

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1 Basis of preparation and accounting policies

These consolidated condensed financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (“HKSA”). The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company.

These condensed financial statements should be read in conjunction with the 2002 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2002 except that the Group has adopted SSAP 12 (Revised) “Income Taxes”, issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003.

SSAP 12 (Revised) prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent that the liability would crystallize in the foreseeable future, and that deferred tax asset was not recognized until its realization was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The directors of the Company (“Directors”) considered that the adoption of revised SSAP 12 did not have material impact on the results of the period under review or its comparative period.

2 Turnover and other revenues

Revenues recognized during the period were as follows:

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover		
Revenues from games, rides and other amusement Facilities	2,453	5,460
Sale of automobile axles	7,939	8
	<u>10,392</u>	<u>5,468</u>
Other revenues		
Bank interest income	508	1,196
Other interest income	176	–
Miscellaneous	1	69
	<u>685</u>	<u>1,265</u>
Total revenues	<u>11,077</u>	<u>6,733</u>

3 Segment information

Business segments

The Group conducts the majority of its business activities in three areas: operation of indoor game centres, manufacture and sale of automobile axles and investment holding. An analysis by business segments is as follows:

	Operation of indoor game centres		Manufacture and sale of automobile axles		Investment holding		Total	
	Six months ended 30th June		Six months ended 30th June		Six months ended 30th June		Six months ended 30th June	
	2003	2002	2003	2002	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues								
Sales	<u>2,453</u>	<u>5,460</u>	<u>7,939</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>10,392</u>	<u>5,468</u>
Results								
Segment results	<u>(2,514)</u>	<u>(876)</u>	<u>(690)</u>	<u>(849)</u>	<u>(20,161)</u>	<u>(26,617)</u>	<u>(23,365)</u>	<u>(28,342)</u>
Finance costs							(3)	(55)
Income tax expense							-	-
Minority interests							<u>289</u>	<u>219</u>
Loss attributable to shareholders							<u>(23,079)</u>	<u>(28,178)</u>

4 Loss before tax

Loss before tax in the condensed consolidated income statement was determined after charging or crediting the following items:

	For the six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Charging		
Staff costs (including directors' emoluments)	12,918	11,284
Depreciation of fixed assets (<i>Note 8</i>)	2,369	1,518
Impairment provision of fixed assets	–	113
Interest expense	3	55
Research and development cost	1,739	1,655
	<u>508</u>	<u>1,196</u>
Crediting		
Interest income from bank deposits	508	1,196

5 Income tax expense

No provision for Hong Kong profits tax or overseas taxation has been made in the interim financial statements as the companies within the Group had no assessable profits for the period ended 30th June 2003 in the respective jurisdictions in which the entities operate.

6 Interim dividend

The Directors do not recommend the payment of an interim dividend for the period ended 30th June 2003 (2002: Nil).

7 Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$23,079,000 (2002: HK\$28,178,000) and on the weighted average number of 1,263,634,000 (2002: 1,263,634,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as the effect of the potential ordinary shares outstanding is anti-dilutive.

8 Capital expenditure

6 months ended 30th June 2003

	Fixed assets <i>HK\$'000</i>
Beginning net book amount (Audited)	23,710
Additions (Unaudited)	2,503
Depreciation charge (Note 4) (Unaudited)	<u>(2,369)</u>
Ending net book amount (Unaudited)	<u><u>23,844</u></u>

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9 Trade receivable

As at 30th June 2003, the aging analysis of the trade receivable of the Group was as follows:

	As at 30th June 2003 (Unaudited)	As at 31st December 2002 (Audited)
0 – 90 days	–	3,317
Over 90 days	<u>1,180</u>	<u>–</u>
	<u><u>1,180</u></u>	<u><u>3,317</u></u>

10 Trade payable

As at 30th June 2003, the aging analysis of the trade payable of the Group was as follows:

	As at 30th June 2003 (Unaudited)	As at 31st December 2002 (Audited)
0 – 90 days	41	78
Over 90 days	458	520
	499	598

11 Related party transactions

- (a) Amount due to a related company is unsecured, non-interest bearing and has no fixed repayment term.
- (b) During the period, the Group entered into the following transactions with related party:

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Sales to a related company of a joint venture partner	7,936	–
Purchase from a related company of a joint venture partner	7,837	–

The above transactions were carried out after negotiations between the Group and the related company in the ordinary course of business and on the basis of estimated market value as determined by the Directors.

12. Share capital

	As at 30th June 2003 (Unaudited)		As at 31st December 2002 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	<u>3,000,000,000</u>	<u>300,000</u>	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid	<u>1,263,634,000</u>	<u>126,363</u>	<u>1,263,634,000</u>	<u>126,363</u>

There was no movement of the Company's share capital during the period.

On 4th July, 2003, the Company announced that the Company proposed to raise about HK\$67.0 million, before expenses, by issuing not less than 631,817,000 and not more than 644,317,000 offer shares ("offer shares") of HK\$0.10 each in the capital of the Company at a price of HK\$0.106 per offer share on the basis of one offer share for every two shares in the Company held by qualifying shareholders on 23rd July, 2003.

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13 Capital commitments

Capital commitments authorised and contracted for as at 30th June 2003 were approximately HK\$10,850,000 of which approximately HK\$5,280,000 was due or payable in the next twelve months. The commitments were related to sponsorship of research conducted in the field of antigen/antibody microarrays for use in immunological diagnostic and functional genomic applications. The Company would have exclusive rights to the results of the said research.

14 Contingent liabilities

As at 30th June 2003, the Group's contingent liabilities have no material changes from the last year end date.

15 Comparative figures

Certain of the 2002 comparative figures have been reclassified to conform to the current period's presentation.

16 Audit committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 30th June 2003 with the Directors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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Business Review

Overview

Compared with the corresponding period last year, the Group's turnover for the six months ended 30th June 2003 increased by 90% to HK\$10,392,000 while gross profit decreased by 57% to approximately HK\$1,795,000. The rise in turnover was a result of the resumption of operation of the sale of automobile axles business. The turnover for sale of automobile axles was HK\$7,939,000, representing 76.4% of total turnover of the Group during the period under review. Since the gross profit on sales of automobile axles was much lower than that on the operation of games centers business, the other core business of the Group, which resulting in the decrease of gross profit even though there was significant increase in total turnover. The Group has recorded an unaudited loss attributable to shareholders of HK\$23,079,000 for the six months ended 30th June 2003. The decrease in loss was mainly attributable to the success in cost saving.