



Jade Dynasty Group Limited
玉皇朝集團有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code: 970 股份代號: 970



Interim Report
2006



JADE DYNASTY GROUP LIMITED
Interim Report 2006

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tong Kai Lap (*Chairman*)
Wan Siu Lun (*Deputy Chairman*)
Wong Chun Keung (*Deputy Chairman*)
Ko Chi Keung (*Chief Executive Officer*)
Kwong Chi Tak
Zheng Hao Jiang* (*appointed on 3 October 2006*)
Zhang Lichen* (*resigned on 30 September 2006*)
Ho Yiu Ming**
Kwong Chi Keung**
Ma Fung Kwok**

* *Non-executive Director*

** *Independent Non-executive Director*

AUDIT COMMITTEE

Ho Yiu Ming (*Chairman*)
Kwong Chi Keung
Ma Fung Kwok
Zheng Hao Jiang (*appointed on 3 October 2006*)
Zhang Lichen (*resigned on 30 September 2006*)

REMUNERATION COMMITTEE

Kwong Chi Keung (*Chairman*)
Ho Yiu Ming
Ma Fung Kwok
Tong Kai Lap
Ko Chi Keung

COMPLIANCE OFFICER

Ko Chi Keung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Leung Sui Wah Raymond

WEBSITE

<http://www.hk970.com>

PRINCIPAL BANKERS

Liu Chong Hing Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church House
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

11th Floor
Safety Godown Industrial Building
56 Ka Yip Street
Chai Wan
Hong Kong

REGISTRARS (IN HONG KONG)

Secretaries Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

STOCKCODE

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group from continuing operations for the six months ended 30 September 2006 of approximately HK\$52.9 million represented a slight decrease of approximately 2% compared to approximately HK\$53.9 million recorded in the corresponding period of last year. Despite the slight drop in revenue, the Group recorded net profit after tax from continuing operations of approximately HK\$7.7 million, representing an increase of 4% compared to approximately HK\$7.4 million for the last corresponding period. The increase in net profit was mainly due to the decrease in finance costs of approximately HK\$0.7 million as a result of the repayments of bank loans of approximately HK\$13.8 million and the conversion of convertible notes of approximately HK\$9.7 million.

The Group's restaurant operations had permanently ceased in April 2005 and therefore, no revenue nor expenses were recorded for the six months ended 30 September 2006. The revenue and loss for the corresponding period of last year were approximately HK\$0.67 million and HK\$0.09 million, respectively.

OPERATIONAL REVIEW

Comics Publication

During the period, the Group published and sold 9 local Chinese comics on a weekly, bi-weekly or monthly basis and approximately 25 Japanese licensed comics on a monthly basis.

Multimedia Development

During the period, our first animations project co-produced with China Central Television ("CCTV") in the animated TV series titled "Shen Bing Kids" (previously titled "The Invincible Amour") of 52 episodes in total, which is a cute version animations co-adapted with CCTV from the comics titled "The Weapon" with inclusion of educational contents, of which 26 episodes were completed. "Shen Bing Kids" broadcasting is subject to the final approval from State Administration of Radio Film and Television ("SARFT") and to be followed by the final broadcasting schedule of CCTV.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 September 2006, the Group had 228 employees (31 March 2006: 226). Employees' cost charged to the unaudited condensed consolidated income statement (including directors' other emoluments) amounted to approximately HK\$18.2 million for six months ended 30 September 2006 (six months ended 30 September 2005: HK\$19.2 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.



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There has been no change to the terms of the share option scheme adopted by the Company on 7 October 2002. No new share options were granted during the current period and a total of 24,192,000 share options were exercised during the period. Therefore, the total outstanding share options granted to certain directors, employees, consultants, advisors, customers, shareholders and business associates amounted to 7,616,000 as at 30 September 2006 (31 March 2006: 31,808,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2006 were approximately HK\$263.0 million (31 March 2006: HK\$235.2 million) which were financed by the shareholders' fund and total liabilities of HK\$240.7 million (31 March 2006: HK\$188.1 million) and HK\$22.3 million (31 March 2006: HK\$47.1 million) respectively.

The directors consider that the Group has 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 mainly denominated in Hong Kong dollars.

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CAPITAL STRUCTURE

In May 2006, 40 million ordinary shares of HK\$0.002 each of the Company were placed to independent professional investors at a price of HK\$0.73 each. The net proceeds of approximately HK\$28.2 million from the placing agreement were used for further development of multimedia business and general working capital.

During the period, an aggregate principal amount of approximately HK\$9.7 million convertible notes were converted into approximately 19.3 million new ordinary shares of HK\$0.002 each at HK\$0.5 per share.

During the period, approximately 24.2 million share options were exercised at a subscription price ranging from HK\$0.363 to HK\$0.370, resulting in the issue of new ordinary shares of HK\$0.002 each for a total consideration of approximately HK\$ 8.9 million.

Subsequent to the period ended 30 September 2006, an aggregate of 3.0 million share options were exercised at HK\$0.37 each. As a result, 3.0 million new ordinary shares of HK\$0.002 each were issued and the proceed amounted to HK\$1.11 million.

The Group's gearing ratio computed as total borrowings over shareholders' fund was 2.7% as at 30 September 2006 (31 March 2006: 15.9%).



EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong dollars and the production cost is denominated in Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

CHARGES ON ASSETS

As at 30 September 2006, certain assets of the Group with an aggregate amount of approximately HK\$18.7 million, (31 March 2006: HK\$18.8 million) including buildings at net book value of HK\$5.9 million (31 March 2006: HK\$6.0 million), prepaid lease payments of HK\$8.6 million (31 March 2006: HK\$8.7 million) and bank deposits of HK\$4.2 million (31 March 2006: HK\$4.1 million), were pledged to secure general banking facilities granted to the Group.

PROSPECTS

We are pleased that the Group made the initial step to reach out the global animations market and maintained stable business performance in comics publication during the period under review.

In November 2006, the Group announced a landmark deal embarking on the international animations market. It entered into an agreement with an independent third party to acquire 51% interest of Dragon Animation Limited (“Dragon Animation”), the partner company of Jackie & Willie Productions Limited authorized to produce Chinese animated series using the figure of world-famous star Jackie Chan, with a consideration of HK\$2.55 million. The series, with production of the first 26 episodes be completed in 2008, will become another long-term animations development series following “Shen Bing Kids”, a signature animations project enabling the Group to tap into the huge animations market in the PRC. On top of the PRC and Southeast Asian countries, the Group will bring the “cute” version of Jackie Chan into life to the global markets. This symbolizes a significant milestone for the Group to head towards the mission of becoming a leader of comics and animations industry in the Chinese Community.

Based on the Joint Investment Production Agreement of Animated TV Series signed between CCTV and the Group dated 9 March 2006, the Group is still waiting for the final approval from SARFT for broadcasting the ready-made first 26 episodes of “Shen Bing Kids”. Pursuant to a new policy regarding prime time broadcasting of animations adopted by SARFT which was made known to the public in the PRC and overseas during the summer vacation, all animations channels in the PRC have to broadcast domestic animations from 5pm to 8pm daily from 1 September 2006 onwards. Under the new policy, the broadcasting ratio of domestic animations to overseas animations increased to 70:30 and co-produced animations involving foreign animations enterprises may be allowed to broadcast during such prime period with the special approval of SARFT.



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It is worth highlighting that “Shen Bing Kids” has fulfilled “Six Criteria” including “Chinese Characteristics”, “Chinese Stories”, “Chinese Images”, “Chinese Style”, “Chinese Manners” and “Chinese Spirit” set out in Article 20 of “Comments on Developing Country’s Film, Television, and Animations Industry” dated 20 April 2004.

While the Group is liaising proactively with CCTV for obtaining the final approval from SARFT of broadcasting the first 26 episodes of “Shen Bing Kids”, remarkable progress was achieved in the production of the second 26 episodes. The post-production of the second 26 episodes has been completed in CCTV and will undergo the examination and approval procedures by SARFT. As soon as getting the final approval from SARFT, we will report to the shareholders in an expeditious manner.

Leveraging on the rapid development of licensing business in the PRC, the Group expanded both the local and the PRC sales teams in a bid to solicit more local and overseas licensees plus licensees incorporated in the PRC to produce a broad array of merchandizes adapted from characters of “Shen Bing Kids” to penetrate into the huge consumer markets in the PRC.

Besides, the Group will exert full strength to add on new licensing agents to gain complete momentum in the licensing business so that our business network can be expanded and relevant expertise can be gained in an exploratory manner. Judging from the responses of potential licensees and new licensing agents, we have full confidence that “Shen Bing Kids” will become an integral part of children’s daily lives in the PRC after premiering it in CCTV and other major TV stations in the PRC afterwards.

During the period under review, a total of four new home-grown comics were launched. Among them, we have pilot launched “Magical Weapon-fore Story 5” and “Magical Weapon F” with an easy-to-store layout, which combining the length of Hong Kong and Japanese comics and allowing the comics to be sold in comics stores on a long-term basis. Encouragingly, “Magical Weapon F” generated satisfactory sales results. Later in December 2006, we further launched “Emperor VI: Emperor Hongwu” to enhance our position as the largest and only listed comics publisher in the local comics market under the present challenging multi-media market environment which will remain so in the foreseeable future.

To further enhance comics business in the PRC, the Group assigned Shanghai People’s Fine Arts Publishing House and Shandong Fine Arts Publishing House to release our home-grown comics titled “Magical Weapon 3” and “New Dragon & Tiger Heroes” in late 2006 and 2007 respectively in the PRC. Introduction of our home-grown comics to the huge PRC market is a clear direction of our Group, though we still need time to cultivate a mass readership base there.

Riding on stable development of animations production and the large ready-made animations library, we anticipate that animations development will become our key growth driver in the future.



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INTERIM DIVIDEND

The Board has resolved to declare an interim dividend in respect of the current period of HK0.2 cents (six months ended 30 September 2005: HK0.2 cents) per share. The interim dividend will be paid on 25 January 2007 to members whose name appears on the Register of the Members of the Company on 11 January 2007.

CLOSURE OF REGISTER OF MEMBER

The Register of Members of the Company will be closed from 9 January 2007 to 11 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch Share Registrar, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 8 January 2007.



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INDEPENDENT REVIEW REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

TO THE BOARD OF DIRECTORS OF JADE DYNASTY 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 9 to 29.

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 Hong Kong Accounting Standard 34 "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.

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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 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 2006.

Grant Thornton
Certified Public Accountants
Hong Kong

20 December 2006



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CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Notes	Six months ended	
		30.9.2006 HK\$'000 (unaudited)	30.9.2005 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	52,889	53,871
Cost of goods sold		(28,383)	(29,087)
Direct operating expenses		(7,960)	(7,166)
Gross Profit		16,546	17,618
Other operating income		561	756
Selling and distribution costs		(1,639)	(1,736)
Administrative expenses		(6,202)	(6,843)
Profit from operations		9,266	9,795
Finance costs		(277)	(1,000)
Profit before income tax		8,989	8,795
Income tax expense	5	(1,300)	(1,402)
Profit for the period from continuing operations		7,689	7,393
Discontinued operations			
Loss for the period from discontinued operations		-	(89)
Profit for the period		7,689	7,304
Attributable to:			
Equity holders of the Company		7,689	7,304
Minority interests		-	-
		7,689	7,304
Dividend	6	1,862	1,582
Earnings per share			
From continuing and discontinued operations:	7		
Basic		0.8 cent	1.0 cent
Diluted		0.8 cent	0.9 cent
From continuing operations:			
Basic		0.8 cent	1.0 cent
Diluted		0.8 cent	0.9 cent



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CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	Notes	30.9.2006 HK\$'000 (unaudited)	31.3.2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	7,713	6,790
Prepaid lease payments		8,445	8,532
Intangible assets	9	1,488	1,858
Goodwill		124,539	124,539
Deferred tax assets	15	2,791	3,092
		<u>144,976</u>	<u>144,811</u>
Current assets			
Inventories		55,345	43,704
Trade debtors	10	30,183	27,710
Other debtors		178	233
Prepaid lease payments		174	174
Deposits and prepayments		13,816	11,793
Tax recoverable		817	413
Pledged bank deposits		4,188	4,113
Bank balances and cash		13,312	2,318
		<u>118,013</u>	<u>90,458</u>
Current liabilities			
Trade creditors	11	9,265	7,878
Other creditors and accrued charges		4,896	8,760
Tax payable		1,633	633
Short-term bank loans (secured)	12	857	14,610
		<u>16,651</u>	<u>31,881</u>
Net current assets		<u>101,362</u>	<u>58,577</u>
		246,338	203,388
Capital and reserves			
Share capital	13	1,856	1,689
Reserves		238,883	186,474
		<u>240,739</u>	<u>188,163</u>
Non-current liability			
Convertible notes	14	5,599	15,225
		<u>246,338</u>	<u>203,388</u>



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2005	1,428	3,336	282	(36,810)	49,394	(88)	98,954	116,496	-	116,496
Exchange difference on translation of overseas operations	-	-	-	-	-	76	-	76	-	76
Profit recognised directly in equity	-	-	-	-	-	76	-	76	-	76
Profit for the period	-	-	-	-	-	-	7,304	7,304	-	7,304
Total recognised income for the period	-	-	-	-	-	76	7,304	7,380	-	7,380
At 30 September 2005 (unaudited)	1,428	3,336	282	(36,810)	49,394	(12)	106,258	123,876	-	123,876
Exchange difference on translation of overseas operations	-	-	-	-	-	14	-	14	-	14
Profit for the period	-	-	-	-	-	-	6,234	6,234	-	6,234
Total recognised income for the period	-	-	-	-	-	14	6,234	6,248	-	6,248
Issue of shares upon conversion of convertible notes	201	49,932	(216)	-	-	-	-	49,917	-	49,917
Issue of shares upon exercise of share options	60	9,644	-	-	-	-	-	9,704	-	9,704
Interim dividend paid for the period ended 30 September 2005	-	-	-	-	-	-	(1,582)	(1,582)	-	(1,582)
At 31 March 2006	1,689	62,912	66	(36,810)	49,394	2	110,910	188,163	-	188,163
Exchange difference on translation of overseas operations	-	-	-	-	-	(16)	-	(16)	-	(16)
Loss recognised directly in equity	-	-	-	-	-	(16)	-	(16)	-	(16)
Profit for the period	-	-	-	-	-	-	7,689	7,689	-	7,689
Total recognised income for the period	-	-	-	-	-	(16)	7,689	7,673	-	7,673
Issue of shares upon conversion of convertible notes	39	9,634	(42)	-	-	-	-	9,631	-	9,631
Issue of shares upon exercise of share options	48	8,868	-	-	-	-	-	8,916	-	8,916
Placing of shares	80	29,120	-	-	-	-	-	29,200	-	29,200
Expenses of placing of shares	-	(989)	-	-	-	-	-	(989)	-	(989)
Final Dividend paid for the year ended 31 March 2006	-	-	-	-	-	-	(1,855)	(1,855)	-	(1,855)
At 30 September 2006 (unaudited)	1,856	109,545	24	(36,810)	49,394	(14)	116,744	240,739	-	240,739

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.
- The special reserve of the Group represents the difference between the nominal amount of the shares of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the shares issued for the acquisition.



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Six months ended	
	30.9.2006 HK\$'000 (unaudited)	30.9.2005 HK\$'000 (unaudited)
Net cash used in operating activities	(9,326)	(4,342)
Investing activities		
Increase in pledged bank deposits	(75)	(47)
Net cash used in other investing activities	(853)	(44)
Net cash used in investing activities	(928)	(91)
Financing activities		
New bank loans raised	-	7,500
Repayment of bank loans	(13,753)	(2,367)
Proceeds from issue of shares	37,127	-
Dividend paid to shareholders	(1,855)	-
Others	(271)	(956)
Net cash generated from financing activities	21,248	4,177
Net increase/(decrease) in cash and cash equivalents	10,994	(256)
Cash and cash equivalents at beginning of the period	2,318	4,119
Cash and cash equivalents at end of the period	13,312	3,863
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	13,312	3,863



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. BASIS OF PREPARATION

The unaudited condensed consolidated 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 (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which were measured at fair values at their initial recognition.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2006 with the addition of certain standards and Interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and became effective in the current period as described below.

2.1 Impact of new and revised HKFRSs which are effective in the current financial period

The following new standards, amendments to standards and interpretations issued by HKICPA are applicable for the year ending 31 March 2007.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ¹
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation ¹
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions ¹
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option ¹
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ¹
HKFRS 6	Exploration for and Evaluation of Mineral Resources ¹
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease ¹
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ¹



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impact of new and revised HKFRSs which are effective in the current financial period

(Continued)

HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ²
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³

Note:

1. Effective for annual periods beginning on or after 1 January 2006.
2. Effective for annual periods beginning on or after 1 December 2005.
3. Effective for annual periods beginning on or after 1 March 2006.

The directors of the Company anticipate that the application of the above-mentioned new standards, amendments to standards and interpretations have no material impact on the Group's operations.

2.2 Potential impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴

Note:

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 May 2006.
3. Effective for annual periods beginning on or after 1 June 2006.
4. Effective for annual periods beginning on or after 1 November 2006.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions, namely, comics publication and multimedia development. These divisions are the basis on which the Group reports its primary segment information. The Group's restaurant operations have permanently ceased in April 2005.

Principal activities are as follows:

- Comics publication – publication of comics books and related business
- Multimedia development – development of animation, games and websites

For the six months ended 30 September 2006

	Continuing operations		Total	Discontinued	Consolidated
	Comics	Multimedia		operations	
	publication	development	Restaurant		
	HK\$'000	HK\$'000	HK\$'000	operations	HK\$'000
				HK\$'000	(unaudited)
Revenue	50,622	2,267	52,889	–	52,889
Segment profit	12,486	2,231	14,717	–	14,717
Unallocated corporate expenses					(5,451)
Finance costs					(277)
Profit before income tax					8,989
Income tax expense					(1,300)
Profit for the period					7,689



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the six months ended 30 September 2005

	Continuing operations			Discontinued operations	Consolidated HK\$'000 (unaudited)
	Comics publication HK\$'000	Multimedia development HK\$'000	Total HK\$'000	Restaurant operations HK\$'000	
Revenue	49,191	4,680	53,871	669	54,540
Segment profit (loss)	12,125	3,628	15,753	(89)	15,664
Unallocated corporate expenses					(5,958)
Finance costs					(1,000)
Profit before income tax					8,706
Income tax expense					(1,402)
Profit for the period					7,304



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

3. SEGMENT INFORMATION (Continued)

Geographical segments

	Revenue	
	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	48,041	48,203
Taiwan	2,826	3,749
Others	2,022	1,919
Continuing operations	52,889	53,871
Hong Kong	-	669
Discontinued operations	-	669
Total	52,889	54,540

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of property, plant and equipment of approximately HK\$372,000 (six months ended 30 September 2005: HK\$447,000), amortisation of prepaid lease payment of approximately HK\$87,000 (six months ended 30 September 2005: HK\$87,000), amortisation of intangible assets of approximately HK\$370,000 (six months ended 30 September 2005: HK\$370,000) included as administrative expenses were charged to the income statement.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

5. INCOME TAX EXPENSE

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations:		
Provision for Hong Kong Profits Tax	999	1,050
Deferred tax charge (note 15)	301	352
Income tax expense relating to continuing operations	<u>1,300</u>	<u>1,402</u>

No provision for Hong Kong Profits Tax in connection with the discontinued operations is required for the six months ended 30 September 2006 as the operations was permanently ceased in April 2005 and made no assessable profit for the period.

No provision for Hong Kong Profits Tax in connection with the discontinued operations is required for the six months ended 30 September 2005 as the operations incurred tax losses for the period.

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2005: 17.5%) on the estimated assessable profits from continuing operations for the six months ended 30 September 2006.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

5. INCOME TAX EXPENSE (Continued)

The income tax expense for the six months ended 30 September 2006 is reconciled to the profit per the unaudited condensed consolidated income statement as follows:

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) before income tax:		
Continuing operations	8,989	8,795
Discontinued operations	—	(89)
	<u>8,989</u>	<u>8,706</u>
Tax at Hong Kong Profits Tax rate of 17.5%	1,573	1,524
Tax effect of expenses that are not deductible for tax purpose	4	134
Tax effect of income not taxable for tax purpose	(509)	(435)
Tax effect of tax losses/deferred tax assets not recognised	295	191
Others	(63)	(12)
	<u>1,300</u>	<u>1,402</u>
Income tax expense for the period		



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

6. DIVIDEND

The directors have determined that an interim dividend of HK0.2 cents per share (six months ended 30 September 2005: HK0.2 cents per share) amounting to HK\$1,862,000 (six months ended 30 September 2005: HK\$1,582,000) be payable on 25 January 2007 to the shareholders of the Company whose names appear in the Register of Members on 11 January 2007 ("Book Close Date").

	Six months ended	
	30.9.2006 HK\$'000 (unaudited)	30.9.2005 HK\$'000 (unaudited and restated)
Interim dividend to existing shareholders	1,856	1,428
Interim dividend to convertible notes holders	-	142
Interim dividend to share options holders (Note)	6	12
	<u>1,862</u>	<u>1,582</u>

Note: Subsequent to the period ended 30 September 2006, an aggregate amount of 3,000,000 share options were exercised into 3,000,000 new ordinary shares of HK\$0.002 each in which the holders of the new ordinary shares were also entitled to an equivalent amount of interim dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, an interim dividend of HK\$6,000 will be paid to the holders of the new ordinary shares. The number of shares entitled to interim dividend is subject to future exercise/conversion of Company's share options and convertible notes prior to the Book Close Date.

Subsequent to the announcement of the financial results for the period ended 30 September 2005 and prior to the book close date on 11 January 2006, on 20 December 2005, an aggregate of HK\$6,128,000 share options were exercised into 6,128,000 new shares in which the holders of the new ordinary shares were also entitled to an equivalent amount of interim dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, an interim dividend of HK\$12,000 was paid to the holders of the new ordinary shares.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

7. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	7,689	7,304
Interest on convertible notes	70	584
Earnings for the purpose of diluted earnings per share	<u>7,759</u>	<u>7,888</u>
Number (weighted average number) of ordinary shares for the purpose of basic earnings per share	905,677,101	714,106,184
Effect of dilutive potential ordinary shares:		
Share options	6,130,786	3,166,496
Convertible notes	<u>16,885,065</u>	<u>130,666,666</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>928,692,952</u>	<u>847,939,346</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

7. EARNINGS PER SHARE (Continued)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	7,689	7,304
Less: Loss for the period from discontinued operations	—	(89)
Earnings for the purpose of basic earnings per share from continuing operations	7,689	7,393
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	70	584
Earnings for the purpose of diluted earnings per share from continuing operations	7,759	7,977

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

7. EARNINGS PER SHARE *(Continued)*

From discontinued operations

No basic and diluted loss per share from discontinued operations for the six months ended 30 September 2006 are presented since the Group had permanently ceased its restaurant operations in April 2005.

Basic loss per share for discontinued operations for the six months ended 30 September 2005 was HK0.01 cent, based on the calculation of the loss for the period from the discontinued operations of HK\$89,000 and the same denominators detailed above for the basic earnings per share from continuing and discontinued operations.

Diluted loss per share for the discontinued operations for the six months ended 30 September 2005 is HK0.01 cent per share, based on the calculation of the loss for the period from the discontinued operations of HK\$89,000 and the same denominators detailed above for the diluted earnings per share from continuing and discontinued operations.

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8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$1,318,000 (six months ended 30 September 2005: HK\$97,000).

9. MOVEMENTS IN INTANGIBLE ASSETS

Intangible assets represented copyrights and trademarks. During the period, the Group incurred amortisation of intangible assets of approximately HK\$370,000 (six months ended 30 September 2005: HK\$370,000). The intangible assets have useful lives ranging from 2 to 5 years.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

10. TRADE DEBTORS

The Group grants an average credit period ranging from 30 days to 60 days to its trade customers.

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

	30.9.2006	31.3.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0-30 days	11,549	15,748
31-60 days	5,203	7,337
61-90 days	1,948	2,567
Over 90 days	11,483	2,058
	30,183	27,710

11. TRADE CREDITORS

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

	30.9.2006	31.3.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0-30 days	1,961	3,219
31-60 days	2,029	1,515
61-90 days	2,036	1,620
Over 90 days	3,239	1,524
	9,265	7,878

12. SHORT-TERM BANK LOANS (SECURED)

	30.9.2006	31.3.2006
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Secured bank loans repayable on demand or within one year	857	14,610



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

12. SHORT-TERM BANK LOANS (SECURED) (Continued)

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are:

	Six months ended 30.9.2006	Six months ended 30.9.2005
Variable-rate borrowings	HIBOR + 2.0% Hong Kong Dollar Prime Rate - 2%	HIBOR + 2.5%

The Group's bank borrowings are denominated in Hong Kong dollars and their fair value as at 30 September 2006 approximates to the corresponding carrying amount.

13. SHARE CAPITAL

	Note	Number of shares '000	Share capital HK\$'000
Authorised			
Shares of HK\$0.002 each at 1 April 2006 and 30 September 2006		<u>250,000,000</u>	<u>500,000</u>
Issued and fully paid			
Shares of HK\$0.002 each at 1 April 2006		844,357	1,689
Issue of new shares upon conversion of convertible notes		19,345	39
Issue of new shares upon exercise of share options		24,192	48
Placement of shares	1	<u>40,000</u>	<u>80</u>
Shares of HK\$0.002 each at 30 September 2006		<u>927,894</u>	<u>1,856</u>

Note:

- (1) On 10 May 2006, 40,000,000 ordinary shares of HK\$0.002 each of the Company held by Super Empire Investments Limited ("Super Empire"), a company wholly owned by the major shareholder of the Company, were placed to independent professional investors at a price of HK\$0.73 each and on 23 May 2006, 40,000,000 new ordinary shares of HK\$0.002 each of the Company were issued and allotted to Super Empire at a price of HK\$0.73 each under a placing and subscription agreement entered by the Company on 9 May 2006.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

14. CONVERTIBLE NOTES

Convertible notes (the “Notes”) of the Group and the Company were issued on 19 October 2004 upon completion of the agreement for the sale and purchase of 49% equity interests in Jade Dynasty Holdings Limited dated 17 August 2004. The Notes are convertible into shares of the Company at a price of HK\$0.50 (subject to adjustments) and will mature on 18 October 2007 (“Maturity Date”).

The Notes bear interest on the outstanding principal from the date of issue to the date of redemption or conversion at a rate of 2% per annum payable in arrears semi-annually.

The Company may elect to repay the outstanding principal under the Notes prior to the Maturity Date provided that the amount of principal repaid under these Notes shall not exceed (i) within the first year of issue, one-third of the original principal amount of such Notes and (ii) within the second year of issue, two-thirds of the original principal amount of such Notes.

Unless converted by the noteholders or repaid by the Company, the Company will repay the Notes in cash without premium representing the outstanding principal, accrued and unpaid interest in accordance with the aforesaid terms and conditions of the Notes.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

15. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Tax losses
	HK\$'000
At 1 April 2005	3,322
Charged to income statement for the period	(352)
At 30 September 2005	2,970
Credited to income statement for the period	122
At 31 March 2006	3,092
Charged to income statement for the period	(301)
At 30 September 2006	2,791

At the balance sheet date, the Group has unused tax losses of HK\$27,344,000 (31 March 2006: HK\$27,662,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$15,949,000 (31 March 2006: HK\$17,669,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$11,395,000 (31 March 2006: HK\$ 9,993,000) due to the unpredictability of future profit streams of the subsidiaries which incurred these losses.

16. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In April 2005, the directors completed the phase-out of the Group's restaurant operations, which was located in Hong Kong. All the assets attributable to such operations had been fully written off as at 31 March 2005. Accordingly, no separate disposal group held for sale are presented in the balance sheet.

For the six months ended 30 September 2005, the aggregate revenue, cost of goods sold and profit before tax including both continuing and discontinued operations are HK\$54,540,000, HK\$29,295,000 and HK\$8,706,000 respectively.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	Notes	Six months ended	
		30.9.2006	30.9.2005
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Payment of comics script fee and bonus to a shareholder	(1)	2,358	2,286
Interest expenses on convertible notes payable to directors	(2)	-	62
Interest expenses on convertible notes payable to a shareholder and his associates	(2)	-	287

Remuneration of directors and other members of key management other than Mr. Wong Chun Loong ("Mr. Wong") during the period was as follows:

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other benefits	3,802	2,952
Contributions to retirement benefits schemes	55	30

Note:

1. During the period, the Group paid comics script fee and bonus to Mr. Wong, in the capacity as chief creative officer in pursuance with relevant service agreements signed with the Group on 29 June 2006.
2. No interest was accrued for the period ended 30 September 2006 as all convertible notes issued to directors and their associates and a shareholder and its associates have already been converted into share capital of the Company. During the period ended 30 September 2005, the Group accrued interest on convertible notes payable to directors and their associates and a shareholder and its associates. The interest was charged at 2% on the principal amount of the convertible notes.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

18. EVENTS AFTER THE BALANCE SHEET DATE

- (1) On 1 November 2006, a wholly-owned subsidiary of the Company, Jade Dynasty Multi-Media Limited ("JDMML"), entered into an agreement with an independent third party for the acquisition of 51% issued share capital of Dragon Animation Limited ("DAL") with a consideration of HK\$2,550,000. JDMML has the option to purchase the remaining 49% of DAL within a specified period in accordance with the relevant terms of agreement.
- (2) Subsequent to the period end, an aggregate amount of HK\$1,110,000 share options were exercised into 3,000,000 ordinary shares of HK\$0.002 each at HK\$0.37 per share.

19. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the period ended 30 September 2006 were approved by the Board of directors on 20 December 2006.



ADDITIONAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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

At 30 September 2006, 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:

Long positions in the shares and underlying shares of the Company

Name of director	Capacity	Number of shares	Approximate % of the issued share capital of the Company (Note 3)
Mr. Tong Kai Lap ("Mr. Tong") (Note 1)	Founder of discretionary trust	10,274,400 ordinary shares	1.11%
Mr. Tong	Beneficial owner	4,760,000 ordinary shares	0.51%
Mr. Tong (Note 2)	Interest of spouse	2,551,466 ordinary shares	0.27%
Mr. Wan Siu Lun	Beneficial owner	504,000 ordinary shares	0.05%
Mr. Wong Chun Keung	Beneficial owner	4,264,000 ordinary shares	0.46%
Mr. Ko Chi Keung	Beneficial owner	80,000 ordinary shares	0.01%
Mr. Kwong Chi Tak	Beneficial owner	1,122,666 ordinary shares	0.12%



JADE DYNASTY GROUP LIMITED
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ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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

Notes:

- (1) Interest of issued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (2) Interest of issued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia, the spouse of Mr. Tong. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (3) The denominator used is 927,894,450 shares, being the total number of shares in issue as at 30 September 2006.
- (4) Other than as disclosed above and in the section headed "Share Options Scheme" below, none of the directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 September 2006.



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ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of the providing incentives and rewards to eligible participants who contribute to the success of the Group’s business. Eligible participants of the Scheme include any director (including executive, non-executive and independent non-executive director), any employee, or any consultant, advisor, customer, shareholder and business associate. The Company’s Scheme was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 7 October 2002.

The following table discloses movements in the Company’s share options held by the Company’s directors, employees and other registered holders under the Scheme during the period:

Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2006	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2006
Mr. Tong Kai Lap	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	900,000	(896,000)	-	4,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	(1,200,000)	-	-
Mr. Wan Siu Lun	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	-	-	-	-
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	-	-	-
Mr. Wong Chun Keung	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	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	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	4,000	-	-	4,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	904,000	-	-	904,000
Employees	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	300,000	(296,000)	-	4,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	-	-	-	-
Consultants, advisors, customers, shareholders and business associates	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	4,000,000	(3,000,000)	-	1,000,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	21,000,000	(18,000,000)	-	3,000,000
					31,808,000	(24,192,000)	-	7,616,000



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ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, 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:

Name of shareholder	Capacity	Number of shares	Approximate % of the issued share capital of the Company (Note 4)
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	34.86%
Mr. Wong Chun Loong ("Mr. Wong") (Note 1)	Held by controlled corporation	323,435,100	34.86%
Kingston Finance Limited ("KFL") (Note 2)	Security interest	323,435,100	34.86%
Ms. Ma Siu Fong ("Ms. Ma") (Note 3)	Held by controlled corporation	323,435,100	34.86%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 3)	Held by controlled corporation	323,435,100	34.86%

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.



ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

SUBSTANTIAL SHAREHOLDERS *(Continued)*

- (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) The denominator used is 927,894,450 shares, being the total number of shares in issue as at 30 September 2006.
- (5) 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 30 September 2006.

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 period.

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 the existing shareholders.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standard of corporate governance as the Directors believe it would improve effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in markets and enhancing shareholders' value in consequence.

Compliance with the "Code on Corporate Governance Practices"

During the period, the directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules ("CG Practices") throughout the six months ended 30 September 2006.



ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

CORPORATE GOVERNANCE *(Continued)*

Compliance with the “Model Code”

The Company has adopted the Model Code for Securities Transactions by directors of Listed Companies (“Model Code”) contained in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirmed that they complied with the “Model code” during the period.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Ho Yiu Ming (Chairman of the Committee), Mr. Kwong Chi Keung, Mr. Ma Fung Kwok and one non-executive director, namely Mr. Zhang Lichen (resigned on 30 September 2006) and Mr. Zheng Hao Jiang (appointed on 3 October 2006) with written terms of reference in line with the code provisions set out in the CG Practices. The Audit Committee has reviewed with management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim financial statements for the six months ended 30 September 2006. The Audit Committee is not aware of any material modifications that should have been made to the unaudited interim financial statements for the six months ended 30 September 2006.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Kwong Chi Keung (Chairman of the Committee), Mr. Ho Yiu Ming and Mr. Ma Fung Kwok and two executive directors, namely, Mr. Tong Kai Lap (Chairman of the Board) and Mr. Ko Chi Keung (Chief Executive Officer).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.



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ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

CORPORATE GOVERNANCE *(Continued)*

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the unaudited interim financial statements for the six months ended 30 September 2006, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the unaudited interim financial statements on a going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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By Order of the Board

Tong Kai Lap

Chairman

Hong Kong, 20 December 2006