

CHAIRMAN'S STATEMENT



For the year ended 31 March 2004, the Company and its subsidiaries (collectively referred to as the "Group") recorded a profit of approximately HK\$13.5 million, as compared with a loss of approximately HK\$24.3 million for the last financial year. The turnover of the Group decreased by 29.2% to approximately HK\$166.5 million from approximately HK\$235.1 million last year.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2004.

REVIEW OF OPERATIONS

The improvement in the results was mainly attributable to the gain on disposal of the loss-making G. Sushi operations, the success in cost rationalization and the contribution from the comics publication business which commenced in March 2003. The drop in turnover was mainly attributable to the effect from the disposal and downturn of the economy as a result from the outbreak of Severe Acute Respiratory Syndrome ("SARS") which had succumbed to the difficult operating environment for the catering business.

G. Sushi

The restaurants encountered a particularly difficult operating environment during the outbreak of SARS and recorded a substantial operating loss of HK\$8.7 million during the period up to disposal in November 2003. As a result, the entire G. Sushi operations were disposed of in order to cut down further losses.

Suishaya Japanese Restaurant

Turnover for the year of this restaurant decreased by 6.3%. In order to alleviate the adverse effect from SARS, various lunch sets, dinner sets and buffet were launched at competitive prices during the year. Due to its uncertain prospect, the Suishaya operation was subsequently disposed of in June 2004.

Global Forever Green Taiwanese Restaurant

During the year, the management allocated much time and resources into marketing and promotions, as well as continued to introduce various new dishes to the menu and established the food delivery services to attract more customers. As a result, while turnover recorded a slight decrease of 3.7%, net loss was greatly reduced from HK\$2.4 million last year to HK\$0.8 million this year.

Yuk Man Home Made Noodle Shop

In order to overcome the challenging environment and to satisfy the ever-changing customer tastes and needs in the restaurant operation business, the Group opened a new style noodle shop in Kowloon City in August 2003.



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REVIEW OF OPERATIONS (CONTINUED)

Comics Publication

In order to broaden its revenue base, the Group has diversified into the comics publication business with a newly created comics title series, namely "The Four Famous Detectives" (in Chinese "四大名捕") which was launched in March 2003 on a bi-weekly basis and was subsequently changed to a weekly basis as a result of its encouraging response from the market. It has been the most profitable operation of the Group since then.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 March 2004, the Group had 72 permanent employees and 3 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$53.6 million for the year. All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

There has been no change to the share option scheme adopted by the Company on 7 October 2002 since 1 April 2003. A total of 12.8 million share options have been granted to certain directors and consultants as at 31 March 2004.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets of the Group as at 31 March 2004 was approximately HK\$64.3 million which was financed by current liabilities and shareholders' fund of HK\$9.7 million and HK\$54.6 million respectively.

During the year, the Directors have been taking active steps to improve the liquidity of the Group. Net proceeds of approximately HK\$18.3 million were received from the placing of 61.5 million new shares to an independent third party, disposal of G. Sushi operations reduced the current external borrowings of the Group by approximately HK\$81.7 million and a rights issue raised net proceeds of approximately HK\$45 million. Subsequent to the year end, net proceeds of approximately HK\$20.9 million were received from a top-up placing of 70 million new shares.

The Directors consider the Group will have sufficient working capital for its operation and financial resources for financing future investment opportunities in suitable business ventures.

The Group had limited exposure to the fluctuation in exchange rates as its borrowings, bank balances and cash were all denominated in Hong Kong dollars.

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CAPITAL STRUCTURE

During the year, the Company has issued 61.5 million new shares of HK\$0.002 each at a price of HK\$0.31 per share by way of placement. The net proceeds amounted to approximately HK\$18.3 million. In addition, the Company has issued 139.5 million new shares of HK\$0.002 each at a price of HK\$0.33 per share by way of rights issue on the basis of one rights share for every three shares held. The net proceeds amounted to approximately HK\$45.0 million.

Subsequent to the year end, the Company has issued 70 million new shares of HK\$0.002 each at a price of HK\$0.31 per share by way of top-up placing. The net proceeds amounted to approximately HK\$20.9 million.

Furthermore, the Directors have announced that resolutions for transfer of the entire credit of approximately HK\$286.0 million as at 30 June 2004 arising from the Company's share premium account to its contributed surplus account and applying the amount of approximately HK\$236.9 million from the contributed surplus account to set off against its accumulated losses will be proposed at the coming annual general meeting.

CHARGES ON ASSETS

As at 31 March 2004, no assets of the Group have been pledged.

PROSPECTS

As a result of keen competition in the restaurant operation business and the occurrence of SARS and bird flu in Hong Kong, the Group has diversified into new business and investment opportunities in Hong Kong and the PRC, so as to enhance the shareholders' value of the Group. The first step of diversification was the comics publication business that capitalized on the experience and expertise of some of the Directors by creating and publishing the new comic title "The Four Famous Detectives" in March 2003. The new business venture has proved to be profitable and relevant to the interests of the Group.

In order to enhance the shareholders' value in an expedient manner, on the one hand, the Group is disposing of or closing down its loss-making operations which are unlikely to turnaround in the near future or operations with uncertain prospect. To this end, the Group successfully disposed of the G. Sushi operation and Suishaya Japanese Restaurant in November 2003 and June 2004 respectively. On the other hand, the Group has been exploring new business and investment opportunities which would broaden the earnings base of the Group. Following the satisfactory performance of the new comics title "The Four Famous Detectives", the Company has identified Jade Dynasty Holdings Limited ("JDH") which is engaged in the comics publication and related business as an important step of diversification into the comics publication and related business. Upon completion of the acquisition in April 2004, the Company at present holds 51% of the total issued share capital of JDH. The Company will consider acquiring the remaining 49% of the total issued share capital of JDH as opportunities arise and if such move will be beneficial to the shareholders of the Group.



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PROSPECTS (CONTINUED)

The earnings potential of JDH is reflected in its progressive results. The Directors consider that JDH has competitive advantages over its competitors in the comic publication industry in terms of the exclusive services provided by its chief creative officer, Mr. Wong Chun Loong alias Wong Yuk Long ("Mr. Wong") who is also the controlling shareholder of the Company, the popularity and talent of its team of comic artists, the experience and expertise of the management team, the breadth of the distribution network and the ability to maintain continuity and popularity of comics publications. Moreover, JDH Group currently has various registered logos and exclusive production rights and trademarks and a library of copyrights of comic titles which may be used for development of animation and other derivative products. The Directors consider that JDH has a sound business model with considerable growth potentials especially in the PRC's cultural industry. Based on the above reasons, the Directors believe that the acquisition will bring forth valuable contributions to the Group's future prospects and the acquisition of 51% interest in JDH will represent a good long-term investment opportunity to develop the Group's business and enhance its earning power. It is the Company's corporate mission to develop JDH into a top-class comics empire based in PRC with unique Chinese Style.

To reflect the changes in the principal activities of the Group after its disposals of substantial restaurant operations and the acquisition of substantial comics publication and related business, the Directors have announced that resolution for changing the name of the Company from "Jade Dynasty Food Culture Group Limited" to "Jade Dynasty Group Limited" will be proposed at the coming annual general meeting. A new Chinese name of "玉皇朝集團有限公司" is also proposed to be adopted by the Company to replace the existing Chinese name of "玉皇朝飲食文化集團有限公司" for identification purpose.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders and business associates for their encouragement, support and assistance and our heartfelt thanks to all the employees of the Group who have worked hard to provide excellent services and contributions to the Group.

Chan Kong Sang, Jackie

Chairman