



REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2005.

CHANGE OF NAME

Pursuant to a special resolution passed at the annual general meeting held on 10 August 2004, the name of the Company was changed 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries were principally engaged in the publication of comics books, multimedia development and operation of restaurants in Hong Kong.

During the year, the Group acquired Jade Dynasty Holdings Limited ("JDH") and its subsidiaries which were engaged in the publication of comics books, for a total consideration of approximately HK\$152 million.

During the year, the Group has commenced the process of discontinuing its operation of restaurants.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2005, the percentage of purchases attributable to the Group's five largest suppliers was less than 30%. The aggregate turnover attributable to the Group's five largest customers accounted for approximately 89% of the Group's total turnover of which the largest customer accounted for approximately 50%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.



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SHARE CAPITAL

On 22 April 2004, 83,442,718 new shares of HK\$0.002 each at an issue price of HK\$0.37 per share were issued as part of the consideration for the acquisition of 51% interests in JDH and 1,000,000 new shares of HK\$0.002 each at an issue price of HK\$0.37 per share were issued in settlement of the advisory fee payable to Oriental Patron Asia Limited in consideration of its services in connection with the above acquisition.

On 7 June 2004, 70,000,000 new shares of HK\$0.002 each at an issue price of HK\$0.31 per share were issued by way of top-up placing, with net proceeds amounting to approximately HK\$20.9 million.

Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 60.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired leasehold land and buildings and other property, plant and equipment of approximately HK\$17 million through the acquisition of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Tong Kai Lap (<i>Chairman</i>)	
Mr. Wan Siu Lun (<i>Deputy Chairman</i>)	
Mr. Wong Chun Keung	
Mr. Ko Chi Keung	
Mr. Kwong Chi Tak	(appointed on 1 January 2005)
Dr. Chan Kong Sang, Jackie	(resigned on 1 January 2005)
Mr. Chan Chee Kheong	(resigned on 1 January 2005)
Mr. Cheung Ting Kau, Vincent	(resigned on 1 January 2005)
Mr. So Che Hung, Solon	(resigned on 1 January 2005)

Independent non-executive directors:

Mr. Ho Yiu Ming	
Mr. Kwong Chi Keung	
Mr. Ma Fung Kwok	(appointed on 30 September 2004)





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In accordance with bye-law 86(2) of the Company's Bye-laws, any director appointed during the year will retire at the forthcoming annual general meeting and are eligible for re-election.

In accordance with bye-laws 87(1) and (2) of the Company's Bye-laws, one third of the directors (except for the Chairman) will retire at the forthcoming annual general meeting and are eligible for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period of two years or up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE NOTES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 March 2005, the interests of the directors and their associates in the shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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:

(A) Interests in issued shares

Name of director	Capacity	Number of shares	Percentage of the issued share capital of the Company
Mr. Tong Kai Lap ("Mr. Tong") (Note 1)	Founder of family trust	7,500,000 ordinary shares	1.05%

Note:

- (1) Interest in the issued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a family trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these shares.



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

Name of director	Capacity	Principal amount of convertible notes interested	Number of unissued shares interested
Mr. Tong Kai Lap ("Mr. Tong") (Note 2)	Founder of family trust	HK\$1,387,200	2,774,400
Mr. Tong (Note 3)	Interest of spouse	HK\$1,275,733	2,551,466
Mr. Wan Siu Lun	Beneficial owner	HK\$1,310,267	2,620,534
Mr. Wong Chun Keung	Beneficial owner	HK\$1,577,600	3,155,200
Mr. Kwong Chi Tak	Beneficial owner	HK\$665,333	1,330,666

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 shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a family trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (3) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia ("Patricia Wong"), the spouse of Mr. Tong. Accordingly, Mr. Tong is deemed to be interested in these securities.

Other than as disclosed above and in the section headed "Share Options" below, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or convertible notes of the Company or any of its associated corporations as at 31 March 2005.





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SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 7 October 2002. Particulars of the Scheme are set out in note 34 to the financial statements.

The following table discloses movements in the Company's share options held by its directors during the year:

Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Outstanding at 31 March 2005
Mr. Tong	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	900,000	-	900,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	1,200,000	-	1,200,000
Mr. Wan Siu Lun	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	800,000	-	800,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	1,200,000	-	1,200,000
Mr. Wong Chun Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	800,000	-	800,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	1,200,000	-	1,200,000
Mr. Ko Chi Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	-	-	1,600,000
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	500,000	-	500,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	1,000,000	-	1,000,000
Mr. Kwong Chi Tak ("Mr. Kwong") (Note 1)	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	-	-	1,600,000
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	300,000	-	300,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	1,200,000	-	1,200,000



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Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Outstanding at 31 March 2005
Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") (Note 2)	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	–	3,000,000	(3,000,000)	–
Mr. Chan Chee Kheong (Note 2)	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	–	1,200,000	(1,200,000)	–
Mr. So Che Hung, Solon (Note 2)	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	–	900,000	(900,000)	–
Mr. Cheung Ting Kau, Vincent (Note 2)	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	–	900,000	(900,000)	–
					11,199,998	15,100,000	(6,000,000)	20,299,998

Notes:

- (1) Share options were granted to Mr. Kwong on 27 March 2003 and 2 April 2004 in the capacity of a consultant of the Group. Mr. Kwong was appointed as a director of the Company on 1 January 2005.
- (2) Share options were lapsed upon the resignation of these directors.

The closing prices of the Company's shares immediately before 2 April 2004 and 6 January 2005, the respective dates of grant of the 2004 and 2005 options, were HK\$0.365 and HK\$0.370, respectively.

The fair values of the options granted in the current year measured under the Black-Scholes option pricing model as at the respective dates of grant on 2 April 2004 and 6 January 2005 were HK\$0.165 and HK\$0.096 per option, respectively.

For the purposes of calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.





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SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(A) Issued shares of the Company

Name of shareholder	Capacity	Number of shares	Percentage of the issued share capital of the Company
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	45.29%
Mr. Wong Chun Loong ("Mr. Wong") (Note 1)	Held by controlled corporation	323,435,100	45.29%
Kingston Finance Limited ("KFL") (Note 2)	Security interest	323,435,100	45.29%
Ms. Ma Siu Fong ("Ms. Ma") (Note 3)	Held by controlled corporation	323,435,100	45.29%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 3)	Held by controlled corporation	323,435,100	45.29%
Mr. Kei Kin Hung ("Mr. Kei")	Beneficial owner	35,340,000	4.95%
Dr. Jackie Chan (Note 4)	Held by trust	36,599,333	5.13%



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(B) Share options

Name of shareholder	Capacity	Number of share options	Number of underlying shares	Percentage of the issued share capital of the Company
Kingston Securities Limited ("KSL")	Beneficial owner	3,000,000	3,000,000	0.4%
Ms. Ma (Note 5)	Held by controlled corporation	3,000,000	3,000,000	0.4%
Mrs. Chu (Note 5)	Held by controlled corporation	3,000,000	3,000,000	0.4%
Mr. Kei	Beneficial owner	5,000,000	5,000,000	0.7%

(C) Unissued shares of the Company (Note 6)

Name of holder	Capacity	Number of unissued shares	Approximate % of the total number of issued shares (Note 7)
Mr. Wong (Note 8)	Beneficial owner	56,005,866	7.84%
Mr. Wong (Note 8)	Held by spouse	459,200 (Note 9)	0.06%
Dr. Jackie Chan (Note 10)	Held by trust	3,054,400	0.43%

Notes:

- (1) Super Empire is a company controlled by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the 323,435,100 shares held by Super Empire.
- (2) Super Empire has pledged to KFL the 323,435,100 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 is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 323,435,100 shares pledged by Super Empire to KFL.
- (4) These shares are beneficially owned by Pariain Enterprises Corp., a company controlled by the discretionary trust of Dr. Jackie Chan, a former director of the Company.





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- (5) KSL is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 3,000,000 share options.
- (6) 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.
- (7) The denominator used is 714,106,184 shares, being the total number of shares in issue as at 31 March 2005.
- (8) On 19 October 2004, convertible notes were issued by the Company to Mr. Wong and his associate.
- (9) Interest in these 459,200 unissued shares is held by Ms. Ngai Man Kuen, Annie, the spouse of Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in these unissued shares.
- (10) On 19 October 2004, a convertible note was issued by the Company to Noble River Limited, a company controlled by the discretionary trust of Dr. Jackie Chan, a former director of the Company.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2005.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.



CONNECTED TRANSACTIONS

1. On 26 February 2004, the Company has entered into two conditional sale and purchase agreements with Mr. Wong and other independent investors ("Strategic Investors") respectively for the acquisition of total of 510,000 shares of JDH, representing 51.00% of the total issued share capital of JDH. JDH and its subsidiaries (the "JDH Group") are principally engaged in the business of publishing and distributing comic publications as well as the sales of derivative products related to its comic titles mainly in Hong Kong and Taiwan. The JDH Group also licenses the distribution rights of its comic titles in overseas markets such as Taiwan, South Korea, Southeast Asian Countries (Thailand, Indonesia, Malaysia) and Europe.

Mr. Wong and the Strategic Investors, respectively, hold 633,967 shares and 299,805 shares of JDH, representing approximately 63.40% and 29.98% of the total issued share capital of JDH.

Pursuant to the first agreement, Mr. Wong has agreed to sell, and the Company has agreed to purchase 210,195 shares of JDH, representing approximately 21.02% of JDH's total issued share capital, at a consideration of HK\$21,019,500 payable in cash.

Pursuant to the second agreement, the Strategic Investors have agreed to sell, and the Company has agreed to purchase 299,805 shares of JDH in aggregate, representing approximately 29.98% of JDH's total issued share capital, at a consideration of HK\$29,980,500, which shall be satisfied by the issue and allotment of the 83,442,718 consideration shares and payment of the cash sum of HK\$2,444,400.

The first agreement and the second agreement were completed on 22 April 2004.

2. On 17 August 2004, the Company has entered into a conditional sale and purchase agreement with Mr. Wong and his associates; Rapid Alert International Limited (a company controlled by a family trust of which Mr. Tong is the founder); Patricia Wong; Wong Chun Keung; Wan Siu Lun; and Noble River Limited (a company controlled by the discretionary trust of Dr. Jackie Chan, a former director of the Company) ("the Vendors") for the acquisition of a total 490,000 shares of JDH, representing 49.0% of the total issued share capital of JDH at a consideration of HK\$98 million, which shall be satisfied by the payment of the cash sum of about HK\$32.7 million and the issue of convertible notes in aggregate principal amount of about HK\$65.3 million with a coupon rate of 2% to the Vendors. The interest on convertible notes to the Vendors amounted to HK\$331,000 for the current year.

Mr. Wong and his associates and the JDH Group's management and employees, respectively, hold 428,484 shares and 62,516 shares of JDH, representing approximately 42.85% and 6.15% of the total issued share capital of JDH respectively.

Pursuant to the agreement, the Vendors agreed to sell all their shares in JDH to the Company.

The agreement was completed on 19 October 2004.





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3. On 31 March 2005, the Company disposed of its entire interest in the share capital of Best Spread Limited, a wholly-owned subsidiary of the Company, to Patricia Wong and an independent third party at a cash consideration of HK\$150,000.

The independent non-executive directors confirm that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 36 to the financial statements.

AUDITORS

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ko Chi Keung

Director

Hong Kong, 20 July 2005

