



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report of Sun Innovation Holdings Limited and its subsidiaries (together the “Group”) for the year ended 31 December 2005.

The fiscal year 2005 was a fruitful year for the Group. At the tremendous efforts of the management and staff to implement strategic reforms and expand business both in breadth and depth, the Group achieved a significant turnaround during the year and built a sound foundation for its future development. Among the Group’s key businesses, the Entertainment Media Segment witnessed the most impressive growth in the past year. The Segment oversees the digital contents distribution business in Japan and the telecommunication value-added services (“VAS”) business operated by the Group’s subsidiaries, Cellcast (Asia) Limited (“Cellcast”) in Hong Kong and New Power Limited (“NPL”) in the PRC. The digital contents distribution business operated by the Group’s subsidiary in Japan, Drive Limited (“Drive”), was the key driver that propelled the Group’s turnaround in 2005.

In February 2005, Drive kicked off its contents distribution business by provision of digital contents in stand alone digital content downloading kiosk machines in Japan. Riding on the constant craze among consumers in Japan for the latest mobile media gadgets and applications, Drive capitalized on the niche for such kiosk machines in the market and has been rapidly expanding its network in various major cities. The Group sees immense potential in this business throughout the Asia Pacific region and expects it to become a major revenue and profit contributor in the coming years.

In Hong Kong, Cellcast trades under the brand “Yeahmobile” and continues to lead in the telecommunication VAS industry. It provides a wide range of advanced VAS including logo, ringtone, MP3 truetone, Java games downloads, personalized voice mail and community services. Despite that in recent years the Hong Kong VAS market is characterized by increasing customer sophistication, Cellcast has managed to establish leadership in providing mobile and SMS solutions to various business partners, including renowned handset manufacturers, telecom network operators and media corporations.

In the PRC, NPL continued to offer customers different VAS including Java games, community services, and graphics and ring tones for download. The VAS market in the PRC went through substantial consolidation in the past few years. Reduced competition in the consolidated market and the introduction of multi-media services products by NPL together contributed to its stable performance in the past year.

As for the Group’s Property Investment arm, it owns a commercial premise in Hong Kong that is leased to independent third parties. In addition to its existing properties in Hong Kong, the Group will look for opportunities to acquire quality properties in major cities throughout the PRC. We believe our property investment business will continue to enhance our asset base and provide us with a stable source of recurrent income. With the property market in Hong Kong reviving and that in the PRC booming persistently, we see brilliant prospects for this segment.

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The Group is expanding the Financial Services Segment in 2005 to provide investment advisory services focusing primarily on the Japanese investment market and has set up a licensed money lender company in Hong Kong. Apart from generating new income streams for the Group, the business, which involves little investment and overhead, boasts a high margin.

Looking to the future, the Group will follow a more refined business diversification strategy with main focus on the entertainment media business. In 2006, the Group plans to introduce the digital content distribution business to Hong Kong and expects the kiosk machines to win customers' fancy at promising speed. Going forward, the Group will continue to distribute quality content by exploring more powerful and cost-effective platforms. Moreover, the Group has set its eyes on expanding its business in the PRC. A few new initiatives, including entering into ventures with certain television shopping channel, will be launched in 2006 to tap the China market.

We believe fiscal year 2005 only marked the beginning of the Group's complete turnaround. The Group is committed to forging ahead with its business endeavors and boosting its financial performance. I would like to take this opportunity to express my gratitude to the management and staff for their dedication and invaluable efforts. We would also like to thank our shareholders, investors and customers for their continuing support and confidence in us.

Michele Matsuda

Chairman

Hong Kong, 18 April 2006