INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005. (2004: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVEIW

Overview

The Group's turnover and loss attributable to shareholders for the first six months of 2005 amounted to HK$672,000 and HK$15,202,000 respectively. As compared to the corresponding period in 2004, the turnover decreased by 89.16% while the loss decreased by 34.76%. The decrease in turnover was mainly caused by the suspension of production of auto-mobile axles while the decrease in loss was mainly due to the reduction of administrative expenses and provision for impairment in fixed assets.

(a) Games center

The Group was continued to operate two indoor family entertainment game centers in the People's Republic of China (the "PRC"). This business recorded turnover HK$672,000 and a loss of HK$164,000 in the first half of 2005. As compared to the corresponding period in 2004, the turnover decreased by 38.8% while the loss decreased by 83.63%. The decrease in turnover was mainly caused by closure of game center in Wuxi in September 2004 which still recorded approximately turnover HK$460,000 in the corresponding period. The decrease in loss was mainly due to the reduction of administrative expenses. The Group has no intention to commit more resources to this business line as the prospects for operating indoor game centers in PRC is gloomy in the highly competitive environment in the market.

(b) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liao Hua Automobile Axles Company Ltd suspended its operation since July 2004 due to the local government reclaimed the land of the site of the JV for redevelopment, the JV needed to relocate to a new plant. During the period under review, this business recorded a loss of HK$661,000 from HK$6.52million in 2004. The significant decrease in loss was mainly due to a HK$5.60million impairment in fixed assets was recorded in the corresponding period. The Chinese partner requested a substantial expansion of the JV, the Group is reviewing the proposal and will decide in a view of maximizing the Group's benefit and the best interest of the Group.

(c) Investment business

The Group maintained its position in locating favorable investment projects globally. During the period under review, the Group recorded net loss of HK$13.0 million in this segment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and bank balances of approximately HK$14.7 million and without any loan liability. Accordingly, the gearing ratio is zero, calculated on the basis of the Group's borrowing over shareholders' fund.

HUMAN RESOURCE

The Group had approximately 70 employees at 30 June 2005. It has been the Group's policy to ensure that the remuneration of its employees are on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group for the purpose of providing incentives to participants to contribute to the success of the Group and to enable it to recruit and retain good quality employees in the long run.

CHARGES ON GROUP ASSETS

As at 30 June 2005, the Group had aggregate banking facilities of HK$500,000, all of them remained unutilized. The facilities are secured by a time deposits of HK$700,000. There were no other material charges on group assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Almost all of the income and expenditure of the Group were denominated in Hong Kong Dollar, Renmibi and United States Dollar. In view of the stability of the exchange rates among these three currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purpose.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

In March 2004, the Group subscribed for a 6.5% interest in American Phoenix Group ("APG"). Pursuant to the capital reorganization of APG in March 2005, the Group's interest in APG increased to 23.82% with no additional capital contribution. On 20 September 2004, American Compass Inc. ("ACI"), a wholly owned subsidiary of the Company, as lender, advanced US$5.6 million to APG.

APG has a 100% interest in Ningbo Phoenix Automobile Distribution and Services Co. Limited ("PADS"). PADS is incorporated in PRC, and its principal operating activities are the dealership of motor vehicles and spare parts, operating auto malls in Guangzhou and property development in the PRC.

There was no other new business, material acquisitions and disposals of subsidiaries and associated companies in the financial period under review.

SUBSEQUENT EVENT

On 11 March 2005 and as supplemented by an extension letter dated 12 May 2005, ACI signed an agreement with APG ("the 1st Acquisition Agreement"). Under the 1st Acquisition Agreement, ACI agreed to subscribe for 35,569,384 Subscription Shares at US$5,753,930. The Subscription Shares represent approximately 48.5% of the existing issued share capital of APG and approximately 32.66% of the enlarged share capital of APG upon completion of the 1st Acquisition Agreement. The consideration will be satisfied by setting off against the principal amount owed by APG to ACI and the interest accrued thereon as of 11 March 2005 upon completion of the 1st Acquisition Agreement.

On 11 March 2005 and as supplemented by 39 extension letters dated 12 May 2005, 37 individuals and 2 limited liability companies ("the Vendors"), being the legal and beneficial owners of Sale Shares, APG, ACI and the Company signed an agreement (the 2nd Acquisition Agreement"), whereas ACI agreed to acquire from the Vendors the Sale Shares, being 55,874,144 Class A, common stock of APG, represent 76.18% of the existing share capital of APG or 51.3% of the enlarged issued share capital of APG after completion of the 1st Acquisition Agreement. The consideration for the sale and purchase of the Sale Shares is US$17,589,496 (equivalent to approximately HK$137,198,069) and will be satisfied by the allotment and issue, at the Issue Price, of the Consideration Shares. The Issue Price will be the higher of HK$0.25 per Share and the average of the closing prices per Share as quoted on the Stock Exchange for 5 trading days prior to the Special General Meeting ("SGM") approving the 1st and 2nd Acquisition Agreements.

The shareholders of the Company unanimously approved the 1st and 2nd Acquisition Agreements in the SGM, which was held on 18 July 2005. The Issue Price of the Consideration Shares was fixed at HK$0.25. On 1 August 2005, the 1st and 2nd Acquisition Agreements were completed and the Consideration Shares, being 548,792,232 shares in the Company were allotted to the Vendors.

PROSPECTS

As the existing businesses of the Group continued to scale down and operated at a loss, the Group's short term objective is to increase its profitability while refocusing on PRC's rapidly growing automobile services and distribution market. The Group is confident through the acquisition of the APG Group that this objective will be achieved. However, the Group continues to evaluate the operations of the APG Group with the aim to maximize its investment return.

The majority of the directors continue to devote substantial time and efforts in the United States of America to spearhead the implementation of the Company's proposed diversification of investment and business plan. One of the Group's subsidiaries in the United States of America identified several investment opportunities and is prepared to commit investments in opportunities including bio-technology, property development and capital market.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2005, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons had an interest or short position in the shares and underlying shares of the Company ("Shares") which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	*Note*	**Number of Shares**	**Percentage**
Sun East LLC	*1*	945,456,600	49.88%
Pure Shine Limited ("PSL")		162,951,000	8.60%
Brilliance China Automotive Holdings Limited ("BCA")	*2*	162,951,000	8.60%

Note:

1. Sun East LLC is a company owned as to 35% by Mr Yung Yeung and as to 65% by Mr Chunhua Huang and Mr Yuwen Sun as trustee for certain trusts established for the benefit of the children of Mr Yung Yeung.

2. PSL is a wholly-owned subsidiary of BCA. By virtue of BCA's interest in PSL, BCA is deemed to be interested in the Shares held by PSL.

Save as disclosed above, no person, other than the Directors, whose interests are set out in the section "Directors' interests in shares" below, had registered an interest in the share capital of the Company that was required to be recorded under Section 336 of the SFO.