the display segment's support of the Group.

II. Expansion of new Lighting Business

Amidst intensifying greenhouse effect, environmental protection, energy saving and greenhouse gas reduction have become some of the major global concerns. As such, countries all over the world have established series of policies to address the problem, and therefore demand for LED public light applications surges rapidly and resulted in an unprecedented market expansion.

Proview Group is experienced in the LED technology related industry, and has been applying such technology on backlights of LCD TV and computer monitor products. We have also been paying close attention to the development of LED lighting technology, and endeavor to upgrade conventional lighting and research into energy saving applications.

As to the new business area of LED public lighting, Proview has the significant technology of high power LED lighting with high added-value. We believe such technology and our manufacturing experiences can help the Group to succeed in the future LED business.

The Group is establishing a subsidiary, 唯冠光電照明（深圳）有限公司, to engage specifically in LED lighting business. Meanwhile, it is actively seeking to secure order commitments from over ten cities in countries like the PRC, US, Brazil and Mexico. Production and preliminary sale are intended to commence in the first half year of 2010. Once sales orders are secured.

III. Exploration of New Mineral Resources Business

If the funding arrangement by the substantial shareholder be in placed, the Group will be provided with an opportunity to engage in the new business of mineral resources. The Group plans to start the business with trading by importing manganese minerals from Brazil and resell to customers in the PRC. The Group may also gradually engage in exploitation by itself to enhance profitability in the future, depending on the availability of funding. The mineral business is intended to be developed as one of the three core businesses for the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With economic downturn triggered by the global financial turmoil, the consumption market inevitably contracted. Impacted by both decline external and internal adverse factors, Proview recorded the most severe turnover decline and loss since its incorporation. For the year ended 30 June 2009, the Group's consolidated turnover dropped substantially by 74% to HK$4.5 billion (2008: HK$17.4 billion), and loss attributable to equity holders of the Company was HK$2.9 billion. Sales of flat-panel digital TVs amounted to HK$1.6 billion (2008: HK$8.0 billion), while sales of LCD monitors aggregated to HK$2.4 billion (2008: HK$7.6 billion), representing a decrease of 80% and 68% respectively as compared to last year.

The decline in total turnover and gross profit margin of the Group was primarily due to a number of factors.

The US sub-prime mortgage crisis and the failures of major financial institutions evolved into a worldwide economic slowdown 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 year.

LCD panels are the main materials for both flat-panel digital TVs and LCD monitors. The contracted consumption market resulted in a drop in market prices of LCD panels and their finished products, which in turn caused our turnover to decrease significantly. Moreover, with the increase in average cost of panel inventories, cost of sales surged and value of inventories dropped noticeably, leading to a severe loss.

CRT monitor sales dropped by 94% to HK$73.5 million (2008: HK$1,283 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.

Due to the financial turmoil, the credit market also tightened with financial institutions significantly reducing financing. The Group's cash flow was therefore materially affected by clients' default in payment and the bankruptcy of two of our major clients in North America during the financial year. With stringent financial resources, the operation of the supply chain was affected, giving rise to our failure in just-in-time delivery, and hence a lower achievement rate in sales. As sales dropped significantly, the burden of fixed costs and financing interests became relatively heavy.

For the year ended 30 June 2009, sales to geographical markets of the Group including Asia, Europe and North America, which accounted for about 44% (2008: 49%), 34% (2008: 16%) and 14% (2008: 25%) of the Group's turnover respectively. In addition to seeking new business opportunities in emerging markets, the Group spent further resources to enlarge its market share in Mainland China, which is considered to be a region supported by strong domestic demand and is expected to be less affected by the global economic turmoil.

During the most difficult period in the financial year, the Shenzhen factory, the Group's primary manufacturing base, could only continue its operation with the assistance of the municipal government and the Bank of China and other creditor banks. Embracing the lesson, the management team has strengthened our management system and modified our operation strategies. We endeavored to sell and realize the cash value of existing inventories by assembling and restoring them, and to enhance sales in the PRC. Besides, the Group stringently controlled credits to clients and actively collected trade receivables. In order to improve our operation, the management proactively sought to build strategic production partnerships with leading PRC enterprises so as to smoothen supply chains and relieve the pressure on our own capital. With a view to reducing costs, the Group reinforced to streamlining human resources, and surrendering tenancy of certain factories not-in-use to reduce operating expenses.

PROSPECTS

With a severe operating environment ahead, the operation team commits itself to leading the Group's operation back onto the right track with every available innovative measure.

Continuous Support of Banking Facilities

The Group is working with a number of banks, led by the Bank of China, to ensure that the turnover of inventories, collection of trade receivables and other payments could proceed accordingly. We have also arranged for the settlement of relevant accounts with strategic production partners through this financial platform to ensure the interests of all parties. With continuing granting of facilities by the banks to the Group, the management expects our business operation to gradually return to normal. The banks may then increase facility lines granted to the Group, which will provide the momentum for expansion in new businesses.

Actively Seeking Strategic Investors

To improve its financial structure, the Group is in active negotiation with interested strategic investors, both to inject new funds into the Group and, through effective collaboration, to expand the business and strengthen the Group's operating capabilities and operation bases.

Ensuring a Smooth Supply Chain

With a view to financing pre-production of materials for its factories despite limited financial resources, the Group has outsourced component production procedures as well as entered into agreements with strategic production partners to produce finished products and components to ensure just-in-time delivery. We also regularly communicate and negotiate with suppliers to win their continuous support.

Reforming Operations and Reducing Expenditures

Amid a contracted consumption market, both our production and sales levels have dropped drastically. Accordingly, Proview has trimmed its production size and focused on businesses with higher profitability. It has also selected clients with shorter payment periods so as to speed up trade receivables collection. With these measures of stringent expenses of control, manpower streamlining and localization of management members, the Group strives to reduce human resources costs. We have also respondeat promptly to the ever changing economic conditions with a "shortened, flattened and expedited" operational structure, we aim to implement our management-reform through a steady process.

Changing the Operation Model and Optimizing Capital Utilization

In order to optimize the utilization of limited working capital, the Group has modified its policies on goods delivery. We have adopted a free-on-board model in replacement of the existing VMI HUB practice in order to reduce inventory level and stagnant capital.

We have also scaled down the OEM business and enhanced brand and channel sales to boost profits. In addition, the Group has adopted a dual production arrangement with both in-house production and outsourcing in order to relieve pressure on inventories and capital.

Introducing new MVP Products with High Cost Competitiveness

With an aim to reducing production costs, new MVP products have been manufactured in a modulized approach, with fewer number of parts, reduced processing time, and simplified procuring and stocking management. The new MVP products researched and developed by the Group have been highly recognized in the IFA Berlin show, which will definitely boost orders and sales.

Exploring the New Lighting Business

Amidst intensifying greenhouse effect, environmental protection, energy saving and greenhouse gas reduction have become major global concerns. Accordingly, demand for LED public light applications has surged rapidly around the world. Proview Group has been engaged in the LED technology related industry, and has been applying such technology to backlights of LCD TV and computer monitor products. We have also been paying close attention to the development of LED lighting technology, the upgrading of conventional lighting and research into energy saving applications.

Currently, the Group primarily produces monitor products, which carry poor profitability due to keen competition. For our long-term development, 唯冠光電照明(深圳)有限公司, has been established to accelerate the expansion of LED lighting business, which will serve as the major driver of our profit growth and financial performance in future.

Proview has connections with major strategic partners, which may provide distribution channels in the PRC market and financial supports. In global markets which the Group is more familiar with, such supports will help building inroads.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group held cash and bank balances (including pledged bank deposits) of approximately HK$274 million (2008: HK$1.3 billion), with total deficit attributable to equity holders of the Company standing at approximately HK$1,569 million (2008: equity attributable to equity holders HK$1,370 million).

The operation size of the Group diminished in current year. Since there are less sales order and less production activities, the Group intended to keep a minimal level of inventories. Thus, inventories decreased to approximately HK$1 billion (2008: HK$2.9 billion). The Group was more focused on producing flat-panel digital TVs, which are associated with a larger production lead time, also with the reduced in sales for the year, inventory turnover days increased to 118 days (2008: 65 days).

Trade and bills receivables decreased to approximately HK$282 million (2008: HK$1.9 billion), which in line with the decrease of turnover for the year. The Group continued to monitor closely the settlement status of the trade debts to enhance the cash flow. During the year, trade and bills receivables turnover days rose to 88 days (2008: 41 days).

Trade and bills payables decreased to HK$2.5 billion (2008: HK$3.2 billion). In the meantime, trade and bills payables turnover days increased to 173 days (2008: 80 days). The increase in turnover days was mainly due to the insufficient cash flow of the Group. Proview actively negotiates with suppliers to assure a secure and steady supply and a longer credit period.

CAPITAL COMMITMENT AND CAPITAL STRUCTURE

The Group invested approximately HK$149.7 million in the acquisition, maintenance and enhancement of production facilities. 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 maximizing the return on assets as well as to prevent unnecessary borrowings. For this reason, none capital commitments was noted as at 30 June 2009 (2008: HK$1 million).

The Group relied on funding from banks and its investor to finance its business. With the continued granting of facilities by the banks, bank borrowings as at 30 June 2009 amounted to HK$1.7 billion (2008: HK$2.7 billion), of which non-current bank borrowings amounted to HK$305 million (2008: HK$397 million).

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 negative 1.1 (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.

CONTINGENT LIABILITIES

Certain subsidiaries of the Company have been named as defendants in several PRC court actions in respect of default payments of payable to suppliers and creditors for an aggregate amount of approximately HK$436 million and interest thereof of approximately HK$3 million. The claimed amounts were fully recognised in the consolidated financial statements.

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 2009, 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 2009, the Group's banking facilities were mainly collateralised by certain plant and machinery of the Group with a carrying amount of approximately HK$298 million (2008: HK$33 million), and first legal charges over certain land and buildings of the Group of approximately HK$471 million (2008: HK$178 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group employed approximately 3,000 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.

EXTRACT OF THE DRAFT INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED, FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Basis for disclaimer of opinion

(a) Impairment of property, plant and equipment

Included in the property, plant and equipment as at 30 June 2009 were leasehold improvements, moulds and machinery, furniture, equipment and motor vehicles, and construction in progress with an aggregate carrying amount of HK$550,141,000. As set out in the consolidated income statement, the Group incurred a gross loss and a loss of HK$1,609,782,000 and HK$2,917,126,000, respectively, for the year ended 30 June 2009 and together with the fact that production activities of certain of the Group's facilities were suspended during the year, in our opinion this constituted an indicator of impairment. However, no impairment loss was recognised for the year ended 30 June 2009. We were unable to satisfy ourselves as to the appropriateness of the assumptions made by the Directors of the Company in the preparation of their value-in-use calculation and accordingly, we were unable to assess whether the recoverable amounts of leasehold improvements, moulds and machinery, furniture, equipment and motor vehicles, and construction in progress exceeded their carrying amounts as at 30 June 2009 and whether any impairment loss should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Any adjustments found to be necessary would affect the Group's net liabilities as at 30 June 2009 and the Group's loss for the year then ended.

(b) Going concern

As set out in the consolidated financial statements, the revenue of the Group significantly declined and the Group incurred a loss of HK$2,917,126,000 for the year ended 30 June 2009 and, as of that date, the Group's net current liabilities and net liabilities amounted to HK$2,323,936,000 and HK$1,482,259,000, respectively. In addition, the Group defaulted on repayments of certain bank borrowings and related interest during the year. Accordingly, certain of the Group's major operating subsidiaries have entered into an agreement with the banks (the "Framework Agreement") to restructure these borrowings. The Framework Agreement allows the banks to appoint representatives to the management of the subsidiaries and monitor the subsidiaries' cash position and approve the use of the subsidiaries' cash. Under the Framework Agreement, the banks will not grant new loans to or demand repayment of the existing borrowings from the Group.

As set out in the consolidated financial statements, during the year, certain of the Group's major operating subsidiaries also defaulted on repayments to their creditors and suppliers. Accordingly, these subsidiaries have been named as defendants in several court actions in the People's Republic of China, with amounts unpaid of HK$436,425,000 together with interest of HK$2,609,000 thereon as at 30 June 2009. The Group is currently negotiating with these suppliers and creditors to reschedule these payments.

The Directors of the Company have been taking steps to improve the liquidity of the Group. These steps included (i) entering into agreement with bankers to reschedule the repayments of bank borrowings under the Framework Agreement referred to above; (ii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses; (iii) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures as described above; and (iv) exploring new business opportunities.

These matters therefore indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the Directors of the Company as described above. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30 June 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANNUAL GENERAL MEETING

The 2009 Annual General Meeting of the Company will be held on Tuesday, 1 December 2009 and the Notice of 2009 Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 27 November 2009 to Tuesday, 1 December 2009, (both days inclusive) during which period no transfer of shares will be registered. To qualify for attending the 2009 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 Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 26 November 2009.

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 Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. 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.

During the year ended 30 June 2009, as the Company did not announce its quarterly results, 39 Board meetings were held, out of which 2 were regular Board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Apart from the above regular Board meetings of the year, the executive Directors met in 36 Board meetings when a board-level decision on a particular matter was required.

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 ("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 considers that the current structure of vesting the roles of Chairman and CEO in the same person will not impair the balance of power as 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. None of the existing independent non-executive Director except for Mr. Lee Chiu-kang, Alex is appointed for specific term. Although some independent 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. Lau Siu-ki, Kevin, Mr. Lee Chiu-kang, Alex and Mr. Liu Zixian, all are independent non-executive directors of the Company. The annual results of the Group for the year ended 30 June 2009 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 30 June 2009 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, as the Chief Executive Officer, I assume responsibility for the regretful performance of the Group, and offer my apology to all shareholders. Nevertheless, I am still full of confidence in the Group's future development, and I hope shareholders will patiently offer the management an opportunity to achieve a turnaround. Furthermore, on behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff members 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
Proview International Holdings Limited
Yang Long-san, Rowell
Chairman and Chief Executive Officer

Hong Kong, 23 October 2009

As at the date of this announcement, 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.