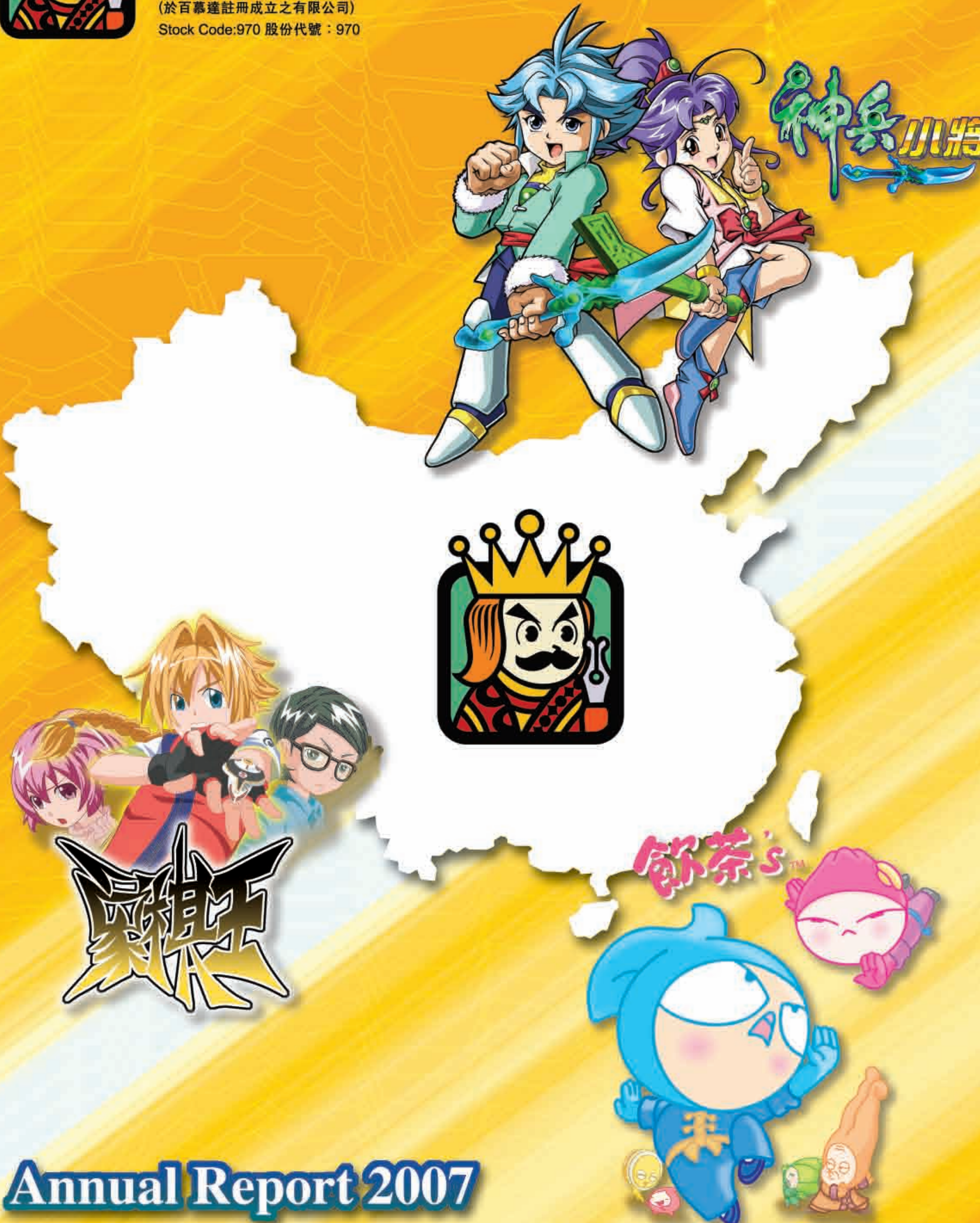
JADE DYNASTY GROUP LIMITED
玉皇朝集團有限公司

(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



Annual Report 2007

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

AUDIT COMMITTEE

Ho Yiu Ming *(Chairman)*
Kwong Chi Keung
Ma Fung Kwok
Zhang Li Chen (resigned on 30 September 2006)
Zheng Hao Jiang (appointed on 3 October 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
(FCPA, FCCA, ACS, ACIS)

PRINCIPAL BANKERS

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

CORPORATE INFORMATION

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 Bermuda)	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
REGISTRARS (in Hong Kong)	Secretaries Limited 26th Floor Tesbury Centre 28 Queen's Road East Wan Chai, Hong Kong
WEBSITE	Http://www.hk970.com
STOCKCODE	970

EXECUTIVE DIRECTORS

TONG KAI LAP *Chairman and Chief Strategic Officer*

Aged 47, graduated from The Chinese University of Hong Kong in 1982 with a Bachelor's Degree in Business Administration. Since graduation, he worked in various international banks in the commercial, corporate and investment banking areas. He is a licensed representative for Type 6 (advising on corporate finance) regulated activity under the Securities and Future Ordinance, an associate director of Oriental Patron Asia Limited and the past president of the Rotary Club of Tsim Sha Tsui East. He is fellow member of the Hong Kong Institute of Directors and a founding member of Hong Kong Professionals and Senior Executives Association. He is brother-in-law of Mr. Wong Chun Keung, the Deputy Chairman of the Company and Mr. Wong Chun Loong, the Chief Creative Officer of the Company. He joined the Group in August 2002.

WAN SIU LUN *Deputy Chairman and Chief Marketing Officer*

Aged 45, has over 30 years of experience in production and creation of comics in Hong Kong. He is the chief executive officer of KINGcomics.com Limited, a subsidiary of the Company engaging in e-commerce activities specialised in online comics reading and selling of comics-related merchandises and is also in charge of multi-media business development of the Group. He joined the Group in August 2002.

WONG CHUN KEUNG *Deputy Chairman and Chief Operating Officer*

Aged 48, has over 28 years of experience in newspaper and magazine publications and printing. He has worked as the general manager and/or the director of daily newspaper, colour separation and printing companies and was responsible for the colour separation, printing and distribution of comics, daily newspaper and magazines. He joined Jade Dynasty Publications Limited in 1993 and was later promoted to the position of director and general manager, who is mainly responsible for overseeing the company's printing and distribution matters. He is brother-in-law of Mr. Tong Kai Lap, the Chairman of the Company and brother of Mr. Wong Chun Loong, the Chief Creative Officer of the Company. He joined the Group in August 2002.

KO CHI KEUNG *Executive Director and Chief Executive Officer*
Aged 51, graduated from The Chinese University of Hong Kong in 1982. Mr. Ko has over 25 years working experience in auditing and consultancy. He started his professional career with a major international accounting firm and is currently the managing partner of an accounting and consultancy firm. He is a Certified Public Accountant (Practising), a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK) and an associate member of The Australian Society of Certified Practising Accountants. He joined the Group in August 2002.

KWONG CHI TAK *Executive Director and Chief Production Officer*
Aged 43, is the head of the production team of the comics and animation business of the Group. He has over 20 years of experience in comics production and joined the Group in August 2002. He is responsible for strategic planning of comics publication, marketing analysis, development of comics related merchandise and overseeing the operation of the production team.

NON-EXECUTIVE DIRECTOR

Zhang Li Chen *Non-Executive Director*
Aged 35, holds a degree in fine arts from Dartmouth College, Hanover, New Hampshire in United States of America. He had been working in the areas of financial advisory and multi-media business development in Beijing for more than 7 years before he joined Beijing Binli Holdings Limited in February 2002 and was its Managing Director in charge Bentley and Lamborghini dealership. He joined the Group in January 2006 and resigned from the Group in September 2006.

ZHENG HAO JIANG *Non-Executive Director*
Aged 40, graduated in the law department of Beijing University in 1990. He has over 10 years experience in Beijing in the areas of equity portfolio management, capital market analysis management and financial advisory. He is currently acting as Senior Vice President of Beijing Binli Group Companies for the investment affairs. He joined the Group in October 2006.

INDEPENDENT NON-EXECUTIVE DIRECTOR

HO YIU MING *Independent Non-Executive Director*

Aged 63, is the senior partner of Billy Ho and Company, Certified Public Accountants. He is a Certified Public Accountant (Practising), a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is an independent non-executive director of Kantone Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange ("the Stock Exchange"), DIGITALHONGKONG.com and Sau San Tong Holdings Limited, companies listed on the Growth Enterprise Market ("GEM"). He was the past president of Rotary Club of Tsim Sha Tsui East. He joined the Group in August 2002.

KWONG CHI KEUNG *Independent Non-Executive Director*

Aged 53, is qualified as a solicitor in Hong Kong, England, Australia (Victoria) and Singapore. Mr. Kwong is a Senior Partner of Sit, Fung, Kwong, & Shum. He is a Senior Vice President of the Asian Patent Attorneys Association, a World Intellectual Property Organisation appointed Neutral for Alternative Dispute Resolution and Uniform Domain Name Dispute Resolution Policy Panelist, Fellow of the Chartered Institute of Arbitrators (London) and Hong Kong Institute of Arbitrators, and a Notary Public. Mr. Kwong was also the former Deputy Chairman of the Copyright Tribunal, a member of the Administrative Appeals Board and Panel of Inland Revenue Board of Review. He is an independent non-executive director of Hang Ten Group Holdings Limited, a company listed on the Stock Exchange. He joined the Group in August 2002.

MA FUNG KWOK *Independent Non-Executive Director*

Aged 52, is the managing director of Major Trend Entertainment Limited. Mr. Ma is currently the chairman of Hong Kong Arts Development Council and vice-chairman of Hong Kong, Kowloon & New Territories Motion Picture Industry Association Limited and member of Commission of Strategic Development and the Deputy Chairman of The HK Academy For Performing Arts. He was the past member in Legislative Council of HKSAR and the past chairman of Panel on Information Technology & Broadcasting in the Legislative Council. He joined the Group in September 2004.

SENIOR MANAGEMENTS

Dr. WONG CHUN LOONG *Chief Creative Officer*

Aged 57, alias Mr. Wong Yuk Long, the founder of Jade Dynasty Holdings Limited. He has over 40 years of experience in local comics industry, is considered as one of the most influential comics artists, a pioneer in the comics industry in Hong Kong. He is the Chairman of Hong Kong Comics and Animation Federation Limited, Visiting Professor of Beijing Film Academy- Animation Academy, Hononary Visiting Professor of Sichuan University and Honourable Professor of Taiwan Ling Tung University. He was also awarded "World Outstanding Chinese Award" confessed by the World Outstanding Charity Foundation and obtained an Honorary Doctoral Degree by the University of New Castle (USA). He is the Chief Creative Officer of the Group responsible for the overall strategy in comic titles creation and animation development. He is brother-in-law of Mr. Tong Kai Lap, the Chairman of the Company and brother of Mr. Wong Chun Keung, the Deputy Chairman of the Company.

LEUNG SUI WAH RAYMOND *Chief Financial Officer and Company Secretary*

Aged 39, graduated from The Chinese University of Hong Kong in 1992. He also received Master of Arts and Master of Business Administration from the City University of Hong Kong and the University of Hong Kong respectively. Prior to joining the Group in April 2006, he worked in a company listed on the Main Board of the Stock Exchange. He has extensive experience in corporate finance, accounting, tax planning and corporate governance. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants (UK), an associate member of Hong Kong Institute of Chartered Secretaries, an associate member of Chartered Institute of Secretaries and Administrators (UK) and a Certified Information Systems Manager of Information Systems Audit and Control Association (USA).

GUO YING LINDA *China Business Officer*

Aged 39, graduated from Shanghai College of Air Force and Politics in 1990. She also received Master of Engineering Management from the BeiHang University (formerly known as Beijing University of Aeronautics and Astronautics). She has over 10 years experience in media operation and management which launched various media projects in Beijing, Shanghai and Guangzhou respectively. She joined the Group in April 2006 and is responsible for developing animations business in PRC including audio products, TV broadcasting, peripheral products licensing and relevant marketing-related public relations activities.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

For the year ended 31 March 2007, the Group recorded revenue of HK$102.1 million as compared to HK$102.2 million last year. Profit attributable to equity holders of the Company were approximately HK$11.4 million, as compared with a profit of approximately HK$13.5 million for the last financial year.

At the year end, the Group maintained a net cash position with cash and bank balances of approximately HK$5.3 million (2006: HK$2.3 million) and short term bank borrowings of approximately HK$3.6 million (2006: HK$14.6 million). Coupled with the completion of placing 100,000,000 shares to institutional investors in June 2007, the Group had sufficient financial resources and will continue to finance its business development by internal resources and short-term bank borrowings.

DIVIDEND

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK0.2 cent (2006: HK0.2 cent), which together with the interim dividend of HK0.2 cent (2006: HK0.2 cent) make a total dividend of HK0.4 cent for the year end of 31 March 2007 (2006: HK0.4 cent). The total dividend of HK0.4 cent will amount to approximately HK$3.9 million of the Company's profit for the year ended 31 March 2007 (2006: HK$3.4 million).

The proposed final dividend of HK0.2 cent per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 30 August 2007, is to be payable on 19 September 2007 to shareholders whose names appear on the Register of Members of the Company on 30 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 to 30 August 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final 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 26 Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 August 2007.

CHAIRMAN'S STATEMENT

OPERATIONAL REVIEW

During the year, the Group published and sold 13 local Chinese comics on a weekly or bi-weekly basis and approximately 30 Japanese comics on a monthly basis. The Group also grants comics books licensing to overseas publishers to translate comic books into different languages. The Group's has also diversified its business from traditional comics books to animation-related products.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 March 2007, the Group had 227 (2006: 226) employees. Staff costs (including directors' emoluments) charged to consolidated income statement amounted to approximately HK$37.2 million for the year (2006: HK$37.4 million). 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. As at 31 March 2007, 3.1 million share options outstanding have been granted to certain directors, employees, consultants, advisors, customers and business associates (2006: 31.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2007 were approximately HK$271.7 million (2006: HK$235.2 million) which were financed by the shareholders' funds, minority interests and total liabilities of approximately HK$244.3 million (2006: HK$188.1 million), HK$2.4 million (2006: nil) and HK$25.0 million (2006: HK$47.1 million) respectively.

The Group's gearing ratio then computed as total borrowings over shareholders' fund was approximately 3.8% as at 31 March 2007 (31 March 2006: 15.9%).

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 mainly denominated in Hong Kong dollars.

CAPITAL STRUCTURE

During the year, the Company issued approximately 19.3 million new shares of HK$0.002 each at a price of HK$0.5 per share by way of convertible notes conversion, approximately 28.7 million new shares of HK$0.002 each at HK$0.6 per share of weighted average price by way of exercise share options and 40.0 million new shares of HK$0.002 each at HK$0.73 per share by way of share placing respectively.

CHARGES ON ASSETS

As at 31 March 2007, certain assets of the Group with an aggregate amount of HK$18.7 million (2006: HK$18.8 million) including HK$14.4 million of buildings and prepaid lease payments (2006: HK$14.7 million) and HK$4.3 million of pledge deposit (2006: HK$4.1 million) were pledged to secure general banking facilities granted to the Group.

PROSPECTS

Following the proposed acquisition of a reputable PRC's animations production house in May 2007, we will further our steps by optimizing our value chain of an animations production house and are on the track to become "the leader of comics and animations industry in the Chinese community".

Our wholly owned subsidiary, Jade Dynasty Multi-media Limited proposed to acquire 51% issued capital in a PRC's animations production house, Suzhou Hongyang Cartoon Production Company Limited ("Suzhou Hongyang") and the entire interest of its two associates, namely Nanjing Hongying Anmie-cartoon Entertainment Company Limited ("Nanjing Hongying) and Shanghai Sanding Animation Creation Company Limited ("Shanghai Sanding") (collectively called the "Hongying Group") in May 2007, symbolizing the Group's consistent commitment in becoming the leader of comics and animations industry in the Chinese community. The acquisition is also a significant milestone for sustainable animations development of the Group in the PRC.

Nanjing Hongying possesses some property rights of animations worldwide and in the PRC, enriching our established comics and animations library on top of "Shen Bing Kids" and "Jackie Chan Chinese animated series". Among them, two of its self-developed animations titles, "Yamacha's" and "Xiangqi Master" have already obtained relevant television broadcasting permits in the PRC from Jiangsu Province Broadcast, Film and TV Bureau and "Yamacha'S" was already released on CCTV's children channel early this year.

CHAIRMAN'S STATEMENT

Another strong animations production partner that this acquisition brings in is Suzhou Hongyang, one of the largest animations production houses in the PRC. Various big names including CCTV, Disney, Warner Brothers, 20th Century Fox, DIC Entertainment, Les Film de la Perrine, Millimages, Tooncan Productions and Nelvana Limited are its clients. Its clients network scatters around the world including the PRC, Europe, United States and South East Asia.

The acquisition will on one hand create synergies between the Hong Kong and PRC teams and experienced production team of Hongying Group, it will on another hand enable us to launch our own animations titles in form of domestic animations in accordance with the laws, policies and regulations of the PRC through our connections with Nanjing Hongying and Shanghai Sanding, which offer excellent animations distribution platforms. The rich animations portfolio of Hongying Group could also diversify and enrich our animations contents.

The undersupply of domestic animations in the PRC will prevail in the next few years. The acquisition of Hongying Group as well as our landmark animations project, "Shen Bing Kids" in the PRC will both help augmenting the supply of domestic animations in the PRC.

"Shen Bing Kids" project is progressing well with all development and initiatives being effectively worked on. The production of the whole 52 episodes has been completed and its contents have been amended in accordance with the comments of the State Administration of Radio, Film and Television ("SARFT"). We are waiting for the final regulatory procedures and approval from the SARFT for broadcasting the whole 52 episodes, after which is subject to final broadcasting schedule of CCTV. We are optimistic towards getting the green light from the SARFT on broadcasting the whole series of "Shen Bing Kids" in the foreseeable future. At the same time, we are working hard on preparing to roll out the audio-visual products, comics books, peripheral products, after-launch broadcasting network inside and outside the PRC relevant to "Shen Bing Kids" right after its official launch on CCTV in the PRC. Once the broadcasting approval has been granted, we are confident that the Group will benefit from the high growth potential of the derivative products of "Shen Bing Kids" and deliver promising returns to the shareholders.

To further strengthen our presence in the PRC animations market and continue the growth of our animations profile, we have acquired 51% interest of Dragon Animation Limited in late 2006 to produce Chinese animated series using the figure of Jackie Chan, the world-famous film star. The pre-production of the series has been undergoing in full speed. It is anticipated that the new series will bring the Group's animations businesses further to another high following our signature "Shen Bing Kids" project.

With a view to enhancing the publicity of "Shen Bing Kids" in the PRC market after its premiere in CCTV, we are exploring new media opportunities and avenues to raise awareness of our animations contents as well as expand distribution platforms of the derivative products bearing our animations characters.

Revenues derived from our core comics publication business have been steady. During the period under review, we have launched four new home-grown comics. In order to enhance competitiveness of this business segment, a sublimated format of printing has been adopted for certain comics books. The book volume was lengthened to over three times longer than existing Hong Kong comics and yet the book was priced 30% cheaper than Japanese comics. By such, we anticipate our shares in the local comics market will increase in the years ahead. However, this also accounts for a drop in gross profit in the second half since the manuscript fees and other direct production costs including but not limited to printing were much higher. Upon grasping a larger market share, we shall take steps to enhance the gross profit.

We are very glad that our dedication to comics and animations development has been recognized by investors. In May 2007, we raised net proceeds of approximately HK$73.4 million through placing of existing shares and subscription of new shares for sustainable animations development. We placed up to 100,000,000 existing shares at a price of HK$0.76 per placing share to more than six placees and subscribed the same number of new shares via our substantial shareholder, Super Empire Investments Limited.

On account of the foregoing, we increased the dividend payout ratio to acknowledge our shareholders' support in the past and demonstrate our confidence in and commitment to the future of our Company.

Acknowledgement

We are very proud to have dedicated and loyal teams to contribute to the Group in this competitive environment. I would like to take this opportunity to thank our board of directors and staff members for their dedications and contributions during the year.

Tong Kai Lap
Chairman

Hong Kong 26 July, 2007

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining a high standard of corporate governance. The board of directors of the Group ("the Board") agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements throughout the year of 2006/07, the Group has complied with all applicable the Code Provisions in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"). The Company has been in compliance with the Code throughout the year.

BOARD OF DIRECTORS

The Board currently comprises five executive and four non-executive directors whom three are independent as defined by the Stock Exchange. The biographical details are set out in the "Biographies of Directors and Senior Managements" section.

The Company has three independent non-executive directors, representing one-third of the Board. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All the independent non-executive directors have signed the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules to confirm their independence.

Under the Company's Bye-laws, every director is subject to retirement by rotation at least once every three year.

The Board's primary responsibilities are to determine the overall strategies, monitor and control operating and financial performance and set appropriate policies to manage risks in pursuit of the groups' strategic objectives. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, significant changes in accounting policies, material contracts and major investments. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each department. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. The Board members have access to appropriate business documents and information about the Group on a timely basis. All directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has a clear division of responsibilities for its top management and separates leadership structure where the role of Chairman, Mr. Tong Kai Lap is segregated from that of Chief Executive Officer, Mr. Ko Chi Keung. The Chairman is responsible for providing leadership for the Board, ensuring that good corporate governance practices and procedures are established and that the Board acts in the best interests of the Company. The Chief Executive Officer is responsible for the day-to-day business of the Group.

NON-EXECUTIVE DIRECTORS

There are currently four non-executive directors of whom three are independent. Under the Bye-laws of the Company, every director, including the non-executive and independent non-executive directors, shall be subject to retirement by rotation at least every three years. This means that the specific term of appointment of a director cannot exceed three years.

MEETINGS AND ATTENDANCE

The Board meets regularly to review the financial and operating performance of the Group and approve business plan. Five Board meetings were held in 2006/07. Individual attendance of each director at the Board meetings, the Audit Committee meetings and Remuneration Committee meetings during 2006/07 is set out below:

	Attendance/Number of Meetings		
		Audit	**Remuneration**
Director	**Board**	**Committee**	**Committee**
Executive Director			
Mr. Tong Kai Lap *(Chairman of the Company)*	5/5	N/A	1/1
Mr. Wan Siu Lun	5/5	N/A	N/A
Mr. Wong Chun Keung	5/5	N/A	N/A
Mr. Ko Chi Keung	5/5	N/A	1/1
Mr. Kwong Chi Tak	5/5	N/A	N/A
Non-executive Director			
Mr. Zhang Li Chen (resigned on 30 September 2006)	2/2	1/1	N/A
Mr. Zheng Hao Jiang (appointed on 3 October 2006)	3/3	3/3	N/A
Independent Non-executive Director			
Mr. Ho Yiu Ming *(Chairman of the Audit Committee)*	4/5	4/4	0/1
Mr. Kwong Chi Keung *(Chairman of the Remuneration Committee)*	5/5	4/4	1/1
Mr. Ma Fung Kwok	5/5	4/4	1/1

AUDIT COMMITTEE

The Company established an Audit Committee in compliance with the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls and discussing with the external auditors for the nature and scope of audit. Written terms of reference of the Audit Committee were formulated and adopted in March 2005.

The Audit Committee comprises three independent non-executive directors and one non-executive director. The Chairman of the Audit Committee is an independent non-executive director. Its current members include:

Independent non-executive Director

Mr. Ho Yiu Ming – Chairman
Mr. Kwong Chi Keung
Mr. Ma Fung Kwok

Non-executive Director

Mr. Zhang Li Chen (resigned on 30 September 2006)
Mr. Zheng Hao Jiang (appointed on 3 October 2006)

The Chairman of the Audit Committee, Mr. Ho Yiu Ming, has appropriate professional qualification in accounting and extensive experience in accounting and auditing matters. Senior management and auditors shall normally attend the meetings. The Audit Committee held four meetings in 2006/07 with satisfactory attendance rate for the purpose of discharging the aforesaid duties. The Group's annual report for the year ended 31 March 2007 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

According to the Code, the Company established the Remuneration Committee in March 2005. The principal role of the Remuneration Committee is to exercise the power of the Board to determine and review the remuneration package of individual directors and key executives, including salaries, bonuses and benefits in kind, considering factors such as time commitment and responsibilities of the directors and key executive, employments conditions elsewhere in the Group and desirability of performance based remuneration so as to align management incentives with shareholders' interests. The Remuneration Committee is also considering all relevant remuneration data and market conditions in addition to considering the performance and responsibility of individual directors and officers by linking their compensation with performance and measure it against corporate goals. During the year, the Remuneration Committee reviewed and approved the remuneration package of the executive directors.

The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about their proposals relating to remuneration of executive directors and have access to professional advice if considered necessary. After reviewing all relevant information, the Remuneration Committee made recommendations to the Board for the remuneration of the directors and senior management.

The existing Remuneration Committee comprises three non-independent executive directors and two executive directors. It current members include:

Independent non-executive Director

Mr. Kwong Chi Keung – *Chairman*
Mr. Ho Yiu Ming
Mr. Ma Fung Kwok

Executive Director

Mr. Tong Kai Lap
Mr. Ko Chi Keung

The Remuneration Committee met once in 2006/07 to review and approve directors' and senior managements' remuneration. The directors' fee paid to the non-executive and independent non-executive directors are subject to annual review and approval by the Remuneration Committee. The emoluments of each of the directors of the Company for 2006/07 are set out in Note 13 to this Annual Report.

NOMINATION OF DIRECTORS

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the needs of the business of the Company. Therefore, it has not established nomination committee for the time being. Candidates to be nominated as directors are those experienced, high calibre individuals. During the year, appointment of Mr. Zheng Hao Jiang as new director is put to the full Board for approval. Thereafter, Mr. Zheng Hao Jiang as the new director is subject to election by shareholders at the next general meeting after his appointment.

All non-executive directors and independent non-executive directors are appointed for a specific term of two years and automatic renewed for one year and are required to retire and eligible for re-election at the annual general meeting of the Company in every three year in accordance with the Company's bye-laws.

AUDITOR'S REMUNERATION

Each year, the auditors are appointed by resolution of the Annual General Meeting and directors are authorised to fix their remunerations for the auditing services.

During the year, Deloitte Touche Tohmastu resigned as the auditors of the Company on 21 November 2006. Deloitte Touche Tohmastu did not start any review work on the interim financial report and audit work on annual financial report of the Company. Grant Thornton was appointed as the auditors of the Company until the next general meeting of the Company.

The fee for audit provided by Grant Thornton for the year ended 31 March 2007 approximately amounted to HK$0.68 million (2006: HK$0.7 million paid to Deloitte Touche Tohmatsu).

The auditors have not so far performed any significant non-auditing service. Should any non-auditing service be considered to be conducted by our auditors, the Audit Committee would consider the policy developed by them in this regard and would then make recommendations to the Board.

COMPANY SECRETARY

The company secretary is responsible to the Board for ensuring that board procedures are followed and that activities of the Board are efficient and effective by assisting the chairman to prepare agenda for meeting and by preparing and disseminating Board papers to the directors and board committees in a timely and comprehensive manner. With respect to the company secretarial function, the company secretary maintains formal minutes for Board and other meetings.

The company secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The company secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of annual reports and interim reports within the period laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notifications is made of directors' dealings in Securities of the Group.

The company secretary also advises the directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

In relation to connected transactions, advice from legal counsels is made to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analysis is performed on all potential connected transactions for presentation to directors of relevant companies for their consideration in approving transactions.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the financial year.

INVESTOR RELATIONS AND SHAREHOLDERS RIGHTS

To promote investor relations and communications, meetings with fund managers and potential investors are held frequently. Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. The chairman and directors are available to answer question on the Group's businesses at the meeting. Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for considerations by shareholders. At any general meeting a resolution put to their vote of the meeting shall be decided on a show of hands unless a poll is demanded.

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to dispatching circulars, notices, financial reports to shareholders, addition information is also available to shareholders from the Group's website.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk. In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and put in place policies and procedures. The Company has not appointed an internal auditor. The internal controls are monitored and reviewed regularly by appropriate senior management so as to ensure that the categories of risks are managed effectively.

The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies. Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by the Board. The Board is overall responsible for monitoring the operations of the business within the Group. Monitoring activities include the review and approval of business strategies, budgets, and plans, and the setting of key business performance targets. When setting budget and forecast, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Group maintains a centralised cash management system for its subsidiary operations and the Group's finance department oversees the Group's cash position.

During the year, the audit committee and board of directors have reviewed internal control of the Company. The Board considers that the Group's internal control system is satisfactory.

FINANCIAL REPORTING

The Board recognises its responsibility to prepare consolidated financial statements which give a true and fair view and are in accordance with Hong Kong Financial Reporting Standards and Accounting Standards and Interpretations (hereafter collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are selected and applied consistently. Judgments and estimates made are prudent and reasonable. Hong Kong accounting standards have always broadly followed international accounting standards. The Group has adopted the new and revised HKFRS which came into effect on 1 April 2006, the details of which are set out in the "Adoption of new or amended HKFRS" of the Notes to the financial statements. The directors use their best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibilities of the auditors with respect to financial reporting are set out on page 35 to 36 in the Report of the Auditors.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 25 to the financial statements. Its subsidiaries were principally engaged in the publication of comics books and multimedia development in Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2007, the largest and the top five suppliers of the Group accounted for approximately 18% and 32% respectively of the Group's total purchases. The largest and the top five customers of the Group accounted for approximately 49% and 78% respectively of the Group's total revenue.

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 a beneficial interest in any of the Group's five largest suppliers or customers during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are and the state of affairs of the Group and the Company set out in the financial statements on page 37.

An interim dividend of HK0.2 cent per share amounting to HK$1,862,000 was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK0.2 cent per share to the shareholders on the register of members on 30 August 2007, amounting to HK$2,081,000, and the retention of the remaining profit.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 34 to the financial statements respectively.

DISTRIBUTABLE RESERVES

In addition to accumulated profits, under the Bermuda Companies Act, the contributed surplus account of the Company is also available for distribution to its shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 March 2007 is HK$113,958,000 (2006: 104,761,000).

SHARE CAPITAL

During the year, 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 40,000,000 new ordinary shares of HK$0.002 each of the Company were issued and allotted to Super Empire on 23 May 2006 under a placing and a subscription agreement up to 50,000,000 ordinary shares of HK$0.002 each of the Company entered into by the Company on 9 May 2006. These shares were issued under the general mandate granted to the directors of the Company on 22 August 2005. The issued price of HK$0.73 represented a discount of approximately 5.2% to the closing price of HK$0.77 on 9 May 2006.

During the year, convertible notes with an aggregate principal amount of HK$9,672,533 were converted into 19,345,066 ordinary shares of HK$0.02 each at HK$0.5 per share.

During the year, registered holders of share options exercised their rights to subscribe for the 28,692,000 ordinary shares. At the balance sheet date, the Company had outstanding 3,116,000 share options. Exercise in full of such options would result in the issue of 3,116,000 additional shares.

Details of movements during the year in the share capital of the Company are set out in note 33 to the financial statements.

CONVERTIBLE NOTES

Convertible notes (the "Notes") of 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 ("JDH") dated 17 August 2004. The Notes are convertible into shares of the Company at a price of HK$0.5 (subject to adjustments) and will be matured on 18 October 2007. 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. During the year, certain registered holders of the Notes converted the Notes of an aggregate principal amount of HK$9,672,533 into 19,345,066 ordinary shares.

BANK BORROWINGS

Particulars of bank loans of the Company and the group as at 31 March 2007 are set out in notes 31 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 108.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 18 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 *(Chairman)*
Mr. Wan Siu Lun *(Deputy Chairman)*
Mr. Wong Chun Keung *(Deputy Chairman)*
Mr. Ko Chi Keung *(Chief Executive Officer)*
Mr. Kwong Chi Tak

Non-executive director:

Mr. Zhang Li Chen (resigned on 30 September 2006)
Mr. Zheng Hao Jiang (appointed on 3 October 2006)

Independent non-executive directors:

Mr. Ho Yiu Ming
Mr. Kwong Chi Keung
Mr. Ma Fung Kwok

In accordance with bye-laws 86(2B) 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) of the Company's Bye-laws, every director should be subject to retirement by rotation at the annual general meeting at least once every three years 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.

In accordance with bye-laws 87(1) of the company's Bye-laws, Messrs. Wan Siu Lun, Wong Chun Keung and Kwong Chi Keung will retire by rotation and, being eligible, for re-election. In addition, pursuant to bye-laws 86(2B) of the Company's Bye-laws, Messrs. Zheng Hao Jiang was appointed as director during the year and will hold office until the forthcoming general meeting. Messrs. Wan Siu Lun, Wong Chun Keung, Kwok Chi Keung and Zheng Hao Jiang will offer themselves for re-election at the forthcoming annual general meeting.

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 2007, 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 position in the shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Tong Kai Lap ("Mr. Tong") (Note 1)	Founder of discretionary trust	10,274,400 ordinary shares	1.89%
Mr. Tong (Note 1)	Beneficial owner	4,760,000 ordinary shares	1.89%
Mr. Tong (Note 2)	Interest of spouse	2,551,466 ordinary shares	1.89%
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	580,000 ordinary shares	0.06%
Mr. Kwong Chi Tak	Beneficial owner	1,122,666 ordinary shares	0.12%

(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. Combining shareholding of discretionary trust, beneficial owner and interest of spouse, Mr. Tong holds 17,585,866 shares of the Company, representing approximately 1.89% of the issued shares of the Company.

(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.

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 2007.

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 37 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 2006	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2007
Mr. Tong	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 ("Mr. Kwong")	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	4,000	–	–	4,000
Note	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	904,000	–	–	904,000
					6,508,000	(3,396,000)	–	3,112,000

Note: Share options were granted to Mr. Kwong on 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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:

Long position in the shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 4)
Substantial shareholders			
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	34.69%
Mr. Wong Chun Loong ("Mr. Wong") (Note 1)	Held by controlled corporation	323,435,100	34.69%
Kingston Finance Limited ("KFL") (Note 2)	Security interest	323,435,100	34.69%
Ms. Ma Siu Fong ("Ms. Ma") (Note 3)	Held by controlled corporation	323,435,100	34.69%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 3)	Held by controlled corporation	323,435,100	34.69%

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) The denominator used is 932,394,450 shares, being the total number of shares in issue as at 31 March 2007.

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 2007.

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market information.

The Company has adopted a share option share scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the financial statements.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2006, the Company entered into a service agreement ("Service Agreement") with Mr. Wong, pursuant to which the Company has appointed Mr. Wong, for a term commencing from 1 April 2006 to 31 March 2007, as a creative writer for the comic and animated cartoon of the Group and Mr. Wong shall provide creative idea for the comic and animated cartoon related products of the Group. Mr. Wong shall also be responsible for assisting the promotion of the Group's products to the public. Mr. Wong is entitled to a monthly salary of HK$392,000 together with a bonus calculated based on the net profit of the comic and animated cartoon division of the Group for the year. However, the total annual emoluments of Mr. Wong under the Service Agreement shall be subject to an annual cap of HK$6,500,000. For the year ended 31 March 2007, the total annual emoluments and MPF paid by the Group to Mr. Wong for his services as a comic and animated cartoon creative writer amounted to HK$4,716,000.

On 30 March 2007, the Company renewed the service agreement with Mr. Wong for a term commencing from 1 April 2007 to 31 March 2008, as chief creative officer. The major terms and conditions of the renewed service agreement are as same as the above-said Service Agreement.

The independent non-executive directors of the Company have reviewed the continuing connected transaction and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms or on terms no less favourable to the Group the terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable in the interests of 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 2007.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 40 to the financial statements.

AUDITORS

On 21 November 2006, Messrs. Deloitte Touche Tohmatsu tendered their resignation as the auditors of the Company. On 28 November 2006, Messrs. Grant Thornton were appointed by the Board as the auditors of the Company to fill up the casual vacancy until the forthcoming annual general meeting. A resolution to re-appoint the retiring auditors, Messrs. Grant Thornton, will be put at the forthcoming annual general meeting.

On behalf of the Board

Ko Chi Keung
DIRECTOR

Hong Kong, 26 July 2007

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF JADE DYNASTY GROUP LIMITED
玉皇朝集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jade Dynasty Group Limited (the "Company") set out on pages 37 to 107, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 July 2007

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	**2007 HK$'000**	2006 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**102,094**	102,214
Cost of goods sold		**(61,378)**	(55,420)
Direct operating expenses		**(15,552)**	(14,739)
Gross profit		**25,164**	32,055
Other income	8	**1,264**	1,221
Selling and distribution costs		**(2,640)**	(2,529)
Administrative expenses		**(12,331)**	(13,962)
Operating profits		**11,457**	16,785
Finance costs	9	**(380)**	(1,527)
Profit before income tax		**11,077**	15,258
Income tax credit/(expense)	10	**286**	(1,631)
Profit for the year from continuing operations		**11,363**	13,627
DISCONTINUED OPERATIONS	11		
Loss for the year from discontinued operations		**–**	(89)
Profit for the year	12	**11,363**	13,538
Attributable to:			
Equity holders of the Company		**11,370**	13,538
Minority interests		**(7)**	–
		11,363	13,538
Dividends	16		
– Interim dividend declared during the year		**1,862**	1,582
– Final dividend proposed after the balance sheet date		**2,081**	1,849
Earnings per share	17		
From continuing and discontinued operations			
Basic		**1.24 cent**	1.81 cent
Diluted		**1.23 cent**	1.67 cent
From continuing operations			
Basic		**1.24 cent**	1.82 cent
Diluted		**1.23 cent**	1.68 cent

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**7,899**	6,790
Prepaid lease payments	19	**8,358**	8,532
Intangible assets	20	**6,107**	1,858
Goodwill	21	**124,539**	124,539
Deferred tax assets	22	**4,353**	3,092
Trade receivables	24	**1,597**	–
		152,853	144,811
Current assets			
Prepaid lease payments	19	**174**	174
Inventories	23	**65,298**	43,704
Trade receivables	24	**31,252**	27,710
Other receivables, deposits and prepayments	26	**11,239**	12,026
Tax recoverable		**1,280**	413
Pledged bank deposits	27	**4,258**	4,113
Cash and bank balances	28	**5,299**	2,318
		118,800	90,458
Current liabilities			
Trade payables	29	**9,672**	7,878
Other payables and accrued charges	30	**4,597**	8,760
Provision for tax		**1,521**	633
Bank borrowings	31	**3,557**	14,610
Convertible notes	32	**5,603**	–
		24,950	31,881
Net current assets		**93,850**	58,577
Total assets less current liabilities		**246,703**	203,388
Non-current liabilities			
Convertible notes	32	**–**	15,225
Net assets		**246,703**	188,163

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	33	**1,865**	1,689
Reserves		**242,395**	186,474
		244,260	188,163
Minority interests		**2,443**	–
Total equity		**246,703**	188,163

Tong Kai Lap
Director

Ko Chi Keung
Director

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	25	**150,298**	150,298
Deferred tax assets	22	**880**	979
		151,178	151,277
Current assets			
Amount due from a subsidiary	25	**76,635**	43,069
Other receivables, deposits and prepayments		**346**	197
Pledged bank deposits	27	**3,190**	3,085
Cash and bank balances	28	**3,332**	568
		83,503	46,919
Current liabilities			
Other payables and accrued charges		**178**	1,043
Bank borrowings	31	**1,863**	12,500
Convertible notes	32	**5,603**	–
		7,644	13,543
Net current assets		**75,859**	33,376
Total assets less current liabilities		**227,037**	184,653
Non-current liabilities			
Convertible notes	32	**–**	15,225
Net assets		**227,037**	169,428
EQUITY			
Share capital	33	**1,865**	1,689
Reserves	34	**225,172**	167,739
Total equity		**227,037**	169,428

Tong Kai Lap
Director

Ko Chi Keung
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Cash flows from operating activities			
Profit before income tax from continuing and discontinued operations		**11,077**	15,169
Adjustments for:			
Bank interest income	8	**(530)**	(116)
Interest expense	9	**380**	1,527
Depreciation of property, plant and equipment	12	**816**	804
Amortisation of intangible assets	12	**827**	740
Amortisation of prepaid lease payments	12	**174**	174
Gain on disposal of property, plant and equipment	12	**(135)**	(100)
Operating profit before working capital changes		**12,609**	18,198
Increase in inventories		**(21,594)**	(22,320)
Increase in trade receivables		**(5,139)**	(6,067)
Decrease in other receivables, deposits and prepayments		**787**	623
Increase/(Decrease) in trade payables		**1,794**	(643)
Decrease in other payables and accrued charges		**(4,163)**	(2,417)
Cash used in operations		**(15,706)**	(12,626)
Income taxes paid		**(954)**	(2,015)
Net cash used in operating activities		**(16,660)**	(14,641)
Cash flows from investing activities			
Increase in pledged bank deposits		**(145)**	(110)
Purchase of property, plant and equipment		**(1,948)**	(226)
Addition of intangible assets		**(76)**	–
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	35	**(2,550)**	–
Proceeds from disposal of property, plant and equipment		**158**	100
Decrease of club membership		**–**	100
Interest received		**530**	116
Net cash used in investing activities		**(4,031)**	(20)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from financing activities			
Repayment of bank loans		**(14,610)**	(3,394)
Dividends paid to equity holders of the Company		**(3,717)**	(1,582)
Bank interest paid		**(251)**	(810)
Interest on convertible notes paid		**(120)**	(667)
Proceeds from the issue of new shares		**39,770**	9,704
Share issue expenses		**(989)**	–
New bank loans raised		**2,188**	9,519
Net cash generated from financing activities		**22,271**	12,770
Net increase/(decrease) in cash and cash equivalents		**1,580**	(1,891)
Cash and cash equivalents at 1 April		**2,318**	4,119
Effect of foreign exchange rate changes		**32**	90
Cash and cash equivalents at 31 March		**3,930**	2,318
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**5,299**	2,318
Bank overdrafts		**(1,369)**	–
Cash and cash equivalents at 31 March		**3,930**	2,318

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000 (Note 1)	Contri-buted surplus HK$'000 (Note 2)	Exchange reserve HK$'000	Proposed final dividends HK$'000	Retained profits HK$'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 recognised directly in equity	–	–	–	–	–	90	–	–	90	–	90
Profit for the year	–	–	–	–	–	–	–	13,538	13,538	–	13,538
Total recognised income for the year	–	–	–	–	–	90	–	13,538	13,628	–	13,628
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)
Proposed final dividends for the year ended 31 March 2006	–	–	–	–	–	–	1,855	(1,855)	–	–	–
At 1 April 2006	1,689	62,912	66	(36,810)	49,394	2	1,855	109,055	188,163	–	188,163
Exchange difference on translation of overseas operations recognised directly in equity	–	–	–	–	–	32	–	–	32	–	32
Profit for the year	–	–	–	–	–	–	–	11,370	11,370	(7)	11,363
Total recognised income for the year	–	–	–	–	–	32	–	11,370	11,402	(7)	11,395
Issue of shares upon conversion of convertible notes	39	9,634	(42)	–	–	–	–	–	9,631	–	9,631
Issue of shares upon exercise of share options	57	10,513	–	–	–	–	–	–	10,570	–	10,570
Placing of shares	80	29,120	–	–	–	–	–	–	29,200	–	29,200
Expenses of issues of shares	–	(989)	–	–	–	–	–	–	(989)	–	(989)
Minority interests arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	2,450	2,450
Final dividend paid for the year ended 31 March 2006	–	–	–	–	–	–	(1,855)	–	(1,855)	–	(1,855)
Interim dividend paid for the period ended 30 September 2006	–	–	–	–	–	–	–	(1,862)	(1,862)	–	(1,862)
Proposed final dividends for the year ended 31 March 2007	–	–	–	–	–	–	2,081	(2,081)	–	–	–
At 31 March 2007	**1,865**	**111,190**	**24**	**(36,810)**	**49,394**	**34**	**2,081**	**116,482**	**244,260**	**2,443**	**246,703**

Notes:

1. 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.

2. 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 remaining balance of the contributed surplus amounted to HK$49,394,000.

1. GENERAL INFORMATION

Jade Dynasty Group Limited玉皇朝集團有限公司(the "Company") is an exempted company with limited liability incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church House, Hamilton HM11, Bermuda and its principal place of business is 11th Floor Safety Godown Industrial Building, 56 Ka Yip Street, Chai Wan, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (the "Group") are the publication of comics books and multimedia development. There were no changes in the nature of the principal activities during the year. On 30 April 2005, the Group has completed the discontinuation of its restaurant operations in Hong Kong.

The financial statements on pages 37 to 107 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 26 July 2007.

2. ADOPTION OF NEW AND AMENDED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on

- financial guarantee contracts

Other than the above, the adoption of these new and amended HKFRSs did not result in any significant changes in the Company's and the Group's accounting policies.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.1 Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 3.21.

Prior to adopting this new accounting policy, the Company and the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy requires these financial guarantee contracts to be recognised in the balance sheet according to the Group's accounting policy as set out in note 3.21.

The changes in accounting policies arising from the adoption of amended HKAS 39 in respect of financial guarantee contracts did not have any significant impact to the Group's results or financial position for the years presented.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Amendments to HKAS 1	Presentation of Financial Statements – Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2[3]
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions[6]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 May 2006.
4 Effective for annual periods beginning on or after 1 June 2006.
5 Effective for annual periods beginning on or after 1 November 2006.
6 Effective for annual periods beginning on or after 1 March 2007.
7 Effective for annual periods beginning on or after 1 January 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.3 Subsidiaries *(Continued)*

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of returns and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised when goods are delivered.

Royalty income and return on film investment are recognised on a basis in accordance with the terms of the relevant agreements.

Online comics viewing income are recognised on a basis that reflects the timing, nature and value of the benefits provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

Service fees are recognised when services are rendered.

Advertising income for advertisements on comics books is recognised on the relevant publication date of the Group's comics books.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive the payment is established.

3.6 Borrowing costs

All borrowing costs are recognised as and included in interest in the period in which they are incurred.

3.7 Goodwill

Goodwill arising on a business combination represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. The cost is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.8 Intangible assets (other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

The intangible assets of the Group which have definite useful lives are amortised on a straight-line basis over the following useful lives:

Copyrights	4 – 10 years
Trademarks	5 years

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets are tested for impairment as described in note 3.10.

3.9 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.9 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Furniture and equipment	10 – 33$^{1}/_{3}$%
Fixture	10 – 20% or over the term of the leases whichever is shorter
Motor vehicles	20 – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is dereognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.10 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid lease payments and interests in subsidiaries are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.10 Impairment of non-financial assets *(Continued)*

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.11 Leasing *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair values of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liabilities are reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Recognition and measurement

The Group's financial assets include trade and other receivables and are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

For financial assets carried at amortised cost:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement in the period in which the reversal occurs.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.14 Accounting for income taxes *(Continued)*

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.17 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through several defined contribution plans.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in the People's Republic of China except for Hong Kong (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 10% – 13% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.18 Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to consultants, advisors, customers, shareholders and business associates

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.19 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Financial liabilities *(Continued)*

Convertible notes

Convertible notes issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holders to convert the notes into equity, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the embedded option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.20 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.21 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.22 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Segment reporting *(Continued)*

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.23 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Assessment of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate. In cases where the actual future cash flows generated are less than expected, a material portion of the goodwill may be derecognised, which would be charged to the consolidated income statement for the year in which such a derecognition takes place. As at 31 March 2007, the carrying amount of goodwill was HK$124,539,000 (2006: HK$124,539,000). Details of the impairment assessment are disclosed in note 21.

Assessment of indication of impairment of intangible assets

The Group assesses at each reporting date whether there is any indication that the intangible assets with definite lives may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the assets in accordance with the accounting policy stated in note 3.10. In assessing whether there is any indication that intangible assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market, economic environment and customers' tastes. These assessments are subjective and require management's judgements and estimations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

Deferred tax

As at 31 March 2007, deferred tax assets of HK$4,353,000 (2006: HK$3,092,000) in relation to unused tax losses have been recognised in the consolidated balance sheet. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Based on the taxable profit and loss projection of the relevant subsidiaries, it is probable the Group can fully utilise deferred tax assets recognised within the utilisation period. In cases where the actual future profits generated are less than expected, a material portion of these deferred tax assets may be derecognised, which would be charged to the consolidated income statement for the year in which such a reversal takes place.

Allowances for trade receivables

The policy for allowance for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews the inventory list at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. In particular, work-in-progress represents the production costs of certain comics films. The management estimates the net realisable value for such inventories based primarily on the expected future market conditions as to whether the revenue associated with these comics films is sufficient to cover the costs of production. The Group carries out an inventory review at each balance sheet date and makes allowance if the net realisable value is below the cost.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, deposits, bank balances, trade payables, other payables, accrued charges, bank borrowings and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to pledged bank deposits and convertible notes due to fluctuation of prevailing market rates. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors consider the Group's exposure to interest rate risk is not significant as the pledged bank deposits are within short maturity period and majority of the convertible notes were already converted into the shares of the Company.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to bank balances and bank borrowings. Bank balances and bank borrowings at variable market rates expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps in order to mitigate its exposure associated with the cash flow interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Details of the Group's bank borrowings have been disclosed in note 31.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has monitored the credit status of customers and performed necessary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's exposure to bad debts is minimal.

The Group is exposed to concentration of credit risk. During the year, sales made to a major customer represented about 49% of the Group's total revenue (2006: 49%). Trade receivables from this customer represented about 64% of the Group's total trade receivables as at 31 March 2007 (2006: 82%). The Group's concentration of credit risk by geographical locations is mainly in Hong Kong.

The Group's bank balances and deposits are placed with banks of high credit rating and the Group has limited exposure to any single financial institution.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk

The Group is not exposed to significant foreign currency risk since most of its business operations are transacted in Hong Kong dollars.

Liquidity risk

Liquidity risk arises in the general funding of the Group's operating activities. It includes the risk of not being able to fund the operating activities at settlement dates and liquidate positions in a timely manner at a reasonable price. The Group has no significant exposure to liquidity risk. Short-term fundings will be obtained from financial institutions, when required.

Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of the liability component of the convertible notes determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan approximated its carrying amount at balance sheet date.

6. REVENUE – GROUP

Revenue represents the net amounts received and receivable for goods sold and services rendered to outside customers and the use by others of the Group's assets yielding interest, royalties and dividends less returns and allowances. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007 HK$'000	2006 HK$'000
Continuing operations		
Sale of comics books	**83,568**	95,964
Royalty income	**11,987**	4,468
Return on film investment	**4,800**	–
Sale of merchandised goods	**1,067**	872
Online comics viewing income	**592**	717
Sale of comics scripts	**80**	193
	102,094	102,214
Discontinued operations		
Sale of goods in restaurants	**–**	615
Services rendered *	**–**	54
	–	669
	102,094	102,883

* Services rendered represented surcharge for services provided in the restaurants.

7. SEGMENT INFORMATION – GROUP

Business segments

For management purposes, the Group is currently organised into two main operating divisions, namely, publication and distribution of comics books and multimedia development. These divisions are the basis on which the Group reports its primary segment information. On 30 April 2005, the Group completed the discontinuation of its restaurant operations.

	Continuing operations						Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Total		Restaurant operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**90,032**	101,414	**12,062**	800	**102,094**	102,214	**–**	669	**102,094**	102,883
Segment results	**9,306**	22,404	**8,410**	613	**17,716**	23,017	**–**	(89)	**17,716**	22,928
Unallocated corporate expenses					**(6,259)**	(6,232)	**–**	–	**(6,259)**	(6,232)
Finance costs					**(380)**	(1,527)	**–**	–	**(380)**	(1,527)
Profit/(loss) before income tax					**11,077**	15,258	**–**	(89)	**11,077**	15,169
Income tax credit/(expense)					**286**	(1,631)	**–**	–	**286**	(1,631)
Profit/(loss) for the year					**11,363**	13,627	**–**	(89)	**11,363**	13,538

	Continuing operations				Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Restaurant operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**178,650**	177,797	**77,467**	47,339	**–**	–	**256,117**	225,136
Unallocated corporate assets							**15,536**	10,133
Consolidated total assets							**271,653**	235,269
LIABILITIES								
Segment liabilities	**14,079**	13,318	**10**	2,277	**–**	–	**14,089**	15,595
Unallocated corporate liabilities							**10,861**	31,511
Consolidated total liabilities							**24,950**	47,106

7. SEGMENT INFORMATION – GROUP

Other information

	Continuing operations						Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Total		Restaurant operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Additions of property, plant and equipment	**1,922**	179	**26**	47	**1,948**	226	**–**	–	**1,948**	226
Additions of intangible assets on acquisition of a subsidiary	**–**	–	**5,000**	–	**5,000**	–	**–**	–	**5,000**	–
Addition of intangible assets	**–**	–	**76**	–	**76**	–	**–**	–	**76**	–
Gain on disposal of property, plant and equipment	**135**	–	**–**	–	**135**	–	**–**	100	**135**	100
Amortisation of prepaid lease payments	**174**	174	**–**	–	**174**	174	**–**	–	**174**	174
Depreciation and amortisation	**1,530**	1,510	**113**	–	**1,643**	1,510	**–**	34	**1,643**	1,544

Geographical segments

	Revenue	
	2007	2006
	HK$'000	HK$'000
Continuing operations		
Hong Kong	**92,774**	89,840
Taiwan	**4,734**	8,772
Others	**4,586**	3,602
	102,094	102,214
Discontinued operations		
Hong Kong	**–**	669
Total	**102,094**	102,883

The Group's assets and liabilities are substantially located in Hong Kong. Accordingly, no analysis by geographical segment is presented.

8. OTHER INCOME – GROUP

	2007 HK$'000	2006 HK$'000
Continuing operations		
Advertising income	**355**	385
Bank interest income	**530**	116
Others	**379**	720
	1,264	1,221

9. FINANCE COSTS – GROUP

	2007 HK$'000	2006 HK$'000
Interest on		
– Bank overdrafts and loans wholly repayable within five years	**251**	810
– Effective interest expense on convertible notes	**129**	717
	380	1,527

10. INCOME TAX CREDIT/(EXPENSE) – GROUP

	2007 HK$'000	2006 HK$'000
Hong Kong:		
Current tax:		
– Provision for current year	**(1,027)**	(1,410)
– Overprovision in prior year	**52**	9
Deferred tax credit/(charge) (note 22)	**1,261**	(230)
	286	(1,631)

10. INCOME TAX CREDIT/(EXPENSE) – GROUP *(Continued)*

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

No provision for PRC Income Tax has been made as the Group has no assessable profit derived from the PRC.

Reconciliation between income tax credit/(expense) for the year to the profit before tax per the consolidated income statement at applicable tax rate is as follows:

	2007 HK$'000	2006 HK$'000
Profit/(loss) before income tax:		
Continuing operations	**11,077**	15,258
Discontinued operations	**–**	(89)
	11,077	15,169
Tax at the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**(1,939)**	(2,655)
Tax effect of expenses not deductible for tax purpose	**(66)**	(183)
Tax effect of tax losses not recognised	**–**	(412)
Utilisation of tax losses previously not recognised	**23**	62
Recognition of tax losses previously not recognised	**1,171**	–
Tax effect of income not taxable	**1,105**	1,542
Overprovision in prior year	**52**	9
Others	**(60)**	6
Income tax credit/(expense) for the year	**286**	(1,631)

11. DISCONTINUED OPERATIONS – GROUP

In March 2005, the directors were determined to phase out the Group's restaurant operations, which were located in Hong Kong. The Group's restaurant operations had permanently ceased in April 2005.

The results of the restaurant operations for the year 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Revenue	**–**	669
Cost of goods sold	**–**	(208)
Direct operating expenses	**–**	(692)
Other income	**–**	142
Loss before income tax	**–**	(89)
Income tax	**–**	–
Loss from ordinary activities after income tax	**–**	(89)

Since the restaurant operations were ceased in April 2005, there was no cashflow for the restaurant operations in operating activities (2006: HK$189,000 cash outflows) and in respect of investing activities (2006: HK$100,000 cash inflows) for the year ended 31 March 2007.

12. PROFIT FOR THE YEAR – GROUP

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit for the year has been arrived at after charging:						
Amortisation of intangible assets (included in direct operating expenses)	**827**	740	**–**	–	**827**	740
Amortisation of prepaid lease payments (included in administrative expenses)	**174**	174	**–**	–	**174**	174
Auditors' remuneration	**680**	700	**–**	–	**680**	700
Cost of inventories recognised as expense	**31,766**	29,850	**–**	208	**31,766**	30,058
Depreciation*	**816**	770	**–**	34	**816**	804
Gain of disposal of property, plant and equipment	**135**	–	**–**	100	**135**	100
Operating lease payments in respect of rented premises	**851**	968	**–**	40	**851**	1,008
Staff costs, including directors' emoluments (note 13) and retirement benefits scheme contributions (note 15)	**49,247**	54,225	**–**	341	**49,247**	54,566
Amount capitalised in inventories	**(12,090)**	(17,190)	**–**	–	**(12,090)**	(17,190)
Amount charged to income statement	**37,157**	37,035	**–**	341	**37,157**	37,376

* Depreciation of HK$126,000 (2006: HK$226,000) has been expensed in direct operating expenses and HK$690,000 (2006: HK$578,000) in administrative expenses.

13. DIRECTORS' EMOLUMENTS – GROUP

The emoluments paid or payable to each of the ten (2006: nine) directors were as follows:

	Directors' fee HK$'000	Salary and allowances HK$'000	Discretionary bonuses* HK$'000	Retirement benefit scheme contributions HK$'000	2007 Total HK$'000
Executive directors:					
Tong Kai Lap	**180**	**1,614**	**–**	**12**	**1,806**
Wan Siu Lun	**180**	**1,082**	**–**	**12**	**1,274**
Wong Chun Keung	**180**	**841**	**–**	**12**	**1,033**
Ko Chi Keung	**180**	**780**	**–**	**12**	**972**
Kwong Chi Tak	**180**	**660**	**–**	**12**	**852**
Non-executive directors:					
Zhang Li Chen	**60**	**–**	**–**	**–**	**60**
Zheng Hao Jiang	**60**	**–**	**–**	**–**	**60**
Independent non-executive directors:					
Ho Yiu Ming	**180**	**–**	**–**	**–**	**180**
Kwong Chi Keung	**180**	**–**	**–**	**–**	**180**
Ma Fung Kwok	**180**	**–**	**–**	**–**	**180**
Total	**1,560**	**4,977**	**–**	**60**	**6,597**

13. DIRECTORS' EMOLUMENTS – GROUP *(Continued)*

	Directors' fee HK$'000	Salary and allowances HK$'000	Discretionary bonuses* HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Executive directors:					
Tong Kai Lap	180	1,451	133	12	1,776
Wan Siu Lun	180	702	1,568	12	2,462
Wong Chun Keung	180	625	360	12	1,177
Ko Chi Keung	180	349	43	12	584
Kwong Chi Tak	180	444	50	12	686
Non-executive directors:					
Zhang Li Chen	30	–	–	–	30
Independent non-executive directors:					
Ho Yiu Ming	180	–	–	–	180
Kwong Chi Keung	180	–	–	–	180
Ma Fung Kwok	180	–	–	–	180
Total	1,470	3,571	2,154	60	7,255

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss office. None of the directors has waived or agreed to waive any emoluments during the year.

* The discretionary bonuses are determined as a percentage of the results of business segments managed by respective directors.

14. EMPLOYEES' EMOLUMENTS – GROUP

Of the five individuals with the highest emoluments in the Group, three (2006: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The total emoluments of the remaining two (2006: two) highest paid individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**8,404**	9,247
Retirement benefits scheme contributions	**24**	24
	8,428	9,271

Their emoluments were within the following bands:

	Number of individuals	
	2007	2006
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	2	2

15. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS – GROUP

The Group operates three Mandatory Provident Fund Schemes ("MPF Schemes") for all qualifying employees. The assets of the MPF Schemes are held separately in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the MPF Schemes, which contribution is matched by employees (to the extent of HK$12,000 per annum per employee).

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Total contributions to retirements benefit schemes charged to consolidated income statement amounted to HK$1,030,000 (2006: HK$1,005,000).

16. DIVIDENDS – GROUP

	2007	2006
	HK$'000	HK$'000
Ordinary shares:		
Interim dividend paid of HK$0.2 cent per share	**1,862**	1,582

An interim dividend for the six months ended 30 September 2006 of HK0.2 cent per share (six months ended 30 September 2005: HK0.2 cent) amounting to HK$1,862,000 (six months ended 30 September 2005: HK$1,582,000) was paid on 25 January 2007 to the shareholders of the Company whose names appeared in the Register of Members on 11 January 2007.

16. DIVIDENDS – GROUP *(Continued)*

The directors have proposed that a final dividend of HK0.2 cent per share (2006: HK0.2 cent) amounting to HK$2,081,000 (2006: HK$1,855,000) be payable on 19 September 2007 to the shareholders of the Company whose names appear in the Register of Members on 30 August 2007 ("Book Close Date").

	2007	2006
	HK$'000	HK$'000
Final dividends to existing shareholders	**1,865**	1,689
Final dividends to other shareholders (Note i, ii)	**216**	160
	2,081	1,849
Final dividends to other shareholders (Note ii)	**–**	6
	2,081	1,855

Note i: Subsequent to the year end and up to the date of approval of the financial statements for the year ended 31 March 2007, an aggregate of 8,000,000 ordinary shares (the "New Shares") were issued pursuant to the conversion of convertible notes and the placement of 100,000,000 ordinary shares to Super Empire Investments Limited, details of which are set out in note 40. The holders of the New Shares are also entitled to the proposed final dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, final dividends of HK$216,000 will be paid to the holders of the New Shares.

The number of shares entitled to the final dividends is subject to future exercise/conversion of Company's share options and convertible notes prior to the Book Close Date.

Note ii: Subsequent to the year end and up to the date of approval of the financial statements for the year ended 31 March 2006, an aggregate of 80,003,732 ordinary shares (the "New Shares") were issued pursuant to the conversion of convertible notes, exercise of share options and the placement of ordinary shares to Super Empire Investments Limited. The holders of the New Shares were also entitled to the proposed final dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, final dividends of HK$160,000 were paid to the holders of the New Shares.

16. DIVIDENDS – GROUP *(Continued)*

Note ii: *(Continued)*

Subsequent to the announcement of the financial results for the year end 31 March 2006 and prior to the book close date on 23 August 2006, an aggregate of 3,000,000 share options were exercised into 3,000,000 new ordinary shares, the holders of which were also entitled to the final dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, additional final dividends of HK$6,000 were paid to the holders of these new ordinary shares.

17. EARNINGS PER SHARE – GROUP

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

For continuing and discontinued operations

	2007	2006
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic earnings per share	**11,370**	13,538
Effect on dilutive potential ordinary shares:		
Interest on convertible notes	**129**	717
Earnings for the purposes of diluted earnings per share	**11,499**	14,255
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**918,045,752**	748,960,707
Effect of dilutive potential ordinary shares:		
Share options	**4,114,756**	6,457,525
Convertible notes	**13,859,668**	98,200,863
Weighted average number of shares for the purposes of diluted earnings per share	**936,020,176**	853,619,095

17. EARNINGS PER SHARE – GROUP *(Continued)*

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:

From continuing operations

	2007	2006
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic earnings per share	**11,370**	13,538
Add: Loss for the year from discontinued operations	**–**	89
Earnings for the purposes of basic earnings per share from continuing operations	**11,370**	13,627
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**129**	717
Earnings for the purposes of diluted earnings per share from continuing operations	**11,499**	14,344

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

From discontinued operations

The basic loss per share for discontinued operations for the year ended 31 March 2006 of HK0.01 cent is based on the calculation on the loss for that year from the discontinued operations of HK$89,000 and the same denominators detailed above for the basic earnings per share. For the year ended 31 March 2007, there is no result from discontinued operations.

Diluted loss per share for discontinued operations for the year ended 31 March 2006 is not presented because the exercise of the convertible notes and share options outstanding would result in a decrease in net loss per share for that year. For the year ended 31 March 2007, there is no result from discontinued operations.

18. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings	Furniture, fixture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005				
Cost	6,227	10,443	527	17,197
Accumulated depreciation	(113)	(9,408)	(308)	(9,829)
Net carrying amount	6,114	1,035	219	7,368
Year ended 31 March 2006				
Opening net carrying amount	6,114	1,035	219	7,368
Additions	–	226	–	226
Depreciation	(132)	(525)	(147)	(804)
Closing net carrying amount	5,982	736	72	6,790
At 31 March 2006				
Cost	6,227	1,936	527	8,690
Accumulated depreciation and impairment	(245)	(1,200)	(455)	(1,900)
Net carrying amount	5,982	736	72	6,790
Year ended 31 March 2007				
Opening net carrying amount	5,982	736	72	6,790
Additions	–	638	1,310	1,948
Disposals	–	–	(23)	(23)
Depreciation	(161)	(414)	(241)	(816)
Closing net carrying amount	5,821	960	1,118	7,899
At 31 March 2007				
Cost	6,227	2,574	1,599	10,400
Accumulated depreciation and impairment	(406)	(1,614)	(481)	(2,501)
Net carrying amount	5,821	960	1,118	7,899

18. PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

The Group's buildings are situated in Hong Kong on land held under long leases.

The Group has pledged buildings with a carrying amount of HK$5,821,000 (2006: HK$5,982,000) to secure general banking facilities granted to the Group (note 31).

19. PREPAID LEASE PAYMENTS – GROUP

	2007	2006
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under long lease		
Opening net carrying amount	**8,706**	8,880
Amortisation	**(174)**	(174)
Closing net carrying amount	**8,532**	8,706
Analysed for reporting purposes as:		
Current asset	**174**	174
Non-current asset	**8,358**	8,532
	8,532	8,706

The Group has pledged prepaid lease payments of a carrying amount of HK$8,532,000 (2006: HK$8,706,000) to secure banking facilities granted to the Group (note 31).

20. INTANGIBLE ASSETS – GROUP

	Copyrights HK$'000	Trademarks HK$'000	Total HK$'000
Cost			
At 1 April 2005 and 31 March 2006	3,213	151	3,364
Acquired on acquisition of a subsidiary	5,000	–	5,000
Addition	76	–	76
At 31 March 2007	8,289	151	8,440
Amortisation			
At 1 April 2005	710	56	766
Charge for the year	680	60	740
At 31 March 2006	1,390	116	1,506
Charge for the year	792	35	827
At 31 March 2007	2,182	151	2,333
Carrying amount			
At 31 March 2007	6,107	–	6,107
At 31 March 2006	1,823	35	1,858

21. GOODWILL – GROUP

	HK$'000
Cost	
At 1 April 2005, 31 March 2006 and 31 March 2007	124,539

As explained in note 7, the Group considers and presents business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to an individual cash generating unit ("CGU"), including subsidiaries engaged in publications and distributions of comics books and related businesses.

For the years ended 31 March 2006 and 2007, management of the Group determines that there is no impairment of goodwill.

The basis of the recoverable amount and its major underlying assumptions are summarised below:

The recoverable amount is determined from value in use calculations. The key assumptions for the value in use calculations are discount rate and expected changes in selling prices and direct costs in the future. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The discount rate used is 7.2% (2006: 7.2%). The growth rate is based on industry growth forecast. Selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cashflow forecast derived from the most recent financial budgets approved by management for the next five years and extrapolates cashflow for the following ten years at zero growth rate. After considering the relevant comics business has a history of over 30 years with a steady stream of operating profits in the past, the directors considered the adoption of a 15-years forecast period is appropriate.

22. DEFERRED TAX ASSETS – COMPANY AND GROUP

The Company's and the Group's deferred tax assets are mainly derived from the unused tax losses. The movement during the current and prior years is as follows:

	Group HK$'000	Company HK$'000
At 1 April 2005	3,322	1,165
Charged to income statement (note 10)	(230)	(186)
At 31 March 2006	3,092	979
Credited/(charged) to income statement (note 10)	1,261	(99)
At 31 March 2007	4,353	880

At the balance sheet date, the Group has unused tax losses of HK$28,744,000 (2006: HK$27,662,000) available for offset against future profits. Deferred tax assets have been recognised in respect of HK$26,263,000 (2006: HK$17,669,000) of such losses as the directors consider that the realisation of these deferred tax assets through the future taxable profits of those subsidiaries which incurred these tax losses is probable. No deferred tax asset has been recognised in respect of the remaining HK$2,481,000 (2006: HK$9,993,000) due to the unpredictability of future profit streams of the subsidiaries which incurred these remaining tax losses.

23. INVENTORIES – GROUP

	2007 HK$'000	2006 HK$'000
Raw materials and consumables	**1,005**	120
Work-in-progress	**61,146**	43,457
Merchandised goods and books	**3,147**	127
	65,298	43,704

The work-in-progress represents production and other direct costs in relation to the production of animations.

24. TRADE RECEIVABLES – GROUP

An aged analysis of trade receivables as at the balance sheet date, based on invoice date, and net of impairment losses, is as follows:

	2007	2006
	HK$'000	HK$'000
0 – 30 days	**15,353**	15,748
31 – 60 days	**5,606**	7,337
61 – 90 days	**1,769**	2,567
Over 90 days	**10,121**	2,058
	32,849	27,710
Less: Trade receivables due over one year	**(1,597)**	–
Trade receivables due within one year	**31,252**	27,710

The Group's sales to its customers are mainly on credit. Except as detailed below, the credit period is generally for a period of two to three months for major customers. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management.

On 9 January 2007, the Group entered into an agreement with one of the major customers that HK$8,597,000 of the trade debts due from this customer is to be settled by 18 equal instalments and approximately HK$1,597,000 of trade receivables from this customer are to be settled over one year from the balance sheet date.

25. INTERESTS IN SUBSIDIARIES – COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted shares at cost	**150,298**	150,298
Due from a subsidiary	**76,635**	43,069

The amount due from the subsidiary is unsecured, interest-free and is repayable on demand.

Particulars of the principal subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Class of share held	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company	Principal activities
Jade Dynasty Holdings Limited	British Virgin Islands	Ordinary	US$10,000	100%*	Investment holding
Dragon Animation Holdings Limited (formerly known as Dragon Animation Limited) **	British Virgin Islands	Ordinary	US$100	51%	Development of animation and related products
Jade Dynasty Comics Development Limited	Hong Kong	Ordinary	HK$2	100%	Publication of comics books
Jade Dynasty Publications Limited	Hong Kong	Ordinary	HK$30,000,000	100%	Publication of comic books and investment holding
KINGcomics.com Limited	Hong Kong	Ordinary	HK$2	100%	Provision of online comic viewing services and sales of related merchandised goods
Rising Dragon Publications Limited	Hong Kong	Ordinary	HK$100	100%	Sales of merchandised goods
Yuk Long Animation Limited	Hong Kong	Ordinary	HK$30,000,000	100%	Development of animation and games
Yuk Long (Overseas) Limited	British Virgin Islands	Ordinary	US$1	100%	Provision of agency and promotion services
Yuk Long Publishing (International) Limited	Hong Kong	Ordinary	HK$10,000	100%	Publication of comics books
Yuk Long Cultural Development (Shenzhen) Limited	The PRC	Registered capital	HK$1,000,000	100%	Digital graphic design and software development

25. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

* Other than this subsidiary which is directly held by the Company, all other principal subsidiaries are indirectly held by the Company.

** This subsidiary is newly acquired by the Group during the year.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the principal subsidiaries of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP

	2007	2006
	HK$'000	HK$'000
Amount due from related parties	**2,000**	–
Deposits	**318**	308
Other receivables	**142**	233
Prepayments	**8,779**	11,485
	11,239	12,026

The related parties are relatives of an executive director of the Company, Mr. Wong Chun Keung. The amount is unsecured, interest-free and has no fixed term of repayment.

27. PLEDGED BANK DEPOSITS – COMPANY AND GROUP

Certain of the Company's and the Group's bank deposits have been pledged to secure general banking facilities granted to the Group (note 31). The deposits bore fixed interest ranging from 3.6% to 3.92% per annum (2006: 3.5% to 3.61% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

28. CASH AND BANK BALANCES – COMPANY AND GROUP

The bank balances bore interest at the prevailing market interest rates of approximately 2.8% per annum (2006: 2.8% per annum). At 31 March 2007, the Group's cash and bank balances of approximately HK$330,000 (2006: HK$254,000) were denominated in Renminbi which is not freely convertible into other currencies.

29. TRADE PAYABLES – GROUP

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 – 30 days	**4,044**	3,219
31 – 60 days	**1,977**	1,515
61 – 90 days	**1,880**	1,620
Over 90 days	**1,771**	1,524
	9,672	7,878

30. OTHER PAYABLES AND ACCRUED CHARGES – GROUP

	2007	2006
	HK$'000	HK$'000
Other payables	**441**	3,765
Accrued charges	**4,156**	4,995
	4,597	8,760

31. BANK BORROWINGS – COMPANY AND GROUP

At 31 March 2007, the bank loans and overdrafts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Bank overdrafts (unsecured)	**1,369**	–	**363**	–
Secured bank loans	**1,500**	14,610	**1,500**	12,500
Unsecured bank loans	**688**	–	**–**	–
	3,557	14,610	**1,863**	12,500

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

	2007	2006
Bank overdrafts (unsecured)	Hong Kong Dollar Prime Rate + 0.5%	–
Secured bank loans	HIBOR + 2%	HIBOR + 2.5% Hong Kong Dollar Prime Rate – 2%
Unsecured bank loans	Hong Kong Dollar Prime Rate – 2%	–

At 31 March 2007, the banking facilities of the Group were secured by the charge over the buildings with the carrying amount of approximately HK$5,821,000 (2006: HK$5,982,000), prepaid lease payments of approximately HK$8,532,000 (2006: HK$8,706,000) and bank deposits of approximately HK$4,258,000 (2006: HK$4,113,000) and corporate guarantees provided by the Company. The Group's bank borrowings are denominated in Hong Kong dollars.

32. CONVERTIBLE NOTES – COMPANY AND GROUP

Convertible notes (the "Notes") of the Company were issued on 19 October 2004 upon completion of the purchase of 49% equity interests in Jade Dynasty Holdings Limited, the Company's direct subsidiary. The Notes are convertible into ordinary shares of the Company at a price of HK$0.5 (subject to adjustments) and will mature on 18 October 2007 (the "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 arrear semi-annually.

The Group may elect to repay the outstanding principal under the Notes prior to the Maturity Date provided that the amount of principal repaid under each Note shall not exceed (i) within the first year of issue, one-third of the original principal amount of such Note and (ii) within the second year of issue, two-thirds of the original principal amount of such Note. The fair value of early redemption right of the Notes is insignificant.

Unless converted by the noteholder or repaid by the Group before the Maturity Date, the Group will repay the Notes in cash without premium representing the outstanding principal, accrued and unpaid interest in accordance with the terms and conditions of the Notes at the Maturity Date.

The Notes contain two components, liability and equity elements. Upon the application of HKAS 32 Financial Instruments: Disclosure and Presentation, the Notes were split between the liability and equity elements, on a retrospective basis, in the year ended 31 March 2005. The equity element is presented in equity heading "capital reserve". The effective interest rate of the liability component is 2.15%.

32. CONVERTIBLE NOTES – COMPANY AND GROUP *(Continued)*

The movement of the liability component of the Notes for the year is set out below:

	2007	2006
	HK$'000	HK$'000
Liability component at the beginning of the year	**15,225**	65,092
Conversion to shares of the Company	**(9,631)**	(49,917)
Interest charge (note 9)	**129**	717
Interest paid	**(120)**	(667)
Liability at the end of the year	**5,603**	15,225

33. SHARE CAPITAL – COMPANY AND GROUP

	Notes	**Par value of ordinary share**	**Number of ordinary shares**	**Amount**
		HK$		HK$'000
Authorised:				
At 1 April 2005, 31 March 2006 and 31 March 2007		0.002 each	250,000,000,000	500,000
Issued and fully paid:				
At 1 April 2005		0.002 each	714,106,184	1,428
Issue of new shares upon conversion of convertible notes		0.002 each	100,267,200	201
Issue of new shares upon exercise of share options		0.002 each	29,984,000	60
At 31 March 2006			844,357,384	1,689

33. SHARE CAPITAL – COMPANY AND GROUP *(Continued)*

	Notes	Par value of ordinary share	Number of ordinary shares	Amount
		HK$		HK$'000
Issue of new shares upon conversion of convertible notes	(1)	0.002 each	19,345,066	39
Issue of new shares upon exercise of share options	(2)	0.002 each	28,692,000	57
Placing of new shares	(3)	0.002 each	40,000,000	80
At 31 March 2007			932,394,450	1,865

Notes:

(1) During the year, convertible notes with an aggregate principal amount of HK$9,673,000 were converted into 19,345,066 shares at a conversion price of HK$0.5 per share.

(2) During the year, 28,692,000 share options were exercised at a subscription price ranging from HK$0.363 to HK$0.37 per share, resulting in the issue of 28,692,000 shares of HK$0.002 each for a total cash consideration of HK$10,570,000.

(3) 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 for a total consideration of HK$29,200,000. 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 into by the Company on 9 May 2006.

34. RESERVES – COMPANY

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note 1)	Proposed final dividends HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2005	3,336	282	100,680	–	(2,373)	101,925
Profit for the year	–	–	–	–	8,036	8,036
Total recognised income for the year	–	–	–	–	8,036	8,036
Issue of shares upon conversion of convertible notes	49,932	(216)	–	–	–	49,716
Issue of shares upon exercise of share options	9,644	–	–	–	–	9,644
Interim dividend paid for the period ended 30 September 2005	–	–	–	–	(1,582)	(1,582)
Proposed final dividends for the year ended 31 March 2006	–	–	–	1,855	(1,855)	–
At 1 April 2006	62,912	66	100,680	1,855	2,226	167,739
Profit for the year	–	–	–	–	12,914	12,914
Total recognised income for the year	–	–	–	–	12,914	12,914
Issue of shares upon conversion of convertible notes	9,634	(42)	–	–	–	9,592
Issue of shares upon exercise of share options	10,513	–	–	–	–	10,513
Placing of shares	29,120	–	–	–	–	29,120
Expenses of issues of shares	(989)	–	–	–	–	(989)
Final dividend paid for the year ended 31 March 2006	–	–	–	(1,855)	–	(1,855)
Interim dividend paid for the period ended 30 September 2006	–	–	–	–	(1,862)	(1,862)
Proposed final dividends for the year ended 31 March 2007	–	–	–	2,081	(2,081)	–
At 31 March 2007	111,190	24	100,680	2,081	11,197	225,172

1. The contributed surplus of the Company consists of:

   (i) HK$51,286,000 being the difference between the underlying consolidated net assets of Global Food Culture Group Limited and its subsidiaries and the nominal value of the Company's shares which were issued under a group reorganisation in 1997; and

   (ii) 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 remaining balance amounted to HK$49,394,000.

35. ACQUISITION OF A SUBSIDIARY – GROUP

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% of the issued share capital of Dragon Animation Limited (subsequently changed the name as Dragon Animation Holdings Limited ("DAHL")), for a consideration of HK$2,550,000. The principal activities of DAHL are to carry out the development of animation and related products. DAHL is authorised to produce Chinese animated series using the figure of world-famous movie star Mr. Jackie Chan.

The details of the assets acquired are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Intangible assets	5,000	–
Minority interests (49%)	(2,450)	
Net assets acquired	2,550	
Purchase consideration and cash outflow on acquisition	2,550	

The fair value of the intangible assets was determined by the directors of the Company with reference to a valuation performed by a professional valuer in Hong Kong.

DAHL had not commenced business for the year ended 31 March 2007. Since the acquisition, DAHL contributed nil and a loss of HK$14,000 to the Group's revenue and profit for the year ended 31 March 2007, respectively.

Had the acquisition taken place at 1 April 2006, there would be no impact to the revenue and the profit of the Group for the year ended 31 March 2007. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006 nor are they intended to be a projection of future results.

36. OPERATING LEASES – GROUP

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**199**	573
In the second to fifth year inclusive	**–**	132
	199	705

Operating lease payments represent rentals payable by the Group for its staff quarters and office premises in the PRC and Taiwan. Leases are mainly negotiated for an average term of one to two years.

37. SHARE BASED PAYMENT TRANSACTIONS – GROUP

Equity-settled share option scheme

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 for the primary purpose of providing incentives to directors and eligible employees. The Scheme will expire on 6 October 2012. Under the Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, suppliers, customers, advisers or consultants and joint venture partners or business alliances of the Company or any of its subsidiaries to subscribe for shares in the Company.

37. SHARE BASED PAYMENT TRANSACTIONS – GROUP *(Continued)*

Equity-settled share option scheme *(Continued)*

At 31 March 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,116,000 (2006: 31,808,000), representing 0.3% (2006: 3.8%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholder or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the shares on the Stock Exchange on the date of grant, the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares.

37. SHARE BASED PAYMENT TRANSACTIONS – GROUP *(Continued)*

Equity-settled share option scheme *(Continued)*

The following table discloses details of the Company's share options held by the Company's directors, the Group's employees and other registered holders and movements in such holdings during both years.

					Number of share options						
	Option type	Date of grant	Exercisable period	Exercise price HK$	At 1 April 2005	Exercised during the year	Lapsed during the year	At 31 March 2006	Exercised during the year	Lapsed during the year	At 31 March 2007
Directors	2003	27.3.2003	28.3.2003 to 27.3.2006	0.267	11,199,998	(11,192,000)	(7,998)	–	–	–	–
	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	3,300,000	(1,096,000)	–	2,204,000	(2,196,000)	–	8,000
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	5,800,000	(1,496,000)	–	4,304,000	(1,200,000)	–	3,104,000
					20,299,998	(13,784,000)	(7,998)	6,508,000	(3,396,000)	–	3,112,000
Employees	2003	27.3.2003	28.3.2003 to 27.3.2006	0.267	1,600,000	(1,600,000)	–	–	–	–	–
	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	600,000	(300,000)	–	300,000	(296,000)	–	4,000
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	300,000	(300,000)	–	–	–	–	–
					2,500,000	(2,200,000)	–	300,000	(296,000)	–	4,000
Consultants, advisors, customers, shareholders and business associates	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	13,000,000	(9,000,000)	–	4,000,000	(4,000,000)	–	–
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	26,000,000	(5,000,000)	–	21,000,000	(21,000,000)	–	–
					39,000,000	(14,000,000)	–	25,000,000	(25,000,000)	–	–
					61,799,998	(29,984,000)	(7,998)	31,808,000	(28,692,000)	–	3,116,000

37. SHARE BASED PAYMENT TRANSACTIONS – GROUP *(Continued)*

Equity-settled share option scheme *(Continued)*

The Group has not applied HKFRS 2 to share options granted on or after 7 November 2002 and vested before 1 April 2005 in accordance with the relevant transitional provisions. All the share options granted under the Scheme were vested on the date of grant. Because all the share options outstanding as at 1 April 2005 had vested before 1 April 2005, the application of HKFRS 2 has had no impact on the Group's result for the current or prior accounting periods.

Accordingly, the financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.67.

At the balance sheet date, the Company had outstanding 3,116,000 (2006: 31,808,000) share options. Exercise in full of such share options would result in the issue of 3,116,000 (2006: 31,808,000) additional shares.

38. RELATED PARTY TRANSACTIONS – GROUP

During the year, except as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	Notes	**2007** HK$'000	2006 HK$'000
Payment of comics script fee and bonus to a shareholder	(1)	**4,716**	5,484
Payment of salary and administrative fees to related parties	(2)	**1,422**	1,308
Interest expense on convertible notes paid to directors	(3)	**–**	124
Interest expense on convertible notes paid to a shareholder	(3)	**–**	384

Notes:

(1) During the year, the Group paid comics script fee and bonus to Mr. Wong Chun Loong, in the capacity as chief creative officer pursuant to the relevant service agreement signed with the Group.

(2) During the years ended 31 March 2007 and 31 March 2006, the Group paid salary and administrative expenses to certain relatives of two executive directors of the Company, Mr. Tong Kai Lap and Mr. Wong Chun Keung. The amounts paid to these related parties are for the purpose of normal course of business. No individual persons received over HK$1,000,000 in each of the year.

(3) For the year ended 31 March 2006, the Group paid interest on convertible notes to directors and their associates and a shareholder and his associates. The interest was charged at 2% on the principal amount of the convertible notes. The corresponding finance costs based on the effective interest rate of 2.15% of the liability component was HK$144,000.

(4) The directors of the Company considered they are the key management of the Group. Details of their remuneration are set out in note 13.

39. GUARANTEES – COMPANY

	2007 HK$'000	2006 HK$'000
Financial guarantees given to:		
Banks for credit facilities granted to		
– certain subsidiaries	**15,378**	–

40. NON-ADJUSTING POST BALANCE SHEET EVENTS – COMPANY AND GROUP

(1) On 15 May 2007, a wholly-owned subsidiary of the Company, JDMML, entered into a framework agreement with an independent third party for the acquisition of 51% issued share capital of Hong Ying Universe Limited which has a wholly owned subsidiary, Suzhou Hongyong Cartoon Production Company Limited, and exclusive entitlement to all of the economic benefits and rights to control, manage and operate Nanjing Hongying Anmie-cartoon Entertainment Company Limited and Shanghai Shanding Animation Creation Company Limited. The aggregate consideration is HK$40,800,000. The aggregate consideration shall be in cash of HK$8,160,000 and in shares through the issue of 40,800,000 at HK$0.80 each by the Company. Further details of the transaction are included in the Company's announcement dated 25 May 2007.

(2) On 29 May 2007, 100,000,000 ordinary shares of HK$0.002 each of the Company held by Super Empire, a company wholly owned by a major shareholder of the Company, were placed to independent professional investors at a price of HK$0.76 each and 100,000,000 new ordinary shares of HK$0.002 each of the Company were issued and allotted to Super Empire on 13 June 2007. These shares were issued under the general mandate granted to the directors of the Company on 23 August 2006. The net proceeds of approximately HK$73,400,000 from the placing and subscription agreement would be used for further development of multi-media business and general working capital. Further details of the transaction are included in the Company's announcement dated 31 May 2007.

(3) Subsequent to the year end, an aggregate principal amount of HK$4,000,000 convertible notes were converted into 8,000,000 new ordinary shares of HK$0.002 each at HK$0.5 per share.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000	**HK$'000**
Revenue	235,133	166,465	107,307	102,214	**102,094**
(Loss)/profit for the year attributable to the equity holders of the Company	(24,347)	13,534	11,043	13,538	**11,370**

ASSETS AND LIABILITIES

	At 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000	**HK$'000**
Total assets	109,755	64,368	210,709	235,269	**271,653**
Total liabilities	(122,716)	(9,727)	(94,213)	(47,106)	**(24,950)**
	(12,961)	54,641	116,496	188,163	**246,703**
Equity attributable to equity holders of the Company	(22,145)	54,641	116,496	188,163	**244,260**
Minority interests	9,184	–	–	–	**2,443**
	(12,961)	54,641	116,496	188,163	**246,703**