



Dear Shareholders,

The Company and its subsidiaries (the "Group") recorded an audited consolidated turnover of approximately HK\$316.09 million for the year ended 31 December 2005 when compared to HK\$6.76 million in 2004, an increase of 4,676% and loss attributable to the shareholders of HK\$218.22 million for the year ended 31 December 2005 when compared to HK\$40.92 million in 2004, an increase of 533%. The loss in 2005 included a write off of goodwill of HK\$103.61 million as a result from the acquisition of American Phoenix Group Inc. and its subsidiaries (the "APG Group").

The board of directors of the Company (the "Directors") do not recommend the payment of dividend for the year ended 31 December 2005.

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\$1.05 million in 2005, which represents a decrease of 36.7% from HK\$1.66 million in 2004. As indicated in the annual report in previous year, the Group will not commit further resources to this business.

Growth in China's automobile industry continued to slow down in 2005. 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. Liaohua had no turnover in 2005 when compared with turnover of HK\$5.10 million in 2004. A loss of HK\$1.05 million was suffered in 2005 when compared with HK\$8.18 million in 2004, a decrease of 87.1%. The Chinese partner to this joint venture proposed a substantial increase in the joint venture's investments and capacity expansion. However the Group recently restructured the board of Liaohua and is evaluating the viability of 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 August 2005, American Compass Inc. completed the acquisition of the whole of the APG Group. The business activities of the APG Group are dealership of motor vehicles and spare parts, operating auto malls in Guangzhou, car repair services and properties development in People's Republic of China (the "PRC"). During the period from 1 August 2005 to 31 December 2005, the turnover of the APG Group reached HK\$315.04 million, of which, HK\$288.88 million from sales of motor vehicle, and provision of car repairs services and HK\$26.16 million from sales of property. For the said period, the APG Group suffered a total loss of HK\$184.20 million, including an impairment of goodwill amounting to HK\$103.61 million. The total loss is comprised of HK\$64.42 million from the operation in sales of motor vehicle and provision of repair services and a loss of HK\$16.17 million from sale of property. The manufacture of MG Rover was declared bankruptcy in England, it adversely affected the sales of MG Rover in PRC. Further, the severe competition in the market of dealership of motor vehicle and the operation of auto mall in Guangzhou is difficult. As a result, the performance of this line of business did not reach the desired goal at the time of acquiring the APG Group.

In order to establish a better prospect for the Group, the Directors are assessing and evaluating investments in other field such as biotechnology.

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

25 April 2006