NOTES TO THE FINANCIAL STATEMENTS

(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 the Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and should be read in conjunction with the 2004 annual financial statement.

In preparing this unaudited condensed consolidated financial statements, the directors of the Company have adopted accounting policies consistent with those adopted in the annual financial statements for the year ended 31 December 2004, except for those changes in accounting policies as a result of the adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") issued by the HKICPA, which are effective for the financial period beginning 1 January 2005. In the opinion of the Directors, the adoption of new HKFRSs will not have significant financial impact to the Group.

2 Principal accounting policies

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

(a) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(b) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2 Principal accounting policies *(continued)*

(b) Investments in associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate) are not recognized.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(c) Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognized as an expense in profit or loss with a corresponding credit to additional paid-in capital, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expenses is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognized in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as additional paid-in-capital.

3 Turnover and other revenues

Revenues recognized during the period were as follows:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Revenues from games, rides and other amusement Facilities	**672**	1,098
Sale of automobile axles	**–**	5,100
	672	6,198
Other revenues		
Bank interest income	**152**	276
Interest income from an associate company	**1,558**	–
Other interest income	**28**	176
Miscellaneous	**356**	744
	2,094	1,196
Total revenues	**2,766**	7,394

4 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 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(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	**672**	1,098	**–**	5,100	**–**	–	**672**	6,198
Results								
Segment results	**(164)**	(1,002)	**(661)**	(6,524)	**(13,008)**	(18,842)	**(13,833)**	(26,368)
Finance costs							**–**	(1)
Income tax expense							**–**	–
Share of results of an associate							**(1,427)**	–
Loss for the period							**(15,260)**	(26,369)

5 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 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Charging		
Staff costs (including Directors' emoluments)	**10,370**	11,443
Depreciation of fixed assets	**1,841**	2,372
Impairment provision of fixed assets	**142**	5,712
Interest expense	**–**	1
Crediting		
Interest income from bank deposits	**152**	276

6 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 30 June 2005 in the respective jurisdictions in which the entities operate.

7 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$15,202,000 (2004: HK$23,300,000) and on the weighted average number of 1,895,451,000 (2004: 1,895,451,000) 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 Interim dividend

The directors of the Company ("Directors") do not recommend the payment of an interim dividend for the period ended 30 June 2005 (2004: Nil).

9 Interests in an associate

	As at 30 June 2005 (Unaudited) *HK$'000*	As at 31 December 2004 (Audited) *HK$'000*
Goodwill	**10,056**	–
Share of net assets	**9,939**	–
Loan and interest receivable	**45,785**	–
	65,780	–

The Group subscribed for a 6.5% interest in American Phoenix Group ("APG") in March 2004 and pursuant to the capital reorganization of the APG in March 2005, the Group's interest was increased to 23.82%. APG has become an associate company of the Group and is accordingly adopted the equity accounting method. On 1 August 2005, the Group further acquired all the remaining stake by the way of issuing 548,792,232 new shares and setting off against the loan and the interest accrued thereon as of 11 March 2005. For details, please refer to the Company's circular dated 28 June 2005.

10 Connected party transactions

(a) Amount due from a connected 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 30 June	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Sales to a related company of a joint venture partner	–	5,100
Purchase from a related company of a joint venture partner	–	5,019

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.

11 Trade payables

As at 30 June 2005, the aging analysis of the trade payables of the Group was as follows:

	As at 30 June 2005 (Unaudited)	As at 31 December 2004 (Audited)
	HK$'000	*HK$'000*
0 – 90 days	**38**	33
Over 90 days	**219**	668
	257	701

12 Share capital

	As at 30 June 2005 (Unaudited)		As at 31 December 2004 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid	**1,895,451,000**	**189,545**	1,895,451,000	189,545

There was no movement of the Company's share capital during the six months ended 30 June 2005.

On 1 August 2005, the Company has issued and allotted 548,792,232 shares at HK$0.25 for the completion of acquisition of APG.

13 Commitments and contingency

(a) Research and development commitments

On 3 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 has terminated the agreement by written notice to Columbia. Since then, there was no reply received by the Company. The Board considers that the Group has no further research and development commitments at 30 June 2005.

(b) Capital commitments

The Group has no material capital commitment at 30 June 2005. (2004: HK$26,000)

(c) Lease commitments

As at 30 June, 2005, 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 30 June 2005 (Unaudited)	As at 31 December 2004 (Audited)
	HK$'000	*HK$'000*
Within one year	**1,120**	1,866
After one year but within five years	**2,032**	3,102
	3,152	4,968

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 30 June 2005, the Group's contingent liabilities have no material changes from the last year end date.