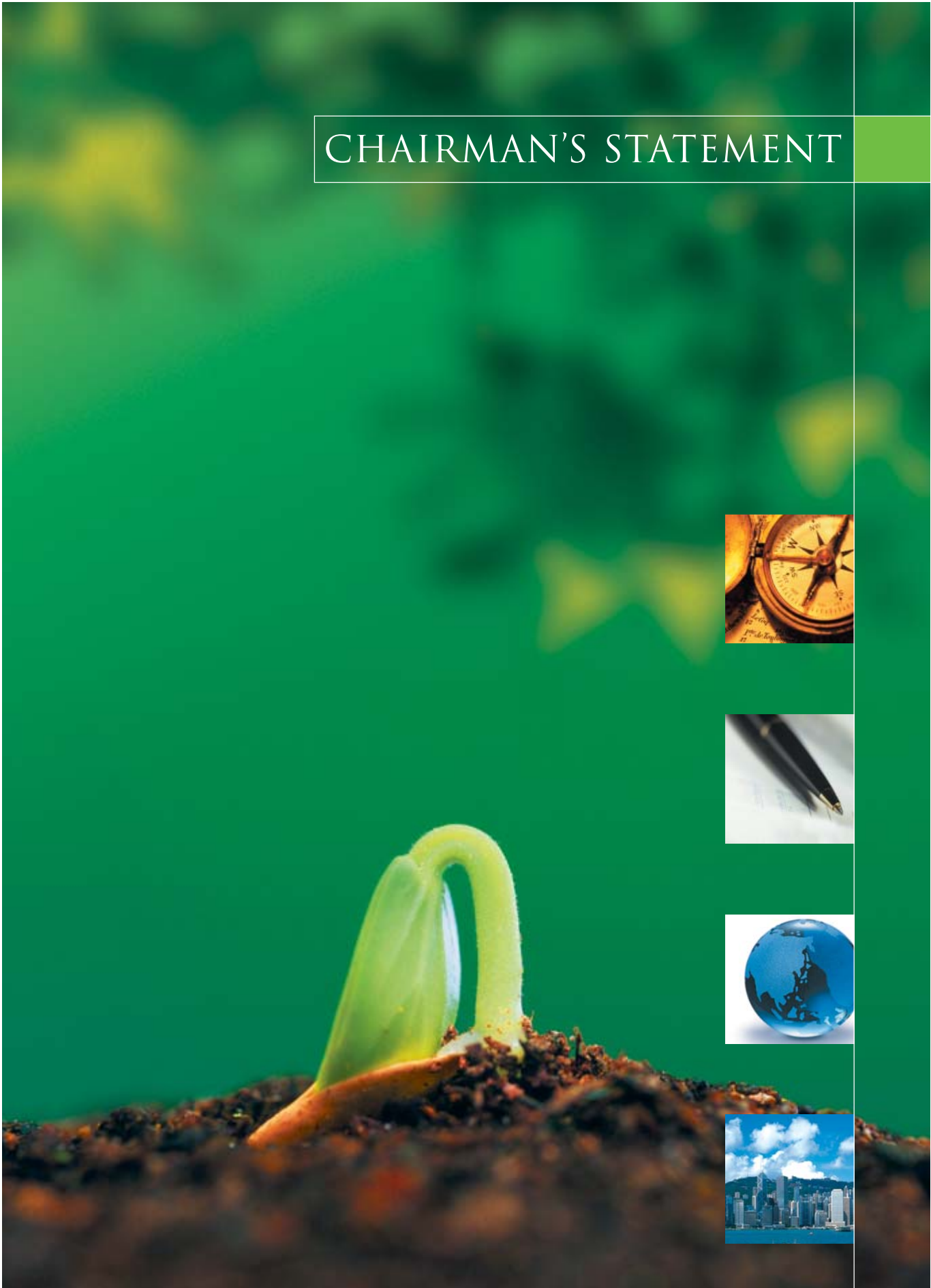


CHAIRMAN'S STATEMENT



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We positioned ourselves for the development of Sun Innovation despite challenges from an unsettled global political and economic environment. Although there are worries about slowing growth in China and the United States, global economic growth managed to hold steady in 2004 and we expect a comparable pace in 2005. Again, we expect the two pillars of global growth, the United States and China, to provide the main impetus for the rest of the world.

In 2004, personal consumption in the United States drove the GDP growth to 4.4%, as the US consumer proved resilient. The Japanese economy also showed signs of sustained recovery after a long period of disappointing economic performance. Closer to home, the Chinese economy maintained its remarkable expansion, ranking amongst the fastest growing economies in the world, as GDP rose by 9.5%. The mainland economy is expected to record at least 8% growth in 2005 as the government maintains a pro-growth economic policy.

Hong Kong looks well-placed to benefit from China's development and the expansion of its Closer Economic Partnership Arrangement (CEPA II) privileges, which continue to reduce entrance barriers for Hong Kong entities and its people to utilize the vast continental opportunities in the mainland. Running parallel to the prospects in China, the market of Hong Kong is also on the verge of embracing a new era of demand in telecommunication services as prompted by the rollout of 3G technology locally and the opening of the underdeveloped telecommunication market in China.

In this exciting and challenging environment, the Group is striving to grasp the opportunities found in the recovering global economy, expanding into high potential and high growth related areas, while consolidating and upgrading our existing businesses and services.

In review of 2004, we continued to strengthen our new corporate identity under these economic conditions by engaging into businesses that provided potential revenues development, stable profits and a strong asset foundation.

POTENTIAL REVENUES

The Telecommunication services are a fundamental revenue generator in the future in relation to the capital employed. Although the transitional nature of the current technology cycle and intense competition lead to a loss in the year of 2004, we have worked hard to establish the fundamental infrastructure for a globe-spanning network that we believe can catch the emerging potential of demand for telecommunication and Voice Over Internet Protocol services over the coming years. The development of our Hawaiian subsidiary as a strong revenue source is one of our strategies. Our voice wholesale services in Hong Kong are also a contributor to this business division. After the operations of our strategic business units restructure and become stabilize, we are confident that our experienced Management and indigenous knowledge of the Pacific Rim region will give the Group an edge in exploring and developing both broad and niche marketing opportunities in the future. The acquisition of Circle Telecom USA Inc. in January 2004 represents yet another proactive step by the Group to broaden our customer reach and develop new revenue sources.

CHAIRMAN'S STATEMENT

STABLE PROFITS

The Entertainment Media Division was one of our strong performers in 2004 and remains a high-growth and cash-generating business line. Diversification and productivity enhancement raised the profitability of this Division to a new level and we are encouraged by the potential offered by a solid operating base and global network advantage. Leveraging up from our 2004 performance, we expect strong revenue possibilities from our entry into the electrifying growth of the content industry through our existing subsidiary of TelecomInno (Macau) Co. Ltd. and expansion of our entertainment media services through the acquisition of Y.K. Drive, a pioneer of Japanese content distribution services. Drive's excellent marketing network will enable the Group to reap maximum returns in the short and medium term. The Group believes that we are still only at the cusp of tapping the budding potential of this Division. The multimedia services and mobile platform provided by Cellcast (Asia) Limited is our leading-edge bridgehead into the Hong Kong market. The Group places high conviction in our content development provided by Visual Paradise Inc., which offers innovative and original video and audio contents based on contemporary and talented Hawaiian producers.

STRONG ASSET BASE

The Property Investment Division contributed to our enhanced asset base and will continue to provide a core foundation for the Group's future financial performance. The recovery in Hong Kong's property market conditions and the local confidence indicates that further appreciation of the Group's asset value is likely in 2005. We will continue to acquire quality properties in major cities throughout the PRC and lease them to high-value tenants to preserve strong yields and recurrent cash flows for the best of the Group.

During 2004, we completed the entire restructuring of the Group with the disposal of the fire protection and suppression business in Shanghai. New opportunities will continue to be aggressively explored to elevate the Group towards a new level of revenue-generation. Amongst our key strategies, we are committed to deepening our asset base in order to create a remarkable foundation for future enhancement of shareholder value. We will also examine both strategic business alliances and organic development as a means to harness and expand the potential of our inherent competitive advantages.

CHAIRMAN'S STATEMENT

The coming year is very promising and the Management is confident in the ability of the Group to exploit current and potential revenue streams in order to boost our financial performance in 2005 and beyond.

The unflinching support of our shareholders and investors is a focal strength of this Group and the Management believes that this conviction will be rewarded as financial performance rallies. The Management gives its thanks and heart-felt appreciation to the dedication and sacrifices to this Group of the Board, the management team and all staff members, as our Sun Innovation family works together towards a prosperous year of 2005.

Michele Matsuda

Chairman

19 April 2005