

Dear Shareholders,

2004 remained a difficult year for the company and its subsidiaries (the "Group"). The Group recorded an audited consolidated turnover and loss attributable to the shareholders of approximately HK\$6.76 million and HK\$40.92 million respectively for the year ended 31st December, 2004. When compare to year 2003, the Group's turnover had decreased by approximately 60.8% and the loss attributable to shareholders had reduced by 20.4%. The board of directors of the Company ("Directors") do not recommend the payment of dividend for the year ended 31st December, 2004.

The Group's original business – indoor entertainment continued to suffer intense competition from alternative entertainment activities such as internet games. Turnover in this division was approximately HK\$1.66 million in 2004, which represents a decrease of 64.5% from that in 2003. This business recorded an operating loss of HK\$1.41 million, while the operating loss in 2003 was HK\$6.09 million. As indicated in the annual report for year 2003, the Group will not commit further resources to this business.

Growth in China's automobile industry slowed down in 2004. The Group's automobile axle joint venture Liaohua was forced to relocate by Shenyang city government and the relocation disrupted the joint venture's production for several months. Liaohua's turnover in 2004 was HK\$5.10 million, representing a 59.5% decrease from a turnover of HK\$12.59 million recorded in 2003. Liaohua recorded an operating loss of HK\$8.18 million in 2004. The Chinese partner to this joint venture proposed a substantial increase in the joint venture's investments and capacity expansion, however the Group remains cautious about further commitment to this joint venture.

The Group's subsidiary in the United States of America, namely, American Compass Inc. serves as the Group's investment vehicle in the American market. American Compass Inc. acquired a small piece of land in the city of Palmdale, Los Angeles County, California, for investment purpose. American Compass Inc. lent US\$5.6 million to American Phoenix Group Inc., an affiliate of the Group. This loan is now being converted into equity pending shareholders' approval at a special general meeting to be convened in late May or June 2005.

The Group is in the process of acquiring all remaining stake in American Phoenix Group Inc, which indirectly controls an automobile dealership and service network in China. This acquisition, once completed, will fundamentally improve the Group's future prospects.

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

Yung Yeung
Chairman

28th April, 2005