

On behalf of the Board of Directors, I hereby present the annual report of Sun Innovation Holdings Limited and its subsidiaries (together the "Group") for the year ended 31 December 2006.

The fiscal year 2006 was a year of opportunities, challenges and transformation for the Group. We have made a number of significant investment and business initiatives with the aim of enhancing future growth for the Group and better returns to shareholders of the Company.

Property Business

The Group is pro-actively exploring investment opportunities and reallocating our resources to property-related businesses. Clutching the opportunity of the fast-paced growth economies in Hong Kong, Macau and PRC, the Group has strategically focused on the expansion of the Property Investment Segment in order to establish strong footholds in the property markets of these regions, particularly in Macau.

In the year 2006, the gross domestic product ("GDP") of Macau reached a record of US\$14.3 billion with a significant growth rate of 16.6% and was the second highest figure since the region returned to the PRC in 1999. There was more than 22 million tourists visited Macau in the year 2006, recording a growth of 17%. The introduction of the individual visit program in PRC and the gradual appreciation of Renminbi by the Macau merchandises and shops accelerate the growth of the Macau tourism industry. Riding on the swift development of Macau's tourist and leisure industries, we expect the growth of the properties market in Macau will be robust. We are focusing our efforts on locating suitable entertainment related property development projects in Macau, some projects have been identified and reviewed by the Board. The Group has engaged professionals to investigate those projects.

The PRC and Hong Kong's economies continue to grow steadily with high rates of real GDP growth and low rates of inflation and unemployment in the year 2006. On top of the provisions granted in earlier phases of the CEPA, further liberalization measures covering ten services sectors were announced in June 2006 to deepen the economic and trade relations between Hong Kong and the PRC mainland. Domestic demand has resumed its growth momentum optimistically together with the property market. Despite the rise of interest rates, the property market, especially the commercial properties, continues to grow steadily.

The Group has leased out the properties of the Citicorp Centre in Causeway Bay which generate stable income inflow during the year under review. In PRC, the Group acquired the entire equity interest in a British Virgin Islands company, Million Year Consultants Limited, which holds 20 high-end service apartments in Suzhou, PRC in October 2006. It is believed that this acquisition will enhance the asset base of the Group and will improve the Group's future financial performance.



CHAIRMAN'S STATEMENT

Media & Entertainment Businesses

In Hong Kong and Macau, we continue to be one of the leading service providers of mobile value-added services trading under the brand “Yeahmobile” and offer wide range of products based on Interactive Voice Response platforms and 2G and 3G wireless mobile platforms. We also provide technical support and mobile content solutions to all the major mobile network operators and content providers in Hong Kong and Macau.

In Japan, due to the unsatisfactory performance of our business partner, we decided to terminate the management and lease of kiosk vending machines and announced these terminations on 12 March 2007.

In PRC, the media shopping industry is growing. Given that this business segment is still in an infant stage of development, the Group will pursue a more prudent strategy with regard to the development of our Media Shopping Segment in aim of acquiring a reasonable rate of return in the near future. We will explore more investment opportunities to increase the returns to our shareholders.

Outlook and Appreciation

In the coming year, we will continue to explore potential opportunities in Macau and to expand the property and related businesses to boost our financial performance. Finally, taking this opportunity, I would like to express my sincere gratitude to our dedicated management and employees for their continuing contribution and support.

Michele Matsuda

Chairman

Hong Kong, 17 April 2007