

Chairman's Statement

On behalf of the board of directors (the "Board") of Proview International Holdings Limited (with its subsidiaries referred to hereafter collectively as the "Group"), I am pleased to present the 2005 annual report and the audited consolidated results of the Group for the financial year from 1st July, 2004 to 30th June, 2005.

BUSINESS PERFORMANCE REVIEW

As one of the five largest monitor manufacturers in the world, the Group continues to focus our businesses mainly on LCD and CRT monitors, plus flat digital televisions, including plasma (PDP) as well as LCD television sets. During the year under review, the Group has set another new record in sales. The consolidated sales in quantity for financial year 2005 amounted to over 11 million units (or over HK\$12 billion), representing a substantial growth of roughly 40% compared with around 8 million units (or about HK\$8.7 billion) of last year. The growth stemmed mainly from the LCD monitor business, with annual total sales growing to about 4.25 million units (or about HK\$7.2 billion) from 2 million units (or about HK\$4.1 billion) the year before, or a year-on-year growth rate of around 113%. In addition, the Group made a successful debut into the flat digital television business. Sales in the year under review amounted to about 70,000 units shipped, mainly to the United States of America and Europe as a soft launch. These are achievements that we believe have laid a good foundation for the Group's future and strengthened the Group's competitive position in the industry worldwide.

In the period under review, the Group along with many other players in the industry, have gone through a very challenging period when the overall prices of LCD panels dropped significantly within a short time due to the price war resulting from oversupply by LCD panel manufacturers. As a result, it triggered continuous price drops in the global LCD monitor business and this impacted our profit margin. The prices of LCD panels are now stable and we do not expect any further substantial price drops in the foreseeable future.

In line with the Group's strategic decision to refocus on our core businesses, we have terminated the television brand licensing agreement with Motorola, and discontinued some non-core operations. The Group has written off the expenses pertaining to these actions in the year under review. Net profit of the period has therefore decreased to HK\$37.3 million.



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Capitalizing on the Group's solid foundation in the display industry, we have redoubled our efforts to develop our core ODM business. In the period under review, the Group's efforts in growing the ODM business have resulted in an increase of about 49% in Group turnover, mainly from our major customers. The Group's branded business continues to be strong. The products of our own brands are distributed through the Group's vast global distribution network and we continue to collaborate with world-class mass merchandisers and distributors across the globe. Sales from the Group's ODM and branded businesses stood at around 66% and 34% of Group turnover respectively.

PROSPECT

With a solid position in the display industry, the demand for our LCD monitors and flat digital televisions continues to be strong. The Group is preparing to meet this growth by forming stronger business partnerships with major suppliers and customers.

Liquid crystal modules (LCM) are one of the most important parts of an LCD monitor, accounting for about 85% of an LCD monitor's material cost. As the Group continues its strategy of vertical integration, we have increased our in-house production capacity of LCM to over five million units a year. We believe that this would strengthen our competitiveness in the LCD monitor industry.

RESEARCH & DEVELOPMENT (R&D) AND PRODUCTION

In the technological sector, R&D competence is a success imperative. We have allocated resources to sustain R&D works in 2005 in order to enhance our competitiveness. Such works have yielded good results. In order to sustain and advance our long-term cost-competitive advantage while maintaining good product quality, we have invested in new LCM technologies, as well as the development of LCD monitor and flat digital television products, resulting in cost reduction for our products.

In addition to R&D, the Group has also made improvement in the production of LCM, LCD monitors and flat televisions. We have introduced new and improved existing production facilities, and expanded production capacities for various product lines. The Group's latest annual production capacities for CRT monitors, LCD monitors and flat digital televisions stand at 6 million units, 11 million units and 1 million units respectively.

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INDUSTRY & MARKET OVERVIEW

In recent years, the shortage in supply and the hefty margin of LCD panels have caused producers to increase production capacity at exponential rates, thereby saturating the market and forcing the prices to fall dramatically and rapidly during the first half of the review period. Consumers were in turn driven by the more affordable prices to buy LCD display products, mainly LCD monitors and flat digital televisions.

According to a report by Market Intelligence Centre ("MIC") issued in August 2005, worldwide shipment of LCD monitors will grow from 98 million units in 2005 to 140.2 millions units in 2008; and worldwide shipment of LCD television sets will increase from 17 million units in 2005 to 47.2 million units in 2008.

OUR ENDEAVOUR

Because of growing global demand for display products, we see a better future ahead of us. We will continue to leverage our advantages which we have been building for several years through vertical integration, enhancement of digital display technologies, expansion of channel sales on global retail chains, and development of ODM business. We will focus on strengthening our position in the global display industry and, more importantly, on enhancing value for our supportive shareholders.

APPRECIATION

Lastly, on behalf of the Board, I would like to extend my gratitude and sincere appreciation to all our staff for their dedicated efforts, and to our shareholders and business associates for their continuous support.

Yang Long-san, Rowell

Chairman and Chief Executive Officer

Hong Kong, 27th October 2005