

# 2004

## INTERIM REPORT



JADE DYNASTY GROUP LIMITED

玉皇朝集團有限公司

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

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## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 September 2004, the unaudited consolidated turnover of the Group amounted to approximately HK\$64.1 million as compared to HK\$118.6 million for the corresponding period last year. Turnover from its comics publication and related business rose by 22.7 times to approximately HK\$55.0 million, as compared to HK\$2.3 million last year. Meanwhile, the turnover from its restaurant operations was HK\$9.0 million, as compared to approximately HK\$116.3 million in same period last year. The decrease in total turnover was attributable to the disposal of the Group's loss-making G. Sushi restaurants and Suishaya Japanese Restaurant in November 2003 and June 2004 respectively.

During the Period, the Company recorded a profit of approximately HK\$2.3 million, as compared with a loss of approximately HK\$8.1 million during the corresponding period last year. The turnaround was mainly attributable to the acquisition of 51% of Jade Dynasty Holdings Limited ("JDH") in April 2004, as well as the disposal of its loss-making businesses. Basic earnings per share were 0.3 HK cents (loss per share in 2003: 2.3 HK cents).

### OPERATIONAL REVIEW

#### *Comics Publication and related business*

The satisfactory performance of the Group's comics publication and related business reflected the five-month contribution from the acquisition of 51% of JDH in April 2004, as well as the sales of one Chinese comic titled, "The Four Famous Detectives". Together with all comic titles under JDH, the Group published and sold 8 local Chinese comics on a weekly or bi-weekly basis and 30 Japanese comics on a monthly basis. During the Period, revenue and net profit from its comics publication and related business was HK\$55.0 million and HK\$4.6 million respectively, which has been becoming the Group's core business.

#### *Catering Business*

The Company has only two remaining operations under its catering business, namely, Forever Green Taiwanese Restaurant and My Wife's Beef Noodle Shop (formerly known as "Yuk Man Home Made Noodle Shop" which was then changed to "Taiwan Forever Green Cuisine").

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2004 were approximately HK\$165.3 million which were financed by the shareholders' fund, minority interests and total liabilities of HK\$107.6 million, HK\$14.5 million and HK\$43.2 million respectively.

The Group's gearing ratio computed as total borrowings over shareholders' fund was 19% as at 30 September 2004 (31 March 2004: 9%).



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **LIQUIDITY AND FINANCIAL RESOURCES** *(Continued)*

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

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

### **CAPITAL STRUCTURE**

During the Period, the Company 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, with net proceeds amounting to approximately HK\$20.9 million. Furthermore, the Company transferred its 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 applied the amount of approximately HK\$236.9 million from the contributed surplus account to set off against its accumulated losses.

### **EMPLOYEE REMUNERATION**

As at 30 September 2004, the Group had 252 permanent employees and 4 part-time employees. Employee costs (excluding director emoluments) amounted to approximately HK\$19.5 million for the Period. All permanent employees are remunerated under a fixed monthly salary with a discretionary bonus.

There has been no change to the share option scheme adopted by the Company on 7 October 2002. A total of 22.7 million share options have been granted to certain directors and consultants since its adoption.

### **CHARGES ON ASSETS**

As at 30 September 2004, a leasehold property of the Group with net book value of HK\$15.1 million and a bank deposit of HK\$3 million was pledged to secure general banking facilities granted to the Group.

### **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the Period (2003: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### NAME CHANGE

To reflect the changes in the principal activities of the Group after the disposal of its substantial restaurant operations and the acquisition of its substantial comics publication and related business, in September 2004, the Company changed its name from "Jade Dynasty Food Culture Group Limited" to "Jade Dynasty Group Limited". A new Chinese name of "玉皇朝集團有限公司" was also adopted by the Company to replace the old Chinese name of "玉皇朝飲食文化集團有限公司" for identification purposes.

### PROSPECTS

In October 2004, the Company completed its major acquisition of the remaining 49% interest of JDH, a leading comics publisher with its chief creative officer, Mr. Wong Chun Loong alias Wong Yuk Long, also the controlling shareholder of the Company. At present, the Company holds 100% of the total issued share capital of JDH and the management expects the acquisition will bring forth valuable contributions to the Company's future prospects and a good long-term investment opportunity for enhancing its earning power.

The Directors consider that JDH has competitive advantages over its peers in the comics publication industry, in terms of the exclusive services provided by Mr. Wong Yuk Long and his creative team, the experience and expertise of the management team, the breadth of distribution network and the ability to maintain continuity and popularity of its 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 adaptation into animated TV episodes and films which may then bring about a number of derivative products, including animation-derived comics books and other animation-derived merchandising items for the PRC childrens' market with a population of 380 million. Taking into account JDH's leading position in the comics publication market and its progressive business track record, the Directors consider JDH having a sound business model with considerable growth potential, especially in PRC's cultural industry of an estimated market size of RMB60 billion for 2005 and its liberalization of magazine and book distribution mechanism in the near future.

It is the Company's corporate mission to promote home-grown comics and cultural industry to every corner in the world, encouraging global cultural exchange through comics and animation and targeting to be the leader in Asia's animation industry. The management is determined to steer the company along this direction and aim at accomplishing the aforesaid goals within a time frame of 3 to 5 years.



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### INDEPENDENT REVIEW REPORT

**TO THE BOARD OF DIRECTORS OF JADE DYNASTY GROUP LIMITED  
(FORMERLY KNOWN AS “JADE DYNASTY FOOD CULTURE GROUP LIMITED”)**  
*(Incorporated in Bermuda with limited liability)*

#### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 6 to 16.

#### Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2004.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 11 December 2004



**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

|   |              | <b>Six months ended</b> |             |
|---|--------------|-------------------------|-------------|
|   |              | <b>30.9.2004</b>        | 30.9.2003   |
|   |              | <b>(unaudited)</b>      | (unaudited) |
|   | <i>Notes</i> | <b>HK\$'000</b>         | HK\$'000    |
| Turnover  | 3            | <b>64,056</b>           | 118,629     |
| Cost of goods sold                                |              | <b>(34,473)</b>         | (37,830)    |
| Direct operating expenses                         |              | <b>(5,444)</b>          | (70,575)    |
|   |              | <b>24,139</b>           | 10,224      |
| Other operating income                            |              | <b>1,278</b>            | 832         |
| Selling and distribution costs                    |              | <b>(2,369)</b>          | (4,070)     |
| Administrative expenses                           | 4            | <b>(16,646)</b>         | (10,740)    |
| Loss on disposal of property, plant and equipment |              | -                       | (1,504)     |
| Profit (loss) from operations                     |              | <b>6,402</b>            | (5,258)     |
| Finance costs                                     |              | <b>(526)</b>            | (1,210)     |
| Gain on disposal of subsidiaries                  | 16           | <b>1,361</b>            | -           |
| Profit (loss) before tax                          |              | <b>7,237</b>            | (6,468)     |
| Income tax expense                                | 5            | <b>(1,239)</b>          | (348)       |
| Profit (loss) before minority interests           |              | <b>5,998</b>            | (6,816)     |
| Minority interests                                |              | <b>(3,663)</b>          | (1,260)     |
| Net profit (loss) for the period                  |              | <b>2,335</b>            | (8,076)     |
| Earnings (loss) per share                         |              |                         |             |
| Basic   | 6            | <b>0.3 cents</b>        | (2.3) cents |
| Diluted   |              | <b>0.3 cents</b>        | N/A         |



**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2004

|  | <i>Notes</i> | <b>30.9.2004<br/>(unaudited)<br/>HK\$'000</b> | 31.3.2004<br>(audited)<br>HK\$'000 |
|--|--------------|---|------------------------------------|
| <b>Non-current assets</b>                              |              |   |                                    |
| Property, plant and equipment                          | 7            | <b>17,644</b>                                 | 3,032                              |
| Intangible asset                                       | 8            | <b>3,133</b>                                  | 200                                |
| Club membership  |              | <b>100</b>                                    | –                                  |
| Goodwill   |              | <b>40,120</b>                                 | –                                  |
|  |              | <hr/> <b>60,997</b> <hr/>                     | <hr/> 3,232 <hr/>                  |
| <b>Current assets</b>                                  |              |   |                                    |
| Inventories  |              | <b>21,760</b>                                 | 234                                |
| Trade debtors  | 9            | <b>24,347</b>                                 | 1,328                              |
| Deposits and prepayments                               |              | <b>7,012</b>                                  | 2,195                              |
| Pledged bank deposit                                   |              | <b>3,000</b>                                  | –                                  |
| Bank balances and cash                                 |              | <b>48,205</b>                                 | 57,379                             |
|  |              | <hr/> <b>104,324</b> <hr/>                    | <hr/> 61,136 <hr/>                 |
| <b>Current liabilities</b>                             |              |   |                                    |
| Trade creditors  | 10           | <b>11,025</b>                                 | 1,340                              |
| Other creditors and accrued charges                    |              | <b>10,603</b>                                 | 3,108                              |
| Amount due to a related company                        | 11           | –   | 5                                  |
| Taxation payable                                       |              | <b>1,090</b>                                  | 274                                |
| Bank borrowings (secured) – amount due within one year | 12           | <b>19,489</b>                                 | –                                  |
| Other loan   | 13           | –   | 5,000                              |
|  |              | <hr/> <b>42,207</b> <hr/>                     | <hr/> 9,727 <hr/>                  |
| <b>Net current assets</b>                              |              |   |                                    |
|  |              | <hr/> <b>62,117</b> <hr/>                     | <hr/> 51,409 <hr/>                 |
| <b>Total assets less current liabilities</b>           |              |   |                                    |
|  |              | <hr/> <b>123,114</b> <hr/>                    | <hr/> 54,641 <hr/>                 |
| <b>Capital and reserves</b>                            |              |   |                                    |
| Share capital  | 14           | <b>1,428</b>                                  | 1,119                              |
| Share premium  |              | <b>3,336</b>                                  | 239,327                            |
| Special reserve  |              | <b>(36,810)</b>                               | (36,810)                           |
| Contributed surplus                                    |              | <b>49,394</b>                                 | –                                  |
| Exchange reserve                                       |              | <b>13</b>                                     | –                                  |
| Accumulated profit (losses)                            |              | <b>90,246</b>                                 | (148,995)                          |
|  |              | <hr/> <b>107,607</b> <hr/>                    | <hr/> 54,641 <hr/>                 |
| <b>Minority interests</b>                              |              |   |                                    |
|  |              | <hr/> <b>14,492</b> <hr/>                     | <hr/> – <hr/>                      |
| <b>Non-current liability</b>                           |              |   |                                    |
| Bank borrowings (secured) – amount due after one year  | 12           | <b>1,015</b>                                  | –                                  |
|  |              | <hr/> <b>123,114</b> <hr/>                    | <hr/> 54,641 <hr/>                 |





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

|   | Share<br>capital | Share<br>premium | Special<br>reserve | Contributed<br>surplus | Exchange<br>reserve | Accumulated<br>(losses)<br>profit | Total          |
|---|------------------|------------------|--------------------|------------------------|---------------------|-----------------------------------|----------------|
|   | HK\$'000         | HK\$'000         | HK\$'000           | HK\$'000               | HK\$'000            | HK\$'000                          | HK\$'000       |
| At 1 April 2003   | 714              | 176,480          | (36,810)           | -                      | -                   | (162,529)                         | (22,145)       |
| Net loss for the period   | -                | -                | -                  | -                      | -                   | (8,076)                           | (8,076)        |
| At 30 September 2003  | 714              | 176,480          | (36,810)           | -                      | -                   | (170,605)                         | (30,221)       |
| Issue of shares   | 405              | 65,203           | -                  | -                      | -                   | -                                 | 65,608         |
| Share issue expenses  | -                | (2,356)          | -                  | -                      | -                   | -                                 | (2,356)        |
| Net loss for the period   | -                | -                | -                  | -                      | -                   | 21,610                            | 21,610         |
| At 31 March 2004  | 1,119            | 239,327          | (36,810)           | -                      | -                   | (148,995)                         | 54,641         |
| Issue of shares   | 309              | 52,635           | -                  | -                      | -                   | -                                 | 52,944         |
| Share issue expenses  | -                | (2,326)          | -                  | -                      | -                   | -                                 | (2,326)        |
| Share premium reduction<br>(Note)                               | -                | (286,300)        | -                  | 286,300                | -                   | -                                 | -              |
| Eliminated against<br>accumulated losses                        | -                | -                | -                  | (236,906)              | -                   | 236,906                           | -              |
| Exchange difference on<br>translation of overseas<br>operations | -                | -                | -                  | -                      | 13                  | -                                 | 13             |
| Net profit for the period                                       | -                | -                | -                  | -                      | -                   | 2,335                             | 2,335          |
| <b>At 30 September 2004</b>                                     | <b>1,428</b>     | <b>3,336</b>     | <b>(36,810)</b>    | <b>49,394</b>          | <b>13</b>           | <b>90,246</b>                     | <b>107,607</b> |

Note: Pursuant to a special resolution passed at the annual general meeting of the Company on 10 August 2004, the Company reduced its share premium by an amount of approximately HK\$286,300,000 in accordance with the provisions of section 46 of the Bermuda Companies Act 1981 and transferred the same amount to the contributed surplus account of the Company. On the same date, the Company applied an amount of approximately HK\$236,906,000 from the contributed surplus account against the accumulated losses.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

|  |      | <b>Six months ended</b> |             |
|--|------|-------------------------|-------------|
|  |      | <b>30.9.2004</b>        | 30.9.2003   |
|  |      | <b>(unaudited)</b>      | (unaudited) |
|  | Note | <b>HK\$'000</b>         | HK\$'000    |
| Net cash (used in) generated from operating activities |      | <b>(8,223)</b>          | 11,453      |
| Investing activities                                   |      |                         |             |
| Net cash used in acquisition of subsidiaries           | 16   | <b>(18,887)</b>         | –           |
| Net cash generated from disposal of subsidiaries       | 16   | <b>2,236</b>            | –           |
| Increase in pledged bank deposit                       |      | <b>(3,000)</b>          | –           |
| Net cash used in other investing activities            |      | <b>(124)</b>            | (5,619)     |
| Net cash used in investing activities                  |      | <b>(19,775)</b>         | (5,619)     |
| Financing activities                                   |      |                         |             |
| Proceeds from issue of shares                          |      | <b>19,743</b>           | –           |
| Repayment of bank loans                                |      | –                       | (41,404)    |
| New bank loans raised                                  |      | <b>3,877</b>            | –           |
| (Repayment of other loans) other loans raised          |      | <b>(5,000)</b>          | 35,400      |
| Others   |      | <b>(518)</b>            | 4,282       |
| Net cash generated from (used in) financing activities |      | <b>18,102</b>           | (1,722)     |
| Net (decrease) increase in cash and cash equivalents   |      | <b>(9,896)</b>          | 4,112       |
| Cash and cash equivalents at beginning of the period   |      | <b>57,379</b>           | (4,164)     |
| Cash and cash equivalents at end of the period         |      | <b>47,483</b>           | (52)        |
| Analysis of the balances of cash and cash equivalents  |      |                         |             |
| Bank balances and cash                                 |      | <b>48,205</b>           | 2,579       |
| Bank overdrafts  |      | <b>(722)</b>            | (2,631)     |
|  |      | <b>47,483</b>           | (52)        |



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004, except as described below.

#### *Goodwill*

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life.

### 3. SEGMENT INFORMATION

#### *Business segments*

For management purposes, the Group is currently organised into three main operating divisions, namely, publication, multimedia development and restaurant operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

|                        |   |  |
|------------------------|---|--|
| Publication            | – | publication of comics and related business |
| Multimedia development | – | development of animation and games         |
| Restaurant operations  | – | operating of restaurants                   |



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### 3. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2004

|   | Publication<br>(unaudited)<br>HK\$'000 | Multimedia<br>development<br>(unaudited)<br>HK\$'000 | Restaurant<br>operations<br>(unaudited)<br>HK\$'000 | Consolidated<br>(unaudited)<br>HK\$'000 |
|---|--|--|---|---|
| Turnover  | <u>54,684</u>                          | <u>351</u>   | <u>9,021</u>  | <u>64,056</u>                           |
| Segment profit (loss)                             | <u>10,430</u>                          | <u>(352)</u>   | <u>(498)</u>  | <u>9,580</u>                            |
| Gain on disposal of subsidiaries                  |  |  | 1,361   | 1,361                                   |
| Unallocated corporate expenses                    |  |  |   | <u>(3,704)</u>                          |
| Profit before tax                                 |  |  |   | <u>7,237</u>                            |
| Income tax expense                                |  |  |   | <u>(1,239)</u>                          |
| Profit after tax and before<br>minority interests |  |  |   | <u>5,998</u>                            |

In prior period, the Group was principally engaged in the operation of restaurants in Hong Kong.

### 4. DEPRECIATION AND AMORTISATION

During the period, depreciation of property, plant and equipment of approximately HK\$1,200,000 (2003: HK\$7,365,000), amortisation of intangible asset of approximately HK\$431,000 (2003: HK\$17,000) and amortisation of goodwill of approximately HK\$905,000 (2003: Nil) included as administrative expenses were charged to the income statement.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

**5. INCOME TAX EXPENSE**

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the six months ended 30 September 2004.

The income tax expense for the six months ended 30 September 2004 can be reconciled to the profit (loss) per the condensed consolidated income statement as follows:

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30.9.2004</b>        | 30.9.2003   |
|  | <b>(unaudited)</b>      | (unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| Profit (loss) before tax                                       | <b>7,237</b>            | (6,468)     |
| Tax at the Hong Kong Profits Tax rate of 17.5%                 | <b>1,266</b>            | (1,132)     |
| Tax effect of expenses that are not deductible for tax purpose | <b>200</b>              | 3           |
| Tax effect of income not taxable for tax purpose               | <b>(372)</b>            | –           |
| Tax effect of tax losses/deferred tax assets not recognised    | <b>663</b>              | 1,477       |
| Utilisation of tax losses previously not recognised            | <b>(518)</b>            | –           |
| Income tax expense for the period                              | <b>1,239</b>            | 348         |

**6. EARNINGS (LOSS) PER SHARE**

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30.9.2004</b>        | 30.9.2003   |
|  | <b>(unaudited)</b>      | (unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| Profit (loss) for the purposes of basic and diluted earnings (loss) per share                | <b>2,335</b>            | (8,076)     |
| Weighted average number of shares for the purposes of basic earnings (loss) per share (Note) | <b>678,793,605</b>      | 354,354,208 |
| Effect of dilutive potential shares Share options  | <b>3,626,017</b>        |             |
| Weighted average number of shares for the purpose of diluted earnings per share              | <b>682,419,622</b>      |             |

No diluted loss per share has been presented in prior period as the exercise of the Company's share options would reduce the loss per share.

Note: The weighted average number of ordinary shares for the purpose of basic loss per share in prior period has been adjusted for the rights issue on 15 January 2004.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

**7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$187,000 (2003: HK\$7,823,000).

In addition, the Group acquired property, plant and equipment through the acquisition of subsidiaries of approximately HK\$17,065,000 during the period.

**8. MOVEMENTS IN INTANGIBLE ASSET**

Intangible asset represented copyrights and trademarks. During the period, the Group acquired intangible asset through the acquisition of subsidiaries of approximately HK\$3,364,000 and incurred amortisation of intangible asset of approximately HK\$431,000 (2003: HK\$17,000). The intangible asset has useful life ranges from 2 to 5 years.

**9. TRADE DEBTORS**

The Group does not define a fixed credit policy for its major trade debtors arise from credit card sales. The Group allows an average credit period ranging from 30 days to 60 days for its comics publication business.

The following is an aged analysis of trade debtors at the reporting date:

|              | <b>30.9.2004</b><br><b>(unaudited)</b><br><b>HK\$'000</b> | 31.3.2004<br>(audited)<br>HK\$'000 |
|--------------|---|------------------------------------|
| 0-30 days    | <b>4,698</b>  | 790                                |
| 31-60 days   | <b>8,051</b>  | 538                                |
| 61-90 days   | <b>6,023</b>  | -                                  |
| Over 90 days | <b>5,575</b>  | -                                  |
|              | <b><u>24,347</u></b>                                      | <b><u>1,328</u></b>                |

**10. TRADE CREDITORS**

The following is an aged analysis of trade creditors at the reporting date:

|              | <b>30.9.2004</b><br><b>(unaudited)</b><br><b>HK\$'000</b> | 31.3.2004<br>(audited)<br>HK\$'000 |
|--------------|---|------------------------------------|
| 0-30 days    | <b>2,520</b>  | 892                                |
| 31-60 days   | <b>3,037</b>  | 448                                |
| 61-90 days   | <b>2,290</b>  | -                                  |
| Over 90 days | <b>3,178</b>  | -                                  |
|              | <b><u>11,025</u></b>                                      | <b><u>1,340</u></b>                |



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### 11. AMOUNT DUE TO A RELATED COMPANY

The related company was a company in which the deemed substantial shareholder of the Company, Mr. Wong Chun Loong ("Mr. Wong"), had a beneficial interest.

The amount was unsecured, interest free and was repayable on demand. During the period, the balance was fully repaid.

### 12. BANK BORROWINGS (SECURED)

During the period, the Group obtained bank loans through the acquisition of subsidiaries of the amount of approximately HK\$20,504,000. The loans bear interest at market rates. Included in this amount of HK\$6,004,000, which is repayable by instalment. The remaining balance is repayable within one year.

### 13. OTHER LOAN

The balance as at 31 March 2004 was secured, bore interest at the best lending rate per annum and was repayable on demand. During the period, the balance was fully repaid.

### 14. SHARE CAPITAL

|   | Number<br>of shares<br>'000 | Share<br>capital<br>HK\$'000 |
|---|-----------------------------|------------------------------|
| Ordinary shares of HK\$0.002 each   |                             |                              |
| Issued and fully paid   |                             |                              |
| At 1 April 2004   | 559,663                     | 1,119                        |
| Issued in consideration for the acquisition of<br>Jade Dynasty Holdings Limited ("JDH") | 84,443                      | 169                          |
| Placing of new shares   | 70,000                      | 140                          |
|   | <hr/>                       | <hr/>                        |
| <b>At 30 September 2004</b>   | <b>714,106</b>              | <b>1,428</b>                 |

### 15. DEFERRED TAXATION

At 30 September 2004, the Group has estimated unused tax losses of approximately HK\$16,236,000 (31.3.2004: HK\$17,647,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### 16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

#### Acquisition

On 22 April 2004, the Group acquired 51% of the issued share capital of JDH at a consideration of approximately HK\$52,298,000, of which approximately HK\$21,424,000 are satisfied by cash and approximately HK\$30,874,000 are satisfied by the issue of shares. This transaction has been accounted for using the purchase method of accounting.

JDH and its subsidiaries are principally engaged in publication of comics books and multimedia development.

The effect of the acquisition is summarised as follows:

|   |                         |
|---|-------------------------|
|   | (unaudited)<br>HK\$'000 |
| Net assets acquired                     | 11,273                  |
| Goodwill arising on acquisition         | 41,025                  |
|   | <hr/>                   |
| Total consideration                     | 52,298                  |
|   | <hr/>                   |
| Satisfied by:                           |                         |
| Cash                                    | 21,424                  |
| Shares allotted                         | 30,874                  |
|   | <hr/>                   |
|   | 52,298                  |
|   | <hr/>                   |
| Net cash outflow arising on acquisition |                         |
| Cash consideration                      | 21,424                  |
| Bank balances and cash acquired         | (2,537)                 |
|   | <hr/>                   |
|   | 18,887                  |
|   | <hr/>                   |

The subsidiaries acquired during the period contributed approximately HK\$50,300,000 to the Group's turnover and approximately HK\$8,544,000 to the Group's profit from operations.





**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

**16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** (Continued)

*Disposal*

On 29 June 2004, the Group disposed of 100% equity interest of Pacific Glory Holdings Limited ("Pacific Glory"). Pacific Glory and its subsidiaries are principally engaged in operating restaurants. The net assets of Pacific Glory at the date of disposal were as follows:

|                                     | (unaudited)<br>HK\$'000 |
|-------------------------------------|-------------------------|
| Net assets disposed of              | 3,639                   |
| Gain on disposal                    | 1,361                   |
|                                     | <hr/>                   |
| Cash consideration                  | 5,000                   |
|                                     | <hr/>                   |
| Net cash inflow arising on disposal |                         |
| Cash consideration                  | 5,000                   |
| Bank balances and cash disposed of  | (2,764)                 |
|                                     | <hr/>                   |
|                                     | 2,236                   |
|                                     | <hr/>                   |

The subsidiaries disposed of during the period contributed approximately HK\$3,811,000 (2003: HK\$5,468,000) to the Group's turnover and approximately HK\$212,000 (2003: loss of HK\$541,000) to the Group's profit (loss) from operations.

**17. POST BALANCE SHEET EVENTS**

On 19 October 2004, the Company completed the acquisition of a total of 490,000 shares of JDH, representing the remaining 49.0% of the total issued share capital of JDH. Thereafter, JDH became a wholly owned subsidiary of the Company.

The consideration was HK\$98 million satisfied by the issue of the 2% interest bearing convertible notes in an aggregate principal amount of approximately HK\$65,333,000 due on 2007 and the payment of cash sum of approximately HK\$32,667,000.

**18. RELATED PARTY TRANSACTIONS**

In prior period, amounts totalling HK\$2,000,000 were advanced by Jade Dynasty Publications Limited, a company in which Mr. Wong had a beneficial interest. The loan was guaranteed by Mr. Wong, bore interest at the best lending rate plus 1.5% per annum and had been fully repaid on 16 December 2003.



## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2004, the interests and short position of the directors and chief executives of the Company in the shares or underlying shares or, as the case may be, the debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Interests in issued shares

| Name of director                | The Company/<br>name of subsidiary/<br>name of associated<br>corporation | Capacity                          | Number of<br>securities                   | Percentage of<br>the issued<br>share capital<br>of the Company |
|---------------------------------|--|-----------------------------------|---|--|
| Dr. Chan Kong Sang,<br>Jackie   | The Company  | Beneficiary of trust              | 36,599,333 shares<br>(Note 1)             | 5.13%  |
|                                 | Jade Dynasty<br>Holdings Limited<br>("JDH")                              | Beneficiary of trust              | 11,454 ordinary shares<br>(Notes 2 and 9) | N/A  |
| Mr. Cheung Ting Kau,<br>Vincent | The Company  | Beneficiary of trust              | 3,833,333 shares<br>(Note 3)              | 0.54%  |
| Mr. Tong Kai Lap                | Super Empire<br>Investments Limited<br>("Super Empire")                  | Beneficial owner                  | 5 ordinary shares<br>(Note 4)             | N/A  |
|                                 | JDH  | Founder of<br>discretionary trust | 10,404 ordinary shares<br>(Notes 5 and 9) | N/A  |
|                                 | JDH  | Interest of spouse                | 9,568 ordinary shares<br>(Notes 6 and 9)  | N/A  |
| Mr. Wan Siu Lun                 | JDH  | Beneficial owner                  | 9,827 ordinary shares<br>(Notes 7 and 9)  | N/A  |
| Mr. Wong Chun Keung             | JDH  | Beneficial owner                  | 11,832 ordinary shares<br>(Notes 8 and 9) | N/A  |

#### Notes:

- (1) These shares are beneficially owned by Pariain Enterprises Corp., a company controlled by the discretionary trust of Dr. Chan Kong Sang, Jackie.



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**  
*(Continued)*

- (2) These shares are beneficially owned by Noble River Limited, a company controlled by the discretionary trust of Dr. Chan Kong Sang, Jackie. These shares represent 1.14% of the issued share capital of JDH.
- (3) These shares are beneficially owned by Giant Profit Investments Inc., a company controlled by the discretionary trust of Mr. Cheung Ting Kau, Vincent.
- (4) Mr. Tong Kai Lap is the registered shareholder of 5 shares of, which represent 5% interest in, Super Empire, a substantial shareholder and an associated corporation of the Company.
- (5) These shares represent 1.04% of the issued share capital of JDH, a subsidiary of the Company.
- (6) These shares represent 0.95% of the issued share capital of JDH, a subsidiary of the Company.
- (7) These shares represent 0.98% of the issued share capital of JDH, a subsidiary of the Company.
- (8) These shares represent 1.18% of the issued share capital of JDH, a subsidiary of the Company.
- (9) Pursuant to a sale and purchase agreement dated 17 August 2004, the Company has agreed to acquire these shares in JDH. Following the completion of such agreement on 19 October 2004, JDH has become a wholly owned subsidiary of the Company.

*Interests in convertible notes and unissued shares of the Company (Note 1)*

| <b>Name of director</b>                      | <b>Principal amount of debentures interested</b> | <b>Number of unissued shares interested</b> | <b>Capacity</b>                |
|--|--|---|--------------------------------|
| Dr. Chan Kong Sang Jackie<br><i>(Note 2)</i> | HK\$1,527,200                                    | 3,054,400                                   | Beneficiary of trust           |
| Mr. Tong Kai Lap <i>(Note 3)</i>             | HK\$1,387,200                                    | 2,774,400                                   | Founder of discretionary trust |
| Mr. Tong Kai Lap <i>(Note 4)</i>             | HK\$1,275,733                                    | 2,551,466                                   | Interest of spouse             |
| Mr. Wan Siu Lun                              | HK\$1,310,267                                    | 2,620,534                                   | Beneficial owner               |
| Mr. Wong Chun Keung                          | HK\$1,577,600                                    | 3,155,200                                   | Beneficial owner               |



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**  
*(Continued)*

*Notes:*

- (1) The convertible notes were issued by the Company on 19 October 2004 upon completion of an agreement for the sale and purchase of 49% equity interests in JDH dated 17 August 2004. The conversion shares falling to be issued upon exercise of the conversion rights attaching to the convertible notes are unissued shares in which the directors had interests. The respective numbers of unissued shares disclosed above are arrived at based on the initial conversion price of HK\$0.50 per share and assuming full conversion of the convertible notes.
- (2) Interest in the convertible notes and the unissued shares is beneficially owned by Noble River Limited, a company controlled by the discretionary trust of Dr. Chan Kong Sang, Jackie. Accordingly, Dr. Chan is deemed to be interested in these securities.
- (3) Interest in the convertible notes and the unissued shares shown in this row is beneficial owned by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong Kai Lap is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (4) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia, the spouse of Mr. Tong Kai Lap. Accordingly, Mr. Tong is deemed to be interested in these securities.

*Interests in underlying shares of the Company*

As at 30 September 2004, the following directors of the Company had been granted with options to subscribe for shares of the Company pursuant to the share option scheme of the Company:

| <b>Name of director</b>      | <b>Number of shares subject to options</b> | <b>Date of grant</b> | <b>Option expiry date</b> | <b>Exercise price per share</b> |
|------------------------------|--|----------------------|---------------------------|---------------------------------|
| Dr. Chan Kong Sang, Jackie   | 3,000,000 shares                           | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Chan Chee Kheong         | 1,200,000 shares                           | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. So Che Hung, Solon       | 900,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Cheung Ting Kau, Vincent | 900,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Tong Kai Lap             | 2,666,666 shares                           | 27 March 2003        | 27 March 2006             | HK\$0.267                       |
|                              | 900,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Wong Chun Keung          | 2,666,666 shares                           | 27 March 2003        | 27 March 2006             | HK\$0.267                       |
|                              | 800,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Wan Siu Lun              | 2,666,666 shares                           | 27 March 2003        | 27 March 2006             | HK\$0.267                       |
|                              | 800,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |
| Mr. Ko Chi Keung             | 1,600,000 shares                           | 27 March 2003        | 27 March 2006             | HK\$0.267                       |
|                              | 500,000 shares                             | 2 April 2004         | 2 April 2007              | HK\$0.363                       |



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**  
*(Continued)*

*Interests in underlying shares of the Company (Continued)*

Other than as disclosed above, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2004.

**SUBSTANTIAL SHAREHOLDERS**

*Interests in issued shares of the Company*

| <b>Name of shareholder</b>                       | <b>Capacity</b>                | <b>Number of shares</b> | <b>Percentage of the issued share capital of the Company</b> |
|--|--------------------------------|-------------------------|--|
| Super Empire                                     | Beneficial owner               | 330,935,100             | 46.34%   |
| Mr. Wong Chun Loong <i>(Note 1)</i>              | Held by controlled corporation | 330,935,100             | 46.34%   |
| Kingston Finance Limited ("KFL") <i>(Note 2)</i> | Security interest              | 330,935,100             | 46.34%   |
| Ms. Ma Siu Fong <i>(Note 3)</i>                  | Held by controlled corporation | 333,935,100             | 46.76%   |
| Mrs. Chu Yuet Wah <i>(Note 3)</i>                | Held by controlled corporation | 333,935,100             | 46.76%   |
| Mr. Kei Kin Hung                                 | Beneficial owner               | 55,500,000              | 7.77%  |

*Notes:*

- (1) Super Empire is a company controlled by Mr. Wong Chun Loong. Accordingly, Mr. Wong is deemed to be interested in the 330,935,100 shares held by Super Empire.
- (2) Super Empire has pledged to Kingston Financial Limited ("KFL") the 330,935,100 shares which it owns in the Company. Such shares are pledged to KFL for the purpose of securing credit facilities granted to Super Empire. Accordingly, KFL has a security interest in these shares.
- (3) KFL and Kingston Securities Limited are companies controlled by Ms. Ma Siu Fong and Mrs. Chu Yuet Wah. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 330,935,100 shares pledged by Super Empire to KFL and 3,000,000 shares options granted to Kingston Securities Limited on 2 April 2004.



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

*Interests in unissued shares in the Company*

At 30 September 2004, the following substantial shareholder (Note 1) held the following interests in the unissued shares in the Company:

| <b>Name of shareholder</b> | <b>Capacity</b>  | <b>Number of unissued shares</b> | <b>Approximate % of the total number of issued shares</b><br><i>(Note 2)</i> |
|----------------------------|------------------|----------------------------------|--|
| Mr. Wong Chun Loong        | Beneficial owner | 113,005,866                      | 15.82%   |
| Mr. Wong Chun Loong        | Held by spouse   | 459,200 <i>(Note 3)</i>          | 0.06%  |

*Notes:*

- (1) On 19 October 2004, convertible notes were issued by the Company to Mr. Wong Chun Loong and his associate. The unissued shares disclosed above are the conversion shares falling to be issued upon exercise of the conversion rights attaching to these convertible notes. The number of unissued shares disclosed is arrived at based on the initial conversion price of HK\$0.50 per share and assuming full conversion of the convertible notes.
- (2) The denominator used is 714,106,184 Shares, being the total number of shares in issue as at 30 September 2004.
- (3) Interest in these 459,200 unissued shares is held by Ms. Ngai Man Kuen, Annie, the spouse of Mr. Wong Chun Loong. Accordingly, Mr. Wong is deemed to be interested in these unissued shares.

*Interests in shares of other members of the Group*

| <b>Name of shareholder</b>             | <b>Name of Group companies</b> | <b>Number of Shares</b> | <b>Approximate % of the total number of issued shares</b> |
|--|--------------------------------|-------------------------|---|
| Mr. Wong Chun Loong and his associates | JDH                            | 428,484                 | 42.85%  |

Other than as disclosed above, none of the Directors, chief executive nor their respective associates, had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations as at 30 September 2004.



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004*

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

*Interests in shares of other members of the Group (Continued)*

Mr. Tong Kai Lap and Mr. Wong Chun Keung, being Directors of the Company, are also directors of Super Empire, being a company which has an interest or short position in the shares and underlying shares of the Company.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

**AUDIT COMMITTEE**

On 30 September 2004, the board of Directors adopted a written terms of reference for audit committee based on the guidelines set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the requirements as set out in Rules 3.21 to 3.23 to the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Ho Yiu Ming, Kwong Chi Keung and Ma Fung Kwok. The audit committee has reviewed the condensed consolidated financial statements for the six months ended 30 September 2004 with the board of Directors and the auditors of the Company.

By Order of the Board  
**Ko Chi Keung**  
*Director*

Hong Kong, 11 December 2004