

Dear Shareholders,

Year 2003 was a difficult year for the Company and its subsidiaries (the "Group"). The Group recorded an audited consolidated turnover and loss attributable to shareholders of approximately HK\$17,265,000 and HK\$51,400,000 respectively for the year ended 31st December, 2003. When compare with year 2002, the Group's turnover had increased by 12% and the loss attributable to shareholders had decreased by 12%. The Directors do not recommend the payment of any dividend for the year ended 31st December, 2003.

The Group's game centre operations in 2003 were affected by the Severe Acute Respiratory Syndrome (the "SARS") outbreak and the rapid growth in the use of home personal computers and internet games in The People's Republic of China ("China" or "PRC"). Turnover in this division was approximately HK\$4.68 million in 2003, which represented only 50% of the last year's turnover. This business also sustained a substantial operating loss of HK\$6.09 million in 2003 while the operating loss in 2002 was of HK\$72,000. As indicated previously, the Group will not commit further resources to this business.

China's automobile industry enjoyed robust growth in 2003. The Group's automobile axle business recorded a 108% growth in turnover to approximately HK\$12.59 million in 2003 when compare to that of HK\$6.06 million in 2002, but its operating loss remained at similar level as in 2002 principally due to its small scale. The Group will examine the prospects of this business before any further substantial investments in this division.

The Group's US subsidiary American Compass Inc. was formally established in early 2003. American Compass Inc. spent considerable resources to identify investment opportunities in the US and elsewhere. Although for 2003, American Compass Inc. did not record any turnover and suffered a loss of approximately HK\$14.4 million mainly attributable to administrative costs, this subsidiary has built solid foundations to identify and pursue commitment opportunities. In early 2004, American Compass Inc. has invested US\$2.75 million for a minority stake in a US company which holds a controlling stake in one of the largest and fastest growing car dealership networks in China and this investment is expected to yield attractive capital gain for the Group.

The Group's relationship with University of Columbia concerning the research on the bio-technical field was terminated in 2003 as the University failed to provide the Group with a written report summarizing research activities and the chance to commercialize the Group's sponsored research at the university seems very low.

In December 2003, the Group completed an Open Offer which raised net proceeds of approximately HK\$65 million for the Group. The Group earmarked these proceeds for investments in car dealerships in China and general working capital. While the directors of the Company believe that car dealerships will have a rapid expansion as the country's car market grows, there has been increasingly fierce competition for investors to obtain franchises from car manufacturers in good locations. Furthermore, as land and property prices increase rapidly, the cost of establishing a car dealership in major cities has increased substantially in the last two years. In view of these rapid changes in the sector, the Group will invest in existing car dealerships instead of establishing its own franchises.

The recovery of global economy boosts the recovery of global capital markets. The Group's strength lies with its management's experience and skills in capital market. The Group will continue to explore opportunities to make use of its management's expertise to the benefit of the Group. The management's objectives for 2004 are to further reduce costs, increase revenue and reduce loss. The Group is still on its way to improve its prospects.

In conclusion, I would like to thank all shareholders and staff members for your continued support, and look forward to improving prospects of the Group.

**Yung Yeung**

*Chairman*

28th April, 2004