

## 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 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the 2003 annual financial statements. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company.

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 2003.

### 2. Turnover and other revenues

Revenues recognized during the period were as follows:

	For the six months ended	
	30th June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Revenues from games, rides and other amusement facilities	1,098	2,453
Sale of automobile axles	5,100	7,939
	<u>6,198</u>	<u>10,392</u>
Other revenues		
Bank interest income	276	508
Other interest income	176	176
Miscellaneous	744	1
	<u>1,196</u>	<u>685</u>
Total revenues	<u><u>7,394</u></u>	<u><u>11,077</u></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	
	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenues</b>								
Sales	<u>1,098</u>	<u>2,453</u>	<u>5,100</u>	<u>7,939</u>	<u>-</u>	<u>-</u>	<u>6,198</u>	<u>10,392</u>
<b>Results</b>								
Segment results	<u>(1,002)</u>	<u>(2,514)</u>	<u>(6,524)</u>	<u>(690)</u>	<u>(18,842)</u>	<u>(20,161)</u>	<u>(26,368)</u>	<u>(23,365)</u>
Finance costs							(1)	(3)
Income tax expense							-	-
Minority interests							<u>3,069</u>	<u>289</u>
Loss attributable to shareholders							<u>(23,300)</u>	<u>(23,079)</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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Charging</b>		
Staff costs (including Directors' emoluments)	11,443	12,918
Depreciation of fixed assets (Note 8)	2,372	2,369
Impairment provision of fixed assets (Note 8)	5,712	–
Interest expense	1	3
Research and development cost	–	1,739
	<u>          </u>	<u>          </u>
<b>Crediting</b>		
Interest income from bank deposits	<u>          276</u>	<u>          508</u>

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 2004 in the respective jurisdictions in which the entities operate.

6. **Interim dividend**

The directors of the Company ("Directors") do not recommend the payment of an interim dividend for the period ended 30th June 2004 (2003: Nil).

7. **Loss per share**

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$23,300,000 (2003: HK\$23,079,000) and on the weighted average number of 1,895,451,000 (2003: 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 2004

	Fixed assets HK\$'000
Beginning net book amount (Audited)	24,723
Additions (Unaudited)	39
Depreciation charge (Note 4) (Unaudited)	(2,372)
Impairment provision of fixed assets (Note 4) (Unaudited)	(5,712)
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Ending net book amount (Unaudited)	<u>16,678</u>

9. **Trade receivables**

As at 30th June 2004, the aging analysis of the trade receivable of the Group was as follows:

	As at 30th June 2004 (Unaudited) HK\$'000	As at 31st December 2003 (Audited) HK\$'000
0 – 90 days	–	–
Over 90 days	–	127
	<hr/>	<hr/>
	<u>–</u>	<u>127</u>

10. Trade payables

As at 30th June 2004, the aging analysis of the trade payables of the Group was as follows:

	As at 30th June 2004 (Unaudited) HK\$'000	As at 31st December 2003 (Audited) HK\$'000
0 – 90 days	20	102
Over 90 days	543	522
	<u>563</u>	<u>624</u>

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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Sales to a related company of a joint venture partner	<u>5,100</u>	<u>7,936</u>
Purchase from a related company of a joint venture partner	<u>5,019</u>	<u>7,837</u>

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 2004 (Unaudited)		As at 31st December 2003 (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>1,895,451,000</u>	<u>189,545</u>	<u>1,895,451,000</u>	<u>189,545</u>

There was no movement of the Company's share capital during the six months ended 30th June 2004.

13. Commitments and contingency

(a) *Research and development commitments*

On 3rd January 2001, the Company entered into an agreement with the Trustees of Columbia University in the City of New York ("Columbia"), pursuant to which Columbia is to conduct research in the field of antigen/antibody microarrays for use in immunological diagnostic and functional genomic applications. The Company would have exclusive rights of the results of the said research. In exchange, the Company is to provide financial support for the said research.

In 2003, the Company wrote to Columbia for termination of the agreement in view of the absence of foreseeable future revenue to be generated to the Group and Columbia failed to provide the Group with a written report summarizing research activities. The Company has not received any reply from Columbia in respect of the termination. Accordingly, no further provision has been made in the six months ended 30th June 2004. As at 31st December 2003, the total outstanding commitment pursuant to the agreement was HK\$7,366,000.

*(b) Capital commitments*

The Group had no material capital commitment at 30th June 2004 (2003: HK\$1,702,000).

*(c) Lease commitments*

As at 30th June 2004, the total future minimum lease payments payable under non-cancellable operating leases in respect of rented premises of the Group are as follows:

	As at 30th June 2004 (Unaudited) HK\$'000	As at 31st December 2003 (Audited) HK\$'000
Within one year	2,073	2,073
After one year but within five years	<u>3,350</u>	<u>4,387</u>
	<u><u>5,423</u></u>	<u><u>6,460</u></u>

The operating lease commitments in respect of certain rented premises are subject to an additional premium based on a fixed percentage of the annual gross turnover and receipts in excess of a specific minimum rental amount that there is no fixed commitment for these leases.

*(d) Contingency*

As at 30th June 2004, the Group's contingent liabilities have no material changes from the last year end date.