



Chairman's Statement

2005 is a challenging year for the Group; however, our business transformation plan also won initial success in the year.

The major challenge we faced in the year was, in the time of our business transformation, our newly acquired subsidiaries are in the stage of net investment to the Group. Those subsidiaries required huge investment of cash and other resources from the Group but yet to become a major cash inflow contributor. In particular, upon our acquisition of Global Digital Creations Holdings Limited ("GDC"), the Group needed to formulate and implement a business strategy for GDC that could generate stable cashflow.

Our business transformation plan won initial success during the year, the Group's management's confidence on the direction of our future business development and our growth model were therefore strengthened.

First, the Group decided that GDC should engage in computer graphics creation and, as a contractor, in computer graphics production business. Acquiring GDC, restructuring and strengthening its management, the Group began taking clients' order since the second half of 2005. As at the end of 2005, the Group successfully gained recognition from renowned TV series production house and received their orders. Since the beginning of 2006, the Group successfully achieved net operating cash inflow from contract production business in certain months and orders received are on a growing trend.

Second, with industry technology standard for digital cinema announced in mid-2005 and industry participants generally believed cinema digitalization will roll out in 2006, it is expected that GDC's digital cinema equipment division could benefit from the roll out and bring dramatic growth momentum to the Group. The Group has been implementing capital restructuring to digital cinema equipment division with a view to fully capitalize on cinema digitalization. The Group also increased its equity investments in this division, and on the other hand, arrangement for management and staff of the division and independent investors to become the division's shareholders is in progress.

Furthermore, upon our acquisition of the controlling interests of South China International Leasing Company Limited ("South China Leasing") and restructuring of its management, we have resumed South China Leasing's finance leasing business. In the second half of 2005, we successfully commenced our finance leasing business. In 2006, based on finance lease contracts in negotiation, it is possible that our finance leasing business will experience growth.



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Last but not least, despite importance of our property investments is declining, this division remained a stable cash inflow contributor to the Group. We still closely monitor any changes in the market and will consider the disposal of investment properties in Hong Kong for reasonable returns. Our interests in Beijing Dongzhimen International Apartment Co., Limited ("Beijing Dongzhimen") brought us improving returns and cashflow with the company's performance kept boosting. It is expected that Beijing Dongzhimen would pose sustainable and stable growth in the foreseeable future.

On behalf of the Board, I would like to extend our sincere thanks to our customers and shareholders for their full support to the Group, and in particular our major bankers and investors who cast vote of confidence in and fully supported our business transformation plan. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

Wang Qinghai

Chairman

20 April 2006