

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005. (2004: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group's turnover and loss attributable to shareholders for the first six months of 2005 amounted to HK\$672,000 and HK\$15,202,000 respectively. As compared to the corresponding period in 2004, the turnover decreased by 89.16% while the loss decreased by 34.76%. The decrease in turnover was mainly caused by the suspension of production of auto-mobile axles while the decrease in loss was mainly due to the reduction of administrative expenses and provision for impairment in fixed assets.

(a) Games center

The Group was continued to operate two indoor family entertainment game centers in the People's Republic of China (the "PRC"). This business recorded turnover HK\$672,000 and a loss of HK\$164,000 in the first half of 2005. As compared to the corresponding period in 2004, the turnover decreased by 38.8% while the loss decreased by 83.63%. The decrease in turnover was mainly caused by closure of game center in Wuxi in September 2004 which still recorded approximately turnover HK\$460,000 in the corresponding period. The decrease in loss was mainly due to the reduction of administrative expenses. 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.

(b) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liao Hua Automobile Axles Company Ltd suspended its operation since July 2004 due to the local government reclaimed the land of the site of the JV for redevelopment, the JV needed to relocate to a new plant. During the period under review, this business recorded a loss of HK\$661,000 from HK\$6.52million in 2004. The significant decrease in loss was mainly due to a HK\$5.60million impairment in fixed assets was recorded in the corresponding period. The Chinese partner requested a substantial expansion of the JV, the Group is reviewing the proposal and will decide in a view of maximizing the Group's benefit and the best interest of the Group.

(c) Investment business

The Group maintained its position in locating favorable investment projects globally. During the period under review, the Group recorded net loss of HK\$13.0 million in this segment.