

CHAIRMAN'S STATEMENT

“The Group achieved outstanding performance with significant growth in both turnover and net profit. It is the **11th consecutive** year of double digits growth.”



REVIEW OF OPERATIONS

Profit reached new high amid a robust economy

Over the year, the global economy continued to boom as Forbes comments in its global wealth survey report: “The growth of the global economy over the past few years has been phenomenal ever since the end of the Second World War.” As a matter of fact, China’s economic performance has even been more outstanding. And in this macro economic climate, China’s software outsourcing industry continued to thrive and extend its growth with a rapid pace.

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During the financial year under review, the Group achieved outstanding performance in its business results with significant growth in both turnover and net profit of 51% p.a. and 22% p.a. respectively. Since its inception the Group records 11th consecutive year of double digits growth. The Japanese economy continued its recovering momentum and enterprise investments in technologies surged higher, thus benefiting the Group's software outsourcing business from Japan. The scale of contracts received from existing customers continued to extend. Thus, the Group's turnover concerning Japan increased by 51% in the financial year.

Apart from maintaining a closer relationship with existing customers, the Group also developed businesses with new customers thereby broadening its customer base and strengthening its revenue sources. And projects from new customers during the year were growing satisfactorily.

China's strong economic growth has fueled the demand for highly educated professionals. The Group met its human requirements by recruiting on-campus in the college and the university. In addition, it launched incentive programs to attract talents of high caliber domestically and overseas and accelerates the Group's growth in workforce by acquiring small and medium software outsourcing companies. As at year-end of 2006, total number of workforce increased to 2,669.

Providence sustains growth; harmony benefits all

The global software outsourcing industry continued to surge rapidly. The Chinese government adopted a number of preferential policies to encourage development. Developed countries are in general increasingly confident about the quality of China's software outsourcing services and have therefore developed a stronger rapport. Hence it has emerged as the fastest growing country in providing software outsourcing services second only to India. And in recent years software outsourcing has emerged as one of the fastest growing industries in China, foreseeing a CAGR of about 50% through 2010.

Capitalizing on this magnificent thrust of growth and SinoCom's leading position among its contenders, our future growth is envisaged to be extremely optimistic. As demonstrated in the past years that the Group's business with Japan boosted incessantly, Japan will therefore remain to be the Group's main revenue and earning source. Nevertheless, on top of this high growth factor the Group will strive to expand its business through a three pillars approach to achieve our notion: "Providence sustains growth".

First of all, China will be the market where we will focus in this year, the Group will pursue along this line for business opportunities. This is especially true for industries such as finance and telecom.



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Second, technical supporting services represent an insignificant portion of the Group's profit; however, its growth has been steady. In the new financial year the Group will put in more resources to develop the business with a view to speed up its growth.

Third, no doubt the Group is still in its initial stage of cultivating the US/European markets. The development is slow but stable. Yet, the potential of the markets can never be overlooked. Thus, the Group will also strive to seek for high growth opportunity there. Mergers and acquisitions will remain one of our options. In the new financial year the Group will aspire to acquire a service provider specializing in China software servicing and a software outsourcing company.

Since the Group was started both turnover and profit have maintained substantial growth year after year. The Board realizes that this is the result of the strenuous effort of each of our staff. As a result, we have underscored the importance of training staff and fostering employee loyalty and retention. Apart from providing opportunities for promotion and launching incentive programs, the "SinoCom Love Foundation" was established last year to help internal staff that are in urgent needs. Our directors consider that besides increasing shareholders value to reciprocate the community is our social responsibility that is imperative as this can bring forth harmony to the community. Only in this way can enterprises retain staff that excel and can enterprises and working classes become win-win.

Appreciation

I would like to represent the Board to extend our appreciation to all of our staff for their hard work over the year, and to our shareholders for their support and trust in this Company.

Wang Zhiqiang

Chairman and Chief Executive Officer

Hong Kong, 23 April 2007