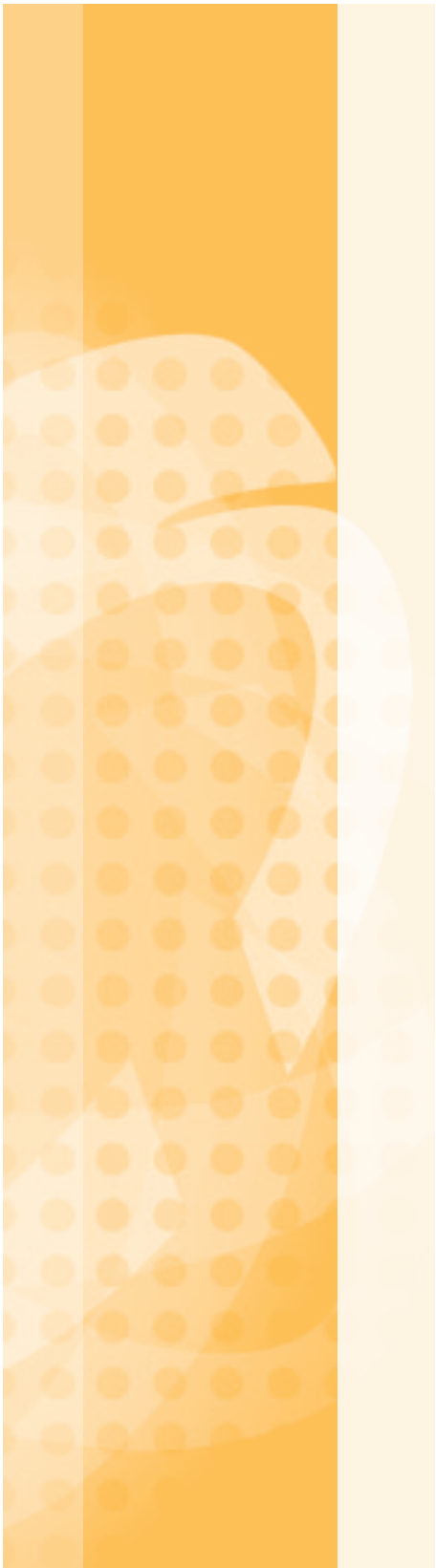


Chairman's Statement



**On behalf of the board of
directors of Proview
International Holdings
Limited (the “Company”,
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 2004.**

Chairman's Statement



MARKET OUTLOOK

Digitization is now an irreversible global trend, and the convenience and enhanced functionality of digital products is on track to total acceptance by the market. Nowadays, all major manufacturers are scrambling to develop and introduce digital products to customers. Yet, what is significant is that digitization is not just a simple replacement of the commodity; it also involves changes to both the "hardware environment" and the "software content". Changes to the environment and the content require determination on the part of governments in implementing the changes, and also rely on their policies towards full implementation of digitization. Many manufacturers are investing heavily in the development of digital products and are trying to flood the market with such products in order to grab market share. However, if the environment cannot keep pace, the situation may not be favourable towards mass-production of such products. Recently we have seen how heavy investment in 3G has resulted in a similarly heavy financial burden on key players in the telecommunication market. The same situation has occurred in the digital TV market. LCD panel makers have made major investments in the production of large-size LCD panels. Yet since, contrary to the original forecast, both the digital TV market and digital TV content are still immature, we now experience a supply-demand imbalance in the LCD panel market.

Chairman's Statement

COMMENCING THE DISPLACEMENT ERA FOR MONITORS

Over the past year, the LCD monitor market has shown significant volatility. Initially there was a shortage of TFT-LCD panels, the key component of LCD monitors. The price hikes in TFT-LCD panels in turn boosted CRT monitor demand to a growth of 20%, which beats industry forecasts. At the same time, the number of competing manufacturers had decreased by one third, resulting in a higher concentration of sales to top five suppliers from 75% to 85% of total. With a growing CRT monitor business against market trends, the Group is currently one of the very few CRT monitor suppliers in the world.



In line with the Group's brand-driven business strategy, our LCD monitor sales mainly target the channels for branded products. When the market was undersupplied, shipments of LCD panels will be confined to large-scale OEM brand manufacturers. This has posed a major challenge to the growth of our Group's LCD monitor business. As demand persisted, LCD panel makers began to invest in new fabs, resulting in over-capacities and price drops. The continued growth in demand, coupled with our Group's success in penetrating the OEM sector, is beginning to point to a significant growth in orders in future.

POSITIONING AND STRATEGY

The Group's future strategy is to focus on both OEM and branded businesses with a view to achieving a healthy balance between output and gross margin. The Group has paid a high price in the past year for its business diversification initiative, in particular as the strategic alliance with Motorola did not deliver anticipated results. In order to re-focus on our core monitor business, our Group has replaced the original agreement with Motorola with a new brand licence contract that covers a reduced scope of branded monitor sales in Asia. In the coming months, the Group will make some minor adjustments to its corporate structure and diversification policy. Projects that are not efficient will be discarded so that sufficient resources be pooled to support the focused development of our monitor business.

Chairman's Statement

THE FUTURE

In the past few years, the Group has built strong competencies through continuous vertical integration, enhancement of digital display technologies, expansion of channel sales on global retail chains, development of OEM business, and improvements in production efficiency and quality management.



Going forward, we will continue to strengthen management, control costs and stabilize profitability in order to realize our mission of maximizing returns to our shareholders.

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 business associates and shareholders for their continued support.

Yang Long-san, Rowell

Chairman and Chief Executive Officer

Hong Kong, 25 October 2004