



# JADE DYNASTY GROUP LIMITED

## 玉皇朝集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 970)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2005

#### RESULTS

The directors (the “Directors”) of Jade Dynasty Group Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31 March 2005 together with comparative figures for the corresponding year in 2004 as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		<b>123,000</b>	166,465
Cost of goods sold		<b>(64,045)</b>	(58,631)
Direct operating expenses		<b>(21,534)</b>	(88,368)
		<b>37,421</b>	19,466
Other operating income		<b>1,614</b>	990
Selling and distribution costs		<b>(2,948)</b>	(4,221)
Administrative expenses		<b>(22,129)</b>	(22,121)
Loss on disposal/write-off of property, plant and equipment		–	(2,794)
Profit (loss) from operations	3	<b>13,958</b>	(8,680)
Finance costs		<b>(1,392)</b>	(1,851)
Gain on disposal of subsidiaries		<b>547</b>	26,023
Profit before tax		<b>13,113</b>	15,492
Income tax credit (expense)	4	<b>1,617</b>	(528)
Profit before minority interests		<b>14,730</b>	14,964
Minority interests		<b>(3,646)</b>	(1,430)
Net profit for the year		<b><u>11,084</u></b>	<u>13,534</u>
Earnings per share	5		
Basic		<b><u>HK\$0.02</u></b>	<u>HK\$0.03</u>
Diluted		<b><u>HK\$0.02</u></b>	<u>HK\$0.03</u>

Notes:

## 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005, except for the following new HKFRSs as further explained below:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

### *HKFRS 3 “Business combinations” and HKAS 36 “Impairment of assets”*

HKFRS 3 applies to accounting for business combination for which the agreement date is on or after 1 January 2005. The early adoption of HKFRS 3 and HKAS 36 from 1 April 2004 has resulted in the Group ceasing annual amortisation of goodwill and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently).

The early adoption of HKAS 38 did not result in significant changes to the Group’s accounting policies.

## 2 Segment Information

### *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. The Group is in the process of discontinuing its restaurant operations.

### *Income statement*

	Continuing operations				Discontinuing operations		Consolidated	
	Publication and distribution of comics books		Multimedia development		Restaurant operations		2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	<u>106,556</u>	<u>6,049</u>	<u>751</u>	<u>–</u>	<u>15,693</u>	<u>160,416</u>	<u>123,000</u>	<u>166,465</u>
Segment profit (loss)	<u>20,393</u>	<u>1,764</u>	<u>170</u>	<u>–</u>	<u>(1,302)</u>	<u>(6,118)</u>	<u>19,261</u>	<u>(4,354)</u>
Unallocated corporate expenses							<u>(5,303)</u>	<u>(4,326)</u>
Profit (loss) from operations							<u>13,958</u>	<u>(8,680)</u>
Finance costs							<u>(1,392)</u>	<u>(1,851)</u>
Gain on disposal of subsidiaries					<u>547</u>	<u>26,023</u>	<u>547</u>	<u>26,023</u>
Profit before tax							<u>13,113</u>	<u>15,492</u>
Income tax credit (expense)							<u>1,617</u>	<u>(528)</u>
Profit before minority interests							<u>14,730</u>	<u>14,964</u>

### *Geographical segments*

The Group’s turnover and profit before tax for both years are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

### 3 Profit (loss) from operations

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Amortisation of intangible assets (included in administrative expenses)	849	100
Auditors' remuneration	790	584
Depreciation and amortisation on		
– Owned assets	2,079	6,197
– Assets held under finance leases	–	49
Impairment loss recognised in respect of property, plant and equipment	139	–
Intangible assets written off	117	–
Operating lease payments in respect of rented premises	2,043	22,452
Staff costs, including directors' emoluments and retirement benefits scheme contributions	<u>43,650</u>	<u>53,558</u>

### 4 Income tax credit (expense)

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong:		
Provision for current year	(1,691)	(528)
Underprovision in prior year	(14)	–
Deferred tax credit	<u>3,322</u>	<u>–</u>
	<u>1,617</u>	<u>(528)</u>

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

### 5 Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year of HK\$11,084,000 (2004: HK\$13,534,000) and the weighted average number of 696,334,317 (2004: 417,600,538) shares in issue during the year.

The calculation of the diluted earnings per share is based on the net profit for the year of HK\$11,671,000, being adjusted for the interest on convertible notes (2004: HK\$13,534,000) and the weighted average number of 758,694,894 (2004: 420,161,581) shares in issue during the year and the effect of dilutive potential shares from share options and convertible notes.

### DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

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

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

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

### OPERATIONAL REVIEW

#### Comics Publication and Related Business

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

## **Catering Business**

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

## **NUMBERS AND REMUNERATION OF EMPLOYEES**

As at 31 March 2005, the Group had 163 permanent employees and 11 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$43.7 million for the year. All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

There has been no change to the share option scheme adopted by the Company on 7 October 2002. A total of 61.8 million share options have been granted to certain directors, employees, consultants, advisors, customers, shareholders and business associates as at 31 March 2005.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

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

## **CAPITAL STRUCTURE**

During the year, the Company issued 70 million new shares of HK\$0.002 each at a price of HK\$0.31 per share by way of top-up placing, with net proceeds amounting to approximately HK\$20.9 million. Furthermore, the Company transferred its entire credit of approximately HK\$286.3 million as at 30 June 2004 arising from the Company's share premium account to its contributed surplus account and applied the amount of approximately HK\$236.9 million from the contributed surplus account to set off against its accumulated losses.

## **CHARGES ON ASSETS**

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

## **NAME CHANGE**

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

## **PROSPECTS**

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

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

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

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

#### **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.

#### **CODE OF BEST PRACTICE**

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

#### **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules (in force prior to 31 March 2004) will be published on the website of the Stock Exchange in due course.

#### **DIRECTORS**

As at the date of this announcement, Mr. Tong Kai Lap, Mr. Wan Siu Lun, Mr. Wong Chun Keung, Mr. Ko Chi Keung and Mr. Kwong Chi Tak are the executive directors of the Company and Mr. Ho Yiu Ming, Mr. Kwong Chi Keung and Mr. Ma Fung Kwok are the independent non-executive directors of the Company.

By Order of the Board  
**Tong Kai Lap**  
Chairman

Hong Kong, 20 July 2005

\* *for identification purpose only*

Please also refer to the published version of this announcement in China Daily.