

Chairman's Statement

On behalf of the board of directors of Proview International Holdings Limited (the "Company", also with its subsidiaries referred to collectively as the "Group"), I am pleased to present the annual report and the audited consolidated results of the Group for the year ended 30 June 2002.



OVERVIEW AND PROSPECT

During the financial year under review, Group turnover increased significantly to a record high of HK\$4.6 billion. All geographical regions, except North America, reported an increase in turnover, albeit to different extents. Net loss from ordinary activities attributable to shareholders amounted to HK\$77,504,000 (2001: profit of HK\$2,637,000). The loss stemmed mainly from:

- i. A non-recurring impairment in the Group's long-term investment in a Taiwan listed equity amounting to HK\$65,099,000. Subsequent to the year end, the Group has disposed of the investment and therefore the loss will not recur.
- ii. Exchange loss of HK\$26,905,000, mainly incurred by our Brazilian subsidiary as a result of the devaluation of the Brazilian Real.
- iii. Conservative provisions on accounts receivable and inventories amounting to HK\$17,506,000 and HK\$13,000,000 respectively.



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The Group continued to fully leverage its world-class manufacturing capabilities, global distribution network, more competitive product cost structure, and the strong support provided by several strategic partners and, as a result, has every confidence in the performance for the year to come.

MAINTAINING OUR COMPETITIVE EDGE IN THE MONITOR MARKETS

According to a market research report by IDC 2002, the market demand for CRT monitors will decrease gradually from 82 million units in 2002 to 73.7 million units in 2006. Notwithstanding that, the global CRT computer monitor market is still substantial and continues to be profitable.

Nowadays, as a result of the progressive market consolidation over previous years, there remain only a few major CRT computer monitor manufacturers in the market.

Benefiting from the Group's strong global sales and distribution networks as well as from our recognized brand names 'Proview' and 'EMC', the Group believes that its market share will continue to grow rapidly over the next few years and will provide profit and cash flow for the Group.



The LCD monitor market is still growing rapidly. According to the IDC 2002 research report, the demand for LCD monitors will increase from 25.5 million units in 2002 to 65.2 million units in 2006. For the year under review, the Group's sales of LCD monitors have increased dramatically, by almost 7.5 times to HK\$1,708 million (2001: HK\$230 million), and its share of the LCD monitor market

has continued to grow very rapidly. As one of the world's major LCD monitor manufacturers, the Group has continued to invest aggressively in research and development in order to produce innovative new models with added features for the market. The Group has successfully launched the world's thinnest LCD monitor and the market has responded very positively to this and to our other new models. The Group believes that the consolidation in the LCD monitor sector will accelerate and that the winners will be those monitor manufacturers who have strong and far-reaching global distribution networks and who can add more value in manufacturing through vertical integration, as is the case with the Group.



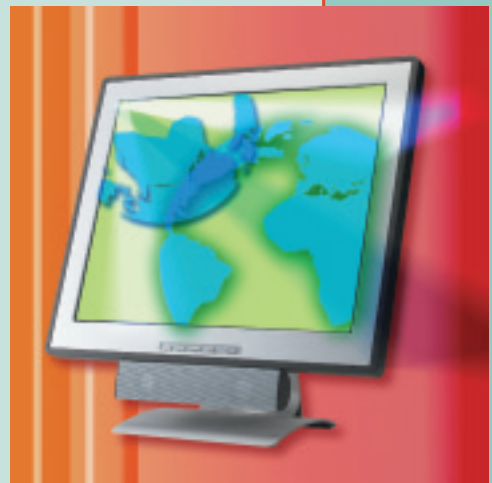
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VERTICAL INTEGRATION

The Group constantly seeks to create opportunities to enhance added value in manufacturing. As regards CRT computer monitors, the Group is a major manufacturer of deflection yokes, a critical component in CRT monitors. The production of such critical components enables the Group to maintain its profit margin in the very competitive monitor market. Currently, the Group produces approximately 300,000 deflection yoke units each month. By upgrading its production capacity, the Group's target is to reach 550,000 pieces per month by the end of 2002.

As regards the production of LCD monitors, the price of the Liquid Crystal Module (LCM) accounts for about 85% of the total cost of an LCD monitor. LCD manufacturers typically buy in the LCM for their LCD monitor production. A year ago, the Group has decided to apply the vertical integration concept to the production of LCM and commenced the acquisition of technological know-how related to LCM production. Clean rooms and machinery and equipment essential for LCM production have been built and installed. As a result, the Group is now able to perform both semi-knock-down LCM and backlight module assembly.

With this higher degree of vertical integration, the Group strongly believes our competitiveness in the LCD monitor market will be enhanced significantly.



FUTURE

The Group has received orders from new customers subsequent to the year-end. Among these highly reputable customers are HPQ, Acer, A-open, Carrefour, and Sotech. Sales volume of both CRT and LCD monitors has also improved steadily over the last few months. The Group believes that it is now entering into a new phase of high growth, which will continue over the years to come.

APPRECIATION

Lastly, on behalf of the board of directors, I would like to extend my gratitude and sincere appreciation to all Group staff for their dedicated efforts, and to our shareholders for their continued support.

Yang Long-san, Rowell

Chairman and Managing Director

Hong Kong, 30 October 2002