



CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

Following the Company's completion of its major acquisition of the 51% and 49% interest of Jade Dynasty Holdings Limited ("JDH") in April 2004 and October 2004 respectively as well as the disposals of the Group's loss-making G. Sushi restaurant, Suishaya Japanese Restaurant and My Wife's Beef Noodle Shop in November 2003, June 2004 and March 2005 respectively, the financial performance of the Group changed significantly.

For the year ended 31 March 2005, the Group recorded a turnover of HK\$123 million as compared to HK\$166.5 million last year. Turnover from its comics publication and related business rose by 16.7 times to approximately HK\$107.3 million, as compared to HK\$6 million in last year. Meanwhile, the turnover from its restaurant operations was HK\$15.7 million, as compared to approximately HK\$160.4 million in last year.

During the year, the Group recorded a profit of approximately HK\$11.1 million, as compared with a profit of approximately HK\$13.5 million for the last financial year. Operating profit from its comics publication and related business rose by 4.8 times to approximately HK\$10.4 million, as compared to HK\$1.8 million in last year. Whereas, operating profit from its catering business was HK\$0.2 million and a net gain on disposals of restaurants of HK\$0.5 million, as compared to operating loss of HK\$14.3 million and a gain on disposal of restaurant of HK\$26 million for previous year.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2005.

OPERATIONAL REVIEW

Comics Publication and Related Business

The remarkable performance of the Group's comics publication and related business reflected the six-month contribution from the acquisition of 51% of JDH in April 2004, and the subsequent five-month contribution of the 100% of JDH since October 2004. Since the acquisition of JDH, the Group published and sold 7 local Chinese comics on a weekly or bi-weekly basis and approximately 30 Japanese comics on a monthly basis.

Catering Business

The Directors considered that further resources allocations to this business segment as compared with comics publication and related business was not justified. Accordingly, all the restaurant operations were either disposed of on or before 31 March 2005 or being discontinued on 30 April 2005.



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NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 March 2005, the Group had 163 permanent employees and 11 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$43.7 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. A total of 61.8 million share options have been granted to certain directors, employees, consultants, advisors, customers, shareholders and business associates as at 31 March 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2005 were approximately HK\$210.7 million which were financed by the shareholders' fund and total liabilities of HK\$116.2 million and HK\$94.5 million respectively.

During the year, net proceeds of approximately HK\$20.9 million were received from a top-up placing of 70 million new shares. On the other hand, the Company has issued HK\$65.3 million convertible notes as part of the total consideration for the acquisition of the 49% remaining equity interest in JDH. The Group's gearing ratio then computed as total borrowings over shareholders' fund was 63.5% as at 31 March 2005 (31 March 2004: 9%).

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 year, 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\$286.3 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.

CHARGES ON ASSETS

As at 31 March 2005, certain assets of the Group with an aggregate amount of HK\$19 million were pledged to secure general banking facilities granted to the Group.

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.





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PROSPECTS

The financial year just passed marked a new era for the Company with all the disposal/ discontinuation of its catering operation completed and at the same time, the acquisition of the entire interest of JDH as stated in the Circular dated 15 September 2004. The substantial contribution from comics distribution and related business from the PRC market would be capitalized to the group in the years to come. Working towards this direction, the Company is realizing our dream into business, the home-grown comic stories, such as The Weapon and Super Dragon and Tiger Heros, are adapting into animated TV episodes and movie.

Being one of the leading companies in kind, our creative team is headed by the paramount comics publisher Mr. Wong Chun Loong alias Wong Yuk Long, who is the Chairman of Hong Kong Comics Federation Limited and Visiting Professor of Beijing Film Academy – Animation Academy. The Company now concentrates on comics publication and related business, with particular emphasis in animation. In order to carry through the corporate mission of promoting homegrown comics and cultural industry to every corner of the world, the Company starts to lay foot on the PRC. The State Administration of Radio Film and Television (“SARFT”) of PRC indicated in “Some Comments regarding the Development of the TV and Film Animation Industry in Our Country” dated 20 April 2004, that it is urgent to solve the shortage in supply of children’s domestic TV and film programs. Our library of copyrights of comic titles would provide the solution, in which the interesting stories with Chinese element and educational principle are ready to adapt into animated TV series for children. The SARFT also stated in their notice that “private animation production agencies with good reputation and proper operation would be treated equally with state-owned animation and relative comic production organizations, in accordance with the policies”. The first animation project is the co-production with China Central Television (“CCTV”) in the animated TV series titled “The Invincible Amour” of 52 episodes, which is a cute version animation adapted from the comics titled “The Weapon”. A Letter of Intent on Co-operation was signed in July 2005 between the Company and CCTV to confirm this co-production project. We are looking forward excitedly for the broadcasting of these 52-episodes animated TV series in CCTV networks facing the population of about 13 billions in the near future, which will be closely followed by launching of our animation-derived products in the PRC. All the copyrights of the animation and its derivative products will be co-owned by the Company and CCTV. I believe this is a big step forward for the Company’s business and home-grown animations and their derived products in the PRC market, where the potentials of expansion is huge in the coming decades.

The cultural industry scene in the PRC is thriving in recent years and the Company distributes our homegrown comics in collaboration with state-owned publishers in the PRC to 65 cities currently. To cope with the maturing internet market, the Company chooses to work in collaboration with the digital publication medium, TriWorks Computer & Telecommunications Technology (Shanghai) Company Limited (“TriWorks”). Through the internet platform of Shanda Interactive Entertainment Limited (“Shanda”), the largest online game company in the PRC, all online comics of the Group will be integrated with TriWorks’ DigiBook online reading system by signing the Letter of Intent on Co-operation in July 2005. The Company becomes the online content provider, making our home-grown comics available to 45 million paid subscribers of Shanda directly. This penetration of readership will create significant revenues for the Company, and will bring along extensive and positive influence to the promotion of our comics at the same time, which paves the way for our further development in the PRC in the future.



CHAIRMAN'S STATEMENT

As a listed company, the Directors are aware of the requirements to comply with the Listing Rules in respect of the Practising Corporate Governance in Hong Kong. In this regard, the Company has started to devote efforts on such compliance including but not limited to the set up of the Remuneration Committee on 24 March 2005, in addition to our existing Audit Committee which are working to secure the interests of shareholders and enhance accountability.

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.

Tong Kai Lap

Chairman

Hong Kong, 20 July 2005

