

## Chairman's Statement

Dear Shareholders:

The year 2002 was still 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\$15,445,000 and HK\$58,436,000 respectively for the year ended 31st December, 2002. Compared with the results of the Group for the year ended 31st December, 2001, turnover increased by approximately 8.3% from HK\$14,263,000 to HK\$15,445,000. The loss attributable to shareholders increased by approximately 66.4% from HK\$35,110,000 to HK\$58,436,000. The Directors do not recommend the payment of final dividend for the year.

With the continual uncertainty of the global economy, the consumers market, the foreign trade and direct investments in Hong Kong continue to diminish. Without doubt, the Group was operating under exceptionally harsh market conditions during the year ended 31st December, 2002. Furthermore, the Company suffered internal conflict within the Board of Directors of the Company. However, the conflict has been resolved with the removal of several directors and the board of directors is now able to concentrate on turning around the Company and creating shareholder value.

During the period under review, the Group continued to operate the existing five indoor family entertainment games centers in China, the performances of which was adversely affected by the weak consumer sentiment and generally discretionary spending patterns of the targeted customers, resulting in a further decrease in turnover from HK\$14,233,000 in 2001 to HK\$9,387,000 in 2002. However, due to the success in cost saving, the loss decreased from HK\$1,273,000 in 2001 to HK\$72,000 in 2002. The Board is of the view that this business will remain lack luster in the foreseeable future, the Group is not expected to make further commitment to this business.

Shenyang Liao Hua Automobile Axles Company Ltd. ("Shenyang JV"), is engaged in the business of manufacturing and selling automobile axles in the PRC. Due to the restructuring of the production lines of its principal customer, the production was suspended in 2000, but was resumed in October 2002. For the last quarter over the period under review, it achieved turnover of about HK\$6 million. However, due to the high start-up cost, the loss after minority interests of about HK\$1 million. The Company has diverted some of its resources to the automotive industry in China and will continue to seek appropriate way to benefit from the fast growth of the robust industry.

## **Chairman's Statement**

With the experience gained from relationship with the Trustee of Columbia University in the City of New York, concerning research on the bio-technical field, the Company is in the position to enter into bio-pharmaceutical industry. Several investments projects in this field are currently being reviewed.

As the existing businesses of the Group continued to be operated at a loss, the Board has been considering investment opportunities in capital markets where more attractive investments could be found.

In conclusion, I would like to thank you, our shareholders and staff, for your strong support. Your continued support is vital to the future diversification of our business and the prospects of our Company.

**Yung Yeung**

*Chairman*

29th April, 2003