

Chairman's Statement

If the year 2005 is a challenging year of the Group, the year 2006 is doubtlessly the year of execution with leap and bound progresses in all aspects of our businesses. During this year, our business transformation plan won initial success, the management of the Group has demonstrated their professional capabilities and dedications in each of their respective positions, and the synergetic results were apparent.

First, in the cultural recreation content provision division, several movies, short films and television series we released have been highly recognised by the market. "Crazy Stone", a movie invested and produced jointly with independent third parties, won the Best Original Screenplay of the 43rd Golden Horse Award; "Thru The Moebius Strip", the first 3D animation movie creation in the People's Republic of China (the "PRC", which for the purpose of this report, does not include Hong Kong, Macau and Taiwan), created an non-assessable impact on the animation industry in the PRC. "The Legend of Shangri-la" received several awards and is the first time a Chinese studio won the first place in the China Region Award and the Final Award in the Eighth "DigiCon 6" (Tokyo) Contest in 2006; and "In Great Entanglement" ranked number one in the television audience share among all the channels in Shanghai in 2006.

In computer graphic ("CG") creation and production business, we have recorded approximately 519% revenue growth over the year 2005 by focusing on CG production service work for world class clients. Through its high quality work with Hollywood award winning studios, the awards our original creative contents had received in international competitions, and its efficient production management system, our CG creation and production studio in Shenzhen is recognised by the industry as the largest and most advanced CG creation and production house in the PRC, and one of the best in Asia.

In digital content distribution and exhibitions business, we had successfully released new products in compliance with the new industrial technical standard. Subsequent to 31 December 2006, we have received US\$6.5 million, or equivalent to approximately HK\$50 million, capital injection from a world class investor. The infusion of this fund will speed up the progress of our research and development activities and enable our digital content distribution and exhibitions to harness the hyper growth in worldwide markets. Another monumental development in this business is that we had reached an agreement with China Film Group Corporation, one of the Chinese government appointed entities to regulate and manage all aspects of movie distribution in the PRC, to roll out digital cinema equipment to top box office revenue generating screens in the PRC. This arrangement will make us the de facto provider for digital cinema solutions and services in the PRC.

Chairman's Statement

In addition, Global Digital Creations Holdings Limited ("GDC") was elected as the Leading Enterprise Award of the Creative Industry in the PRC in 2006 and Mr. Chen Zheng, the Chief Executive Officer of GDC, was elected as the first place winner of the China Creative Industry Top 10 Leaders award in 2006. We are confident that GDC is able to maintain steady growth and becomes one of the best digital media company in Asia, as we have growing income from CG creation and production; high growth potential for digital content distribution and exhibitions, accompanied with the dedication of our management team, staff and the continued support from the shareholders.

Second, in the financial service provision division, we expect our service provided will increase in tandem with the strong growth of the economy in the PRC, but competition will remain intense. With China fully opening its domestic market on 11 December 2006 in line with its WTO commitments, the Chinese economy will orientate more towards private enterprises and free market mechanism. We will see greater competition and challenges not only from local financial institutions, but also from foreign companies. In order to ensure sustainable development, we are fully aware of the importance of improving our service as well as our competitiveness in the market. Besides, we will also proactively explore new business opportunities in order to broaden our service and expand customer base.

Last but not least, in late 2006, we have signed an agreement to dispose our entire 44% interest in Beijing Dongzhimen International Apartment Co. Ltd. and we will recoup the capital from this disposal for developing our other businesses. Although 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 and the PRC for reasonable returns.

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. 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

19 April 2007