

Chairman's Statement

On behalf of Asian Union New Media (Group) Limited, I am pleased to present to shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December 2006.

2006 was not only a remarkable year for Asian Union, but a special year for me as well. This is the first annual results of the Group I present to shareholders in my new capacity as Chairman of the Board since my appointment in May 2006. It is also the first annual results reflecting a full year contribution from our new core focus — China media and advertising business, after the Group completed the acquisition of Anglo Alliance in May 2005. Anglo Alliance's principal asset is an indirect 50% interest in Asian Union Film and media ("AUFM").

As the founder of AUFM, I am determined to draw on the best of my experience, knowledge and connections in the Media industry in China to grow and strengthen the Group's business. Year 2006 was particularly encouraging for us as we achieved notable progress in growing our China media and advertising business. Though it had only one full year of operation, the business has already become the major revenue contributor of the Group and turned the Group's business around. We are confident that the Group has the right plan in place to let it apply its extensive expertise and capabilities in achieving higher growth.

During the past year, we pushed forcefully forward with developing the Group's China media and advertising business, focusing on the Travel channel and its advertising operations that ride on the rapidly expanding advertising market in the country. Overall advertising spending in China has been increasing dramatically in the past decade along with the country's rocketing economy. However, as a percentage to the overall gross domestic products when compared with other developed countries, the number is still relatively low. We believe the country's advertising industry still has enormous room for growth, and upcoming major events such as the 2008 Beijing Olympics and 2010 Shanghai World Expo will give it additional boost.

To grasp the enormous business opportunities in China's advertising market, we have entered into an exclusive advertising agreement with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd wherein our Group will be the exclusive advertising agent of all commercial advertising airtime and program sponsorship on the Travel Channel for a six-year period up to 31st December 2011, with full revenue entitlement.

Asian Union has made tremendous effort during the year to expand coverage of the Travel Channel in different areas in China and to enrich its programs, resulting in increased viewership among the Channel's targeted customers especially those with higher income and education level. For example, among the audience with higher income level, Travel Channel's peak period rating ranked number 3 among all provincial satellite TV channels in Shanghai. This achievement in turn attracted numerous renowned international brand names to place advertisements on the Channel. As such, Travel Channel's advertising revenue was boosted by a substantially 1.7 times to approximately HK\$218 million in 2 years' time.

During the year, we continued our prudent yet proactive strategy in developing our film and TV drama business. In recent years, the China movie industry has flourished with film productions making leaps in quality. Worldwide, Chinese films are also gaining higher reputation and recognition, and more and more blockbusters have been produced at the joint effort of Chinese and foreign investors. We see this positive trend continuing to gain force, hence are confident of the prospects of the industry. Thus, we will target to investment in movie projects with international award winning and marketing potential instead of just focusing on the China domestic market. As for the market of TV drama series, it has been competitive and a surplus in supply emerged recently. Therefore, we will actively explore opportunities yet be prudent in selecting our investments with emphasis on cost effectiveness.

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Prospects

We see bullish prospects for the China media and advertising industry, as advertising is an essential marketing tool in the consumer goods sector. The booming economy and hastening GDP growth has seen demand for consumer products and financial products and accordingly advertising spending rising in China. The Travel Channel, a unique positioned thematic TV channel that covers life style and travel topics and with viewership featured with the higher income and educated niche group, is the perfect marketing platform for consumer and financial products. Therefore, we expect the performance of our advertising business to grow and outperform the market, and bring increasing contributions to the Group in the years ahead.

To fully exploit the potential of the advertising segment, the Group will keep strengthening the unique image of the Travel Channel by enriching its program portfolio. Geographically, we are exploring new advertising markets for the Channel and the Eastern China will be our key focus this year. On top of growing traditional commercial air time sales, we are developing new advertising revenue stream such as title sponsorship, trailer sponsorship, embedded advertising in TV programs, etc., with good initial results.

With the unique content of Travel Channel, we plan to pursue opportunities that will allow us to expand our revenue source beyond traditional TV commercials. The establishment of Travel Club and the cooperation with Beijing United Interactive Television ("UiTV") for the development of Travel Channel interactive TV portal are promising initial steps. We are also planning for more efficient use of non-prime air time, for example, by development of regular shopping platform with leading industry players. We expect these strategic initiatives to effectively expand Travel Channel's viewership and our source of revenue.

Appreciation

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors for their commitment to the Group, and to all our staff for their diligence and dedication, without which the Group's new media business would not have taken off so smoothly and successfully. I would also like to thank our shareholders, partners and associates for their continuing support to the Group over the years.

Dong Ping

Chairman

Hong Kong, 23rd April 2007