



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 audited consolidated results of the Group for the year ended 30 June 2003.

OVERVIEW AND PROSPECT

During the year under review, the Group has set new records in its turnover. Consolidated turnover for the year amounted to HK\$6,945 million, representing a growth of 50% compared with a year earlier. The Group also recovered from its loss last year to a profitable position, with net profit registering HK\$110 million for the year under review.


The Group is persisting in upgrading its world-class manufacturing capabilities, strengthening its global distribution network, streamlining its product cost structure and forming alliances with key business partners. Building on this solid foundation, the Group believes that the time has come to take in the harvest.

Chairman's Statement

OUR STRATEGY

Our Market Position

It is the industry consensus that the LCD monitor will gradually displace the traditional CRT monitor in a few years time. According to a market research report by MIC, the worldwide demand for LCD monitor will increase by more than 50% to 48 million units in 2003. This contrasts with the decline in demand for CRT monitors by more than 10% to around 75 million units this year. Yet, the demand for CRT monitors remains substantial and constant, especially in less developed countries. The CRT monitor market has already undergone severe consolidation and only a few players remain. During the year under review, the Group shipped 4.9 million CRT monitor units, as compared with 3.6 million units last year, despite the general shrinking of this market. Against this background, the Group has increased its annual production capacity of CRT monitors from 5 million units to 10 million units, in order to further strengthen its position in this market. The Group wants to be one of the top 3 worldwide CRT monitor manufacturers in the foreseeable future.



The CRT monitor business generates a stable cash flow and profitability for the Group, and this enables the Group to compete in the burgeoning yet already very competitive LCD monitor market. Without doubt, the LCD monitor market is growing rapidly. However, because of a fragmented yet competitive market environment; gross profit margins continue to be eroded compared with those for CRT monitors. The situation is exacerbated by the shortage of LCD panels. Given this business environment, market consolidation will accelerate and orders will flow to those manufacturers who offer world-class production capabilities and can add value through their manufacturing processes. The

Group has thus increased its annual production capacity of LCD monitors to 4 million units, in order to secure an increase in its market share. Meanwhile, by further integrating its manufacturing processes, the Group will create added value in its LCD monitor manufacturing, thus improving its profit margin and staying ahead in a fiercely competitive market.

Our Integration Process

As regards CRT monitors, the Group has been producing deflection yokes in house since 2000. In-house production of this important component has given the Group a highly competitive cost advantage. As regards LCD monitors, since the LCD panel price accounts for over 80% of an LCD monitor's materials costs, the Group has adopted a three-stage strategy to assemble LCD panels in house. The first and second stages, that is the commissioning of the LCD module assembly line and the black-light manufacturing line, have already been completed. The Group is now entering the third stage, that is, the further integration of TAB LCM/DRV.T-CON plus the Scaler Controller. The Group believes that the profit margin and its competitiveness in LCD monitor market will be greatly enhanced upon completion of this three-stage integration.



Our Research Activities

Vertical integration demands a high level of technical knowledge and skills and a competent research team is a necessary condition for its success. The Group's Research team, based in the Taipei and Shenzhen factories, consists of over 300 members, including nine engineers holding doctorates, 26 holding master's degrees and 193 holding bachelor's degrees. The Group's research and development expenditure for the year under review amounted to HK\$59 million. Through ongoing research and development activities, the Group will continue to deliver product development and innovation capable of satisfying customer demands. The Group has already launched its second generation LCD TVs and plasma TVs, and is preparing to enter the lucrative consumer electronics market.



Our Brand

The Group has a strong distribution network and collaborates closely with world-class mass merchandisers and distributors. In order to further expand the branded business, the Group has already obtained licenses from Mag, Xerox and Sylvania for the use of their brands on the Group's products. Recently, the Group also entered into an agreement with Motorola to sell Group products bearing its brand under licence in specified countries. Together with our "Proview" and "EMC" house brands, the Group is now in a position to penetrate different market segments in its branded business.

FUTURE

The Group has already entered into a new phase of high growth. Capitalizing on its solid foundation in the display industry, both branded and OEM businesses are now growing beyond expectations. By further integrating its manufacturing processes, the Group will achieve greater cost advantages enabling it to compete in the fierce LCD monitor market. The Group will continue to broaden its product range and expand its customer base, while maintaining a healthy balance between the OEM and branded businesses. To sum up, the Group aims at being one of the most successful companies in its field in the world.

APPRECIATION

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to all employees for their dedicated efforts, and to our shareholders for their continued support.

Yang Long-san, Rowell
Chairman and Managing Director

Hong Kong, 29 October 2003

