

04 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 2006 annual report and the audited consolidated results of the Group for the financial year 1 July 2005 to 30 June 2006.

BUSINESS PERFORMANCE REVIEW

During the year under review, the Group focused on further expanding its LCD monitor business, maintaining its CRT monitor business, and rapidly developing the flat digital TV business. The Group set yet another new record in sales since its listing in 1997, with consolidated sales for financial year 2006 amounting to about 12.6 million units (or approximately HK\$16.2 billion), representing substantial growth in turnover of about 34% compared with around 11.2 million units (or approximately HK\$12.1 billion) for last year.

The main growth in the Group's business for financial year 2006 was in LCD monitors and LCD TVs. For the period under review, LCD monitor sales achieved around 7.5 million units (or approximately HK\$10.9 billion), representing growth in turnover of roughly 51% compared with around 4.3 million units (or approximately HK\$7.2 billion) for last year. Flat digital TV sales for financial year 2006 reached around 363,000 units (or approximately HK\$1.7 billion), representing an impressive surge in turnover of roughly 143% compared with around 63,000 units (or approximately HK\$0.7 billion) for last year. CRT monitor sales remained strong, with sales for the period under review totalling around 4.8 million units (or approximately HK\$3.6 billion), compared with around 6.9 million units (or approximately HK\$4.1 billion) for last year, or a decrease in turnover of 12%. Net profit attributable to equity holders of the Company for the year under review was approximately HK\$180 million, compared with approximately HK\$26 million (restated) last year, an improvement of approximately 592%.



The period under review was challenging for the entire display manufacturing industry. Escalating production cost due to material inflation affecting the industry worldwide, together with an increase of around 8% in wages in the PRC where the bulk of our work force is located, as well as volatility in LCD panel prices, all resulted in the need for a very forward-thinking business strategy, including aggressive sales pricing of finished products. None the less, leveraging the Group's 18-year track record and business relationships in the display industry, as well as our five refined business strategies, we were able to work hand-in-hand with our business partners and dedicated staff to overcome the year's challenges and emerge as a winner.



PROVIEW'S SUCCESSFUL BUSINESS STRATEGIES

As a result of our consistent efforts to enhance our operating-cost advantage and focus on core businesses, the Group has achieved preliminary improvements in both its business growth and profitability. The rapid growth of our flat-panel TV business has also driven a change in our overall business mode, from that of a primarily monitor-oriented business, to the dual development of monitors and TVs. We believe that over the next two years, revenues from both streams will be virtually identical, leading in turn to further improvements in earnings. Our proven strategy of focusing on the display industry remains in place and, with our vertically integrated core technologies fully implemented, we look forward to continually reducing overall operating costs and enhancing management quality and profitability.

MONITORS: FUTURE BUSINESS OUTLOOK

As in previous years, the international monitor business continues to grow at a strong pace, with growth focused mainly on LCD. DisplaySearch and other sources have projected global LCD monitor shipments to increase from 118 million units in 2006 to 164 million units in 2010, a growth rate of 39% over the period. This growth is due to the continuous replacement cycle for CRT monitors, multi-monitor configurations and screen-size migration. The Group will ride on this competitive need in the LCD market to gain more market share through R&D and advancements in manufacturing expertise. We will focus our development on large and wide screen products, digital multi-media products and high-resolution products. With several competitors exiting the LCD industry due to lack of economies of scale in the face of rapid and volatile panel price fluctuations, we believe that we can sustain our competitive advantage to maintain and gradually increase clientele and market share.

Meanwhile, as more and more competitors pull out of the CRT market, the Group is strengthening its position as the world's fourth-largest CRT manufacturer. Even though CRT monitors are already being replaced by LCD monitors in most developed markets, they continue in high demand as the preferred economic choice in important emerging markets such as the hinterland of China and in Russia, India, Southeast Asia and Brazil. The Group will therefore continue to leverage its strong relationship with components suppliers, focusing on creative industrial designs and low cost to maintain our leadership position in the market.

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TELEVISIONS: FUTURE BUSINESS OUTLOOK

According to DisplaySearch and other sources, the projected global LCD TV market will increase from US\$47 billion in 2006 to US\$87 billion in sales in 2009, a growth rate of 85% over the period. Market Intelligence Centre ("MIC") also projects LCD TV shipments to increase from 36.5 million units in 2006 to 77.8 million units in 2009. In spite of this, the share of total global annual LCD TV shipments by the top ten manufacturers decreased dramatically from 90% in 2004 to around 70% in 2005. This means that a roughly 30% share of the world's LCD TV market is available for the Group to gain.

Taking advantage of the Group's experience and success in LCD monitors, we are confident we can successfully create new opportunities in the LCD TV market. The Group will utilize a unified product mix and multiple IDs to satisfy the needs of our huge customer base. Additionally, we will leverage our competitiveness, strengthened by vertical integration, and our patent-protected technologies. Our full line of LCD TV products will range from large-screen formats from 26" to 46", as well as small-screen sets from 15" to 22" wide. Proview's goal is to become one of the world's top ten LCD TV producers.

SETTING THE STAGE FOR MORE SUCCESSES VIA R&D

The display industry, in particular the television sector, is currently going through a historical revolution, switching from analog to digital, from standard definition (SD) to high definition (HD), and to information technology (IT) and consumer electronics (CE) integration. Such changes are expected to bring major business opportunities from replacements and enhancements during the next ten years. The Group is endowed with talented staff, has wide experience in R&D, and owns more than 90 approved patent rights in this arena, with 40 more currently under review. These patent rights cover many countries and regions including the United States, European Union, Germany, Japan, Korea, China and Taiwan. The Group will leverage these self-developed technologies to further our successes for many years to come.

NOTE OF 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, 20 October 2006