

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group continued to face a difficult time in the first six months of 2004. Compared with the corresponding period last year, the Group's turnover for the six months ended 30th June 2004 decreased by approximately 40.3% to HK\$6,198,000. The Group has recorded an unaudited loss attributable to shareholders of HK\$23,300,000 for the six months ended 30th June 2004, which is similar to the corresponding period in 2003.

(a) Games center

At the beginning of the period under review, the Group was operating four indoor family entertainment game centers in the People's Republic of China (the "PRC"). In February 2004, the entertainment center in Shanghai was closed because of its unsatisfactory performance. The closure of the game center resulted in a decrease in the turnover by approximately 55.2% to about HK\$1.1 million but a smaller loss of HK\$1.0 million in the first half of 2004. In September 2004, the game center in Wuxi was also closed due to the expiry of tenancy agreement. Total revenue and loss incurred from the Shanghai and Wuxi game centres for the six months ended 30th June 2004 were approximately HK\$475,000 and approximately HK\$609,000 respectively. 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.