



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)



Interim Report 2005



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## 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 and cessation of the Group's loss-making G.Sushi restaurant, Suishaya Japanese Restaurant, My Wife's Beef Noodle Shop and Forever-Green Taiwanese Restaurant in November 2003, June 2004, March 2005 and April 2005 respectively, the financial performance of the Group changed remarkably.

For the six months ended 30 September 2005, the Group recorded an unaudited turnover of HK\$54.5 million as compared to HK\$64.1 million for the corresponding period last year. Turnover from its comics publication and related business was steady at HK\$53.9 million, as compared to HK\$55 million in the same period last year. Meanwhile, the turnover from its discontinued restaurant operation was HK\$0.7 million, as compared to approximately HK\$9 million in the same period last year.

During the period, the Group recorded a profit of approximately HK\$7.3 million, as compared with a profit of approximately HK\$6.0 million for the last corresponding period. Operating profit from its comics publication and related business was HK\$7.4 million, as compared to HK\$5.1 million in last corresponding period.

### OPERATIONAL REVIEW

#### Comics Publication

During the period, the Group published and sold 7 home-grown comics on a weekly or bi-weekly basis and approximately 30 Japanese comics on a monthly basis.

#### Multimedia Development

During the period, the Group has become the online content provider of our home-grown comics available to 45,000,000 paid subscribers of the internet platform of Shanda Interactive Entertainment Limited, which is integrated with the DigiBook online reading system of our business associate, TriWorks Computer & Telecommunications Technology (Shanghai) Company Limited. Besides, our first animation project co-produced with China Central Television in the animated TV series titled "Shen Bing Kids" (previously titled "The Invincible Amour") of 52 episodes, which is a cute version animation adapted from the comics titled "The Weapon" with inclusion of educational contents for children, was under production in satisfactory progress. Please refer to "Prospects" Section for further information on the progress of "Shen Bing Kids".



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OPERATIONAL REVIEW *(Continued)*

#### **Catering Business**

The Directors considered that further resources allocations to this business segment as compared with comics publications and related business was not justified. Accordingly, the remaining restaurant operation was discontinued on 30 April 2005.

### NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 September 2005, the Group had 223 permanent employees and 5 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$19.2 million for the period. 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 30 September 2005.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2005 were approximately HK\$222.1 million which were financed by the shareholders' fund and total liabilities of HK\$123.9 million and HK\$98.2 million respectively.

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

No change in the capital structure of the Company during the period.

Subsequent to the period end, an aggregate principal amount of HK\$35.5 million convertible notes were converted into 71 million ordinary shares of HK\$0.002 each at HK\$0.5 per share.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CAPITAL STRUCTURE *(Continued)*

The Group's gearing ratio then computed as non-current liability over shareholders' fund was 52.6% as at 30 September 2005 (31 March 2005: 55.9%) and further reduced to approximately 18% following the conversion of the convertible notes as to date.

### CHARGES ON ASSETS

As at 30 September 2005, certain assets of the Group with an aggregate amount of HK\$18.8 million were pledged to secure general banking facilities granted to the Group.

### PROSPECTS

The Group redefined its business focus by the disposals of the Group's catering business in last financial year and our financial performance has greatly improved with a focused mission and vision, that is, to be the leader in the Chinese community's comics and animations industry. Therein, we strived our best to maintain our leading position in Hong Kong and open up the enormous PRC market. To start with, as mentioned in "Operational Review" Section, our Group has formed a strategic alliance with the sole nationwide television station China Central Television ("CCTV") to co-produce an animated TV series named "Shen Bing Kids" (previously titled "The Invincible Amour") which is still subject to further regulatory reviews, procedures and approval by the State Administration of Radio Film and Television ("SARFT") and CCTV. The SARFT indicated in Article 20 of "Comments on Developing Country's Film, Television and Animations Industry" dated 20 April 2004 that "Co-produced Animations have to fulfill Six Criteria including Chinese Characteristics, Chinese Stories, Chinese Images, Chinese Style, Chinese Manners and Chinese Spirit to be deemed as good co-produced animations, which enjoys same treatment as domestic animations." To report encouragingly, "Shen Bing Kids" can comply with these Six Criteria. Assuming such reviews, procedures and approvals being obtained in due course coupled with the co-production processes as scheduled, we envisage the first 26 episodes of "Shen Bing Kids" may be launched in the second quarter of 2006 and made available to the population of about 1.3 billion including around 370 million children in the PRC. Such pilot co-production project allows our Group to penetrate into the huge animations market in the PRC and enables us to deliver our shareholders with promising returns with the proven successful track record of marketing campaigns launched by or with CCTV. Based on the Analysis and Investment Consulting of Animation Industry in PRC, about 268,000 minutes were in demand in the animations & comics market in the PRC in 2004. However, the total production volume of animations was only 29,000 minutes in 2004, and in other words 230,000 more minutes were undersupplied to meet with the huge demand. The undersupply in the domestic animations will prevail in the next few years. At the same time, we look forward to signing the "Joint Investment Production Agreement of Animated TV Series" with CCTV as soon as practicable after a Letter of Intent on Co-operation was executed in July 2005.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **INTERIM DIVIDEND**

The Board has resolved to declare an Interim dividend in respect of the period of HK0.2 cents (2004: Nil) per share. The interim dividend will be paid on 25 January 2006 to members whose names appear on the Register of the Members of the Company on 11 January 2006.

### **CLOSURE OF REGISTER OF MEMBER**

The Register of Members of the Company will be closed from 9 January 2006 to 11 January 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch Share Registrar, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3 January 2006, the address of Secretaries Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) no later than 4:00 p.m. on 6 January 2006.



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## INDEPENDENT REVIEW REPORT

### TO THE BOARD OF DIRECTORS OF JADE DYNASTY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

#### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 7 to 26.

#### DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2005.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

20 December 2005



## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.9.2005</b>	30.9.2004
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited and restated)
<b>Continuing operations</b>			
Turnover	4	<b>53,871</b>	55,035
Cost of goods sold		<b>(29,087)</b>	(31,332)
Direct operating expenses		<b>(7,166)</b>	(6,918)
		<b>17,618</b>	16,785
Other operating income		<b>756</b>	1,278
Selling and distribution costs		<b>(1,736)</b>	(2,245)
Administrative expenses		<b>(6,843)</b>	(8,918)
Finance costs		<b>(1,000)</b>	(526)
Profit before tax		<b>8,795</b>	6,374
Income tax expense	6	<b>(1,402)</b>	(1,239)
Profit for the period from continuing operations		<b>7,393</b>	5,135
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		<b>(89)</b>	(498)
Gain on disposal of subsidiaries		-	1,361
Profit for the period		<b>7,304</b>	5,998
Attributable to:			
Equity holders of the parent		<b>7,304</b>	2,335
Minority interests		-	3,663
		<b>7,304</b>	5,998
Dividend	7	<b>1,570</b>	-
Earnings per share	8		
From continuing and discontinued operations:			
Basic		<b>1.0 cent</b>	0.3 cent
Diluted		<b>0.9 cent</b>	0.3 cent
From continuing operations:			
Basic		<b>1.0 cent</b>	0.2 cent
Diluted		<b>0.9 cent</b>	0.2 cent

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2005

	<i>Notes</i>	<b>30.9.2005</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2005 HK\$'000 (restated)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>15,813</b>	16,248
Intangible assets	10	<b>2,228</b>	2,598
Club membership		<b>100</b>	100
Goodwill		<b>124,539</b>	124,539
Deferred tax assets	16	<b>2,970</b>	3,322
		<b>145,650</b>	146,807
<b>Current assets</b>			
Inventories		<b>33,867</b>	21,384
Trade debtors	11	<b>22,764</b>	21,643
Other debtors		-	879
Deposits and prepayments		<b>11,828</b>	11,770
Tax recoverable		<b>104</b>	104
Pledged bank deposits		<b>4,050</b>	4,003
Bank balances and cash		<b>3,863</b>	4,119
		<b>76,476</b>	63,902
<b>Current liabilities</b>			
Trade creditors	12	<b>9,370</b>	8,521
Other creditors and accrued charges		<b>8,138</b>	11,177
Tax payable		<b>1,988</b>	938
Short-term bank loans (secured)		<b>13,618</b>	8,485
		<b>33,114</b>	29,121
<b>Net current assets</b>			
		<b>43,362</b>	34,781
		<b>189,012</b>	181,588
<b>Capital and reserves</b>			
Share capital	14	<b>1,428</b>	1,428
Reserves		<b>122,448</b>	115,068
		<b>123,876</b>	116,496
<b>Non-current liability</b>			
Convertible notes	15	<b>65,136</b>	65,092
		<b>189,012</b>	181,588



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital	Share premium	Capital reserve	Special reserve	Contributed surplus	Exchange reserve	Accumulated (losses) profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	1,119	239,327	-	(36,810)	-	-	(148,995)	54,641	-	54,641
Exchange difference on translation of overseas operations	-	-	-	-	-	13	-	13	-	13
Profit recognised directly in the equity	-	-	-	-	-	13	-	13	-	13
Profit for the period	-	-	-	-	-	-	2,335	2,335	3,663	5,998
Total recognised income for the period	-	-	-	-	-	13	2,335	2,348	3,663	6,011
Issue of shares	309	52,635	-	-	-	-	-	52,944	-	52,944
Share issue expenses	-	(2,326)	-	-	-	-	-	(2,326)	-	(2,326)
Share premium reduction (Note)	-	(286,300)	-	-	286,300	-	-	-	-	-
Eliminated against accumulated losses (Note)	-	-	-	-	(236,906)	-	236,906	-	-	-
Minority interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	10,829	10,829
At 30 September 2004	1,428	3,336	-	(36,810)	49,394	13	90,246	107,607	14,492	122,099
Exchange difference on translation of overseas operations	-	-	-	-	-	(101)	-	(101)	-	(101)
Loss recognised directly in the equity	-	-	-	-	-	(101)	-	(101)	-	(101)
Profit for the period (as restated)	-	-	-	-	-	-	8,708	8,708	(17)	8,691
Total recognised income and expense for the period	-	-	-	-	-	(101)	8,708	8,607	(17)	8,590
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	(14,475)	(14,475)
Recognition of equity component of convertible notes	-	-	282	-	-	-	-	282	-	282
At 31 March 2005 (as restated)	1,428	3,336	282	(36,810)	49,394	(88)	98,954	116,496	-	116,496
Exchange difference on translation of overseas operations	-	-	-	-	-	76	-	76	-	76
Profit recognised directly in the equity	-	-	-	-	-	76	-	76	-	76
Profit for the period	-	-	-	-	-	-	7,304	7,304	-	7,304
Total recognised income for the period	-	-	-	-	-	76	7,304	7,380	-	7,380
<b>At 30 September 2005</b>	<b>1,428</b>	<b>3,336</b>	<b>282</b>	<b>(36,810)</b>	<b>49,394</b>	<b>(12)</b>	<b>106,258</b>	<b>123,876</b>	<b>-</b>	<b>123,876</b>

Note: Pursuant to a special resolution passed at the annual general meeting of the Company on 10 August 2004, the Company reduced its share premium by an amount of approximately HK\$286,300,000 in accordance with the provisions of section 46 of the Bermuda Companies Act 1981 and transferred the same amount to the contributed surplus account of the Company. On the same date, the Company applied an amount of approximately HK\$236,906,000 from the contributed surplus account against the accumulated losses.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(4,342)</b>	(8,223)
Investing activities		
Net cash used in acquisition of subsidiaries	–	(18,887)
Net cash generated from disposal of subsidiaries	–	2,236
Increase in pledged bank deposits	<b>(47)</b>	(3,000)
Net cash used in other investing activities	<b>(44)</b>	(124)
Net cash used in investing activities	<b>(91)</b>	(19,775)
Financing activities		
New bank loans raised	<b>7,500</b>	3,877
Repayment of bank loans	<b>(2,367)</b>	–
Proceeds from issue of shares	–	19,743
Repayment of other loans	–	(5,000)
Others	<b>(956)</b>	(518)
Net cash generated from financing activities	<b>4,177</b>	18,102
Net decrease in cash and cash equivalents	<b>(256)</b>	(9,896)
Cash and cash equivalents at beginning of the period	<b>4,119</b>	57,379
Cash and cash equivalents at end of the period	<b>3,863</b>	47,483
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>3,863</b>	48,205
Bank overdrafts	–	(722)
	<b>3,863</b>	47,483



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005, other than HKFRS 3 “Business Combination”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets” that had been early adopted for the year ended 31 March 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and the results of discontinued operations have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

#### **Financial Instruments**

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The adoption of HKAS 39 has no significant impact to the Group’s financial position and results. The principal effects resulting from the implementation of HKAS 32 are summarised below:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**Financial Instruments** *(Continued)*

**Convertible notes**

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company during the year ended 31 March 2005 that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated as at 31 March 2005.

**Share-based Payments**

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of holders' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. Because all the share options outstanding as at 1 April 2005 had vested before 1 April 2005, the adoption of HKFRS 2 has had no impact on the Group's result for the current or prior accounting periods.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **Owner-occupied Leasehold Interest in Land**

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

#### **Potential impact of new standards not yet adopted**

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting for Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES**

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior periods are as follows:

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Increase in interest on the liability component of convertible loan notes and decrease in profit for the period attributable to the equity holder of the parent	<b>44</b>	–

The cumulative effects of the application of the new HKFRSs on the balance sheet as at 31 March 2005 are summarised below:

	<b>As at 31.3.2005</b>	<b>Adjustments</b>	<b>As at 31.3.2005</b>
	(originally stated)		(restated)
	HK\$'000	HK\$'000	HK\$'000
Convertible notes	(65,333)	241	(65,092)
Other assets/liabilities	181,588	–	181,588
Net assets	<b>116,255</b>	<b>241</b>	<b>116,496</b>
Share capital	1,428	–	1,428
Capital reserve – equity component of convertible notes	–	282	282
Accumulated profits	98,995	(41)	98,954
Other reserves	15,832	–	15,832
Total effects on equity	<b>116,255</b>	<b>241</b>	<b>116,496</b>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES** *(Continued)*

Analysis of decrease in net profit for the period by line items presented according to their functions:

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Increase in finance costs	<b>44</b>	–

**4. SEGMENT INFORMATION**

**Business segments**

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

Principal activities are as follows:

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**4. SEGMENT INFORMATION** *(Continued)*

**Business segments** *(Continued)*

**For the six months ended 30 September 2005**

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



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 4. SEGMENT INFORMATION *(Continued)*

#### **Business segments** *(Continued)*

For the six months ended 30 September 2004

	Continuing operations			Discontinued operations	Consolidated HK\$'000 (unaudited)
	Comics publication HK\$'000	Multimedia development HK\$'000	Total HK\$'000	Restaurant operations HK\$'000	
Turnover	52,285	2,750	55,035	9,021	64,056
Segment profit (loss)	8,760	1,318	10,078	(498)	9,580
Gain on disposal of subsidiaries				1,361	1,361
Unallocated corporate expenses					(3,178)
Finance costs					(526)
Profit before tax					7,237
Income tax expense					(1,239)
Profit for the period					5,998

### 5. DEPRECIATION AND AMORTISATION

During the period, depreciation of property, plant and equipment of approximately HK\$534,000 (2004: HK\$1,200,000), amortisation of intangible asset of approximately HK\$370,000 (2004: HK\$431,000) included as administrative expenses were charged to the income statement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Continuing operations:		
Provision for Hong Kong Profits Tax	<b>1,050</b>	1,239
Deferred tax charge (Note 16)	<b>352</b>	–
	<b>1,402</b>	1,239

No provision for the Hong Kong Profits Tax in connection with the discontinued operations is required as the operations incurred tax losses for both periods.

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the six months ended 30 September 2005.

The income tax expense for the six months ended 30 September 2005 can be reconciled to the profit per the condensed consolidated income statement as follows:

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit before tax:		
Continuing operations	<b>8,795</b>	6,374
Discontinued operations	<b>(89)</b>	863
	<b>8,706</b>	7,237
Tax at Hong Kong Profits Tax rate of 17.5%	<b>1,524</b>	1,266
Tax effect of expenses that are not deductible for tax purpose	<b>134</b>	200
Tax effect of income not taxable for tax purpose	<b>(435)</b>	(372)
Tax effect of tax losses/deferred tax assets not recognised	<b>191</b>	663
Utilisation of tax losses previously not recognised	–	(518)
Others	<b>(12)</b>	–
Income tax expense for the period	<b>1,402</b>	1,239



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 7. DIVIDEND

The directors have determined that an interim dividend of HK0.2 cent per share (2004: nil) amounting to HK\$1,570,000 (2004: nil) be payable on 25 January 2006 to the shareholders of the Company whose names appear in the Register of Members on 11 January 2006 ("Book Close Date").

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interim dividend to existing shareholders	<b>1,428</b>	–
Interim dividend to convertible notes holders ( <i>Note</i> )	<b>142</b>	–
	<b>1,570</b>	–

*Note:* Subsequent to the period end, an aggregate principal amount of HK\$35,500,000 convertible notes were converted into 71,000,000 ordinary shares ("Shares"). The holders of Shares also entitle equivalent amount of interim dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, an interim dividend of HK\$142,000 will be paid to the holders of Shares. The number of shares entitled to interim dividend is subject to future exercise/conversion of Company's share options and convertible notes prior to the Book Close Date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**8. EARNINGS PER SHARE**

**From continuing and discontinued operations**

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

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purposes of		
basic earnings per share	<b>7,304</b>	2,335
Interests on convertible notes (net of tax)	<b>584</b>	–
	<hr/>	<hr/>
Earnings for the purpose of		
diluted earnings per share	<b>7,888</b>	2,335
	<hr/>	<hr/>
Number (weighted average number) of		
ordinary shares for the purposes of		
basic earnings per share	<b>714,106,184</b>	678,793,605
Effect of dilutive potential ordinary shares:		
Share options	<b>3,166,496</b>	3,626,017
Convertible notes	<b>130,666,666</b>	–
	<hr/>	<hr/>
Weighted average number of shares		
for the purpose of diluted earnings per share	<b>847,939,346</b>	682,419,622
	<hr/>	<hr/>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 8. EARNINGS PER SHARE *(Continued)*

#### From continuing operations

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

	Six months ended	
	30.9.2005	30.9.2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the period attributable to equity holders of the parent	7,304	2,335
Less: (Loss) earnings for the period from discontinued operations	(89)	863
Earnings for the purpose of basic earnings per share from continuing operations	7,393	1,472
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	584	–
Earnings for the purposes of diluted earnings per share from continuing operations	7,977	1,472

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

#### From discontinued operations

Basic loss per share for discontinued operations for the six months ended 30 September 2005 is HK0.01 cent per share (2004: earnings per share of HK0.1 cent per share), based on the calculation the loss for the period from the discontinued operations of HK\$89,000 (2004: profit for the period HK\$863,000) and the same denominators detailed above for the basic earnings per share.

The computation of diluted loss per share for discontinued operations for the six months ended 30 September 2005 does not assume the exercise of the convertible notes and share options outstanding as their exercise would result in a decrease in net loss per share for the period.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**8. EARNINGS PER SHARE** *(Continued)*

**From discontinued operations** *(Continued)*

Diluted earnings per share for the discontinued operations for the six months ended 30 September 2004 is HK0.1 cent per share, based on the calculation of the profit for the period from the discontinued operations of HK\$863,000 and the same denominators detailed above for the diluted earnings per share.

**9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$97,000 (2004: HK\$187,000).

**10. MOVEMENTS IN INTANGIBLE ASSETS**

Intangible assets represented copyrights and trademarks. During the period, the Group incurred amortisation of intangible assets of approximately HK\$370,000 (2004: HK\$431,000). The intangible assets have useful lives ranging from 2 to 5 years.

**11. TRADE DEBTORS**

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

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

	<b>30.9.2005</b>	31.3.2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0-30 days	<b>14,439</b>	9,183
31-60 days	<b>2,861</b>	5,436
61-90 days	<b>1,799</b>	2,685
Over 90 days	<b>3,665</b>	4,339
	<b>22,764</b>	21,643



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 12. TRADE CREDITORS

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

	<b>30.9.2005</b>	31.3.2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0-30 days	<b>2,159</b>	2,636
31-60 days	<b>1,939</b>	1,610
61-90 days	<b>1,593</b>	1,413
Over 90 days	<b>3,679</b>	2,862
	<b>9,370</b>	8,521

### 13. SHORT-TERM BANK LOANS (SECURED)

During the period, the Group obtained new bank loans of the amount of approximately HK\$7,500,000 and repaid HK\$2,367,000. The loans bear interest at market rates. Included in this amount is HK\$618,000 which is repayable by instalments. The remaining balance is repayable within one year.

### 14. SHARE CAPITAL

	<b>Number</b>	<b>Share</b>
	<b>of shares</b>	<b>capital</b>
	'000	HK\$'000
Ordinary shares of HK\$0.002 each		
Issued and fully paid		
At 1 April 2005 and 30 September 2005	714,106	1,428

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 15. CONVERTIBLE NOTES

Convertible notes (the "Notes") of the Group and the Company were issued on 19 October 2004 upon completion of the agreement for the sale and purchase of 49% equity interests in Jade Dynasty Holdings Limited dated 17 August 2004. The Notes are convertible into shares of the Company at a price of HK\$0.5 (subject to adjustments) and will be matured on 18 October 2007 ("Maturity Date").

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

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

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

### 16. DEFERRED TAXATION

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

	<b>Tax losses</b>
	HK\$'000
At 1 April 2004 and 30 September 2004	–
Credited to income statement for the period	3,322
	<hr/>
At 31 March 2005	3,322
Charged to income statement for the period	(352)
	<hr/>
At 30 September 2005	<u>2,970</u>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 16. DEFERRED TAXATION *(Continued)*

At 30 September 2005, a deferred tax asset in respect of estimated unused tax losses of HK\$9,084,000 of certain subsidiaries (31 March 2005: HK\$7,993,000) available to offset against future profits has not been recognised in the financial statements of the Group due to the unpredictability of future profit streams of these subsidiaries. All unused tax losses may be carried forward indefinitely.

### 17. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

For the six months ended 30 September 2005, the aggregate turnover, cost of goods sold and profit before tax including both continuing and discontinued operations are HK\$54,539,000, HK\$29,295,000 and HK\$8,706,000 respectively (2004: turnover: HK\$64,056,000, cost of goods sold: HK\$34,473,000, profit before tax: HK\$7,237,000).

### 18. RELATED PARTY TRANSACTIONS

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

		<b>Six months ended</b>	
		<b>30.9.2005</b>	30.9.2004
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Payment of comics script fee and bonus to a shareholder	(a)	<b>2,286</b>	3,286
Interest expenses on convertible notes payable to directors	(b)	<b>62</b>	–
Interest expenses on convertible notes payable to a shareholder and his associates	(b)	<b>287</b>	–

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**18. RELATED PARTY TRANSACTIONS** (Continued)

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

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries and other benefits	<b>2,952</b>	4,164
Contributions to retirement benefits schemes	<b>30</b>	47

Notes:

- (a) During the period, the Group paid comics script fee and bonus to Mr. Wong, in the capacity as chief creative officer in pursuance with relevant service agreements signed with the Group.
- (b) During the period, the Group accrued interest on convertible notes payable to directors and their associates and a shareholder and its associates. The interest is charged at 2% on the principal amount of the convertible notes.

**19. EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to the period end, an aggregate principal amount of HK\$35,500,000 convertible notes were converted into 71,000,000 ordinary shares of HK\$0.002 each at HK\$0.5 per share.



ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

At 30 September 2005, the interests of the directors and their associates in the shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**(A) Interests in issued shares**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of the issued share capital of the Company (Note 5)</b>
Mr. Tong Kai Lap ("Mr. Tong") (Note 1)	Founder of family trust	7,500,000 ordinary shares	1.05%

**(B) Interests in convertible notes (Note 2)**

<b>Name of director</b>	<b>Capacity</b>	<b>Principal amount of convertible notes interested</b>	<b>Number of unissued shares interested</b>
Mr. Tong (Note 3)	Founder of family trust	HK\$1,387,200	2,774,400
Mr. Tong (Note 4)	Interest of spouse	HK\$1,275,733	2,551,466
Mr. Wan Siu Lun	Beneficial owner	HK\$1,310,267	2,620,534
Mr. Wong Chun Keung	Beneficial owner	HK\$1,577,600	3,155,200
Mr. Kwong Chi Tak	Beneficial owner	HK\$665,333	1,330,666

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

**(C) Interests in 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.

The following table discloses movements in the Company's share options held by its directors and the underlying shares during the period:

Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2005	Granted during the period	Lapsed during the period	Outstanding at 30 September 2005
Mr. Tong	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	900,000	-	-	900,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000
Mr. Wan Siu Lun	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	800,000	-	-	800,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000
Mr. Wong Chun Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	-	-	2,666,666
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	800,000	-	-	800,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000



ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

**(C) Interests in share options** *(Continued)*

Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2005	Granted during the period	Lapsed during the period	Outstanding at 30 September 2005
Mr. Ko Chi Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	-	-	1,600,000
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	500,000	-	-	500,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,000,000	-	-	1,000,000
Mr. Kwong Chi Tak	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	-	-	1,600,000
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	300,000	-	-	300,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000
					20,299,998	-	-	20,299,998

*Notes :*

- (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.
- (2) The convertible notes were issued by the Company on 19 October 2004 upon completion of an agreement for the sale and purchase of 49% equity interests in JDH dated 17 August 2004. The conversion shares falling to be issued upon exercise of the conversion rights attaching to the convertible notes are unissued shares in which the directors had interests. The respective numbers of unissued shares disclosed above are arrived at based on the initial conversion price of HK\$0.50 per share and assuming full conversion of the convertible notes.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

**(C) Interests in share options** *(Continued)*

- (3) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a family trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (4) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia ("Patricia Wong"), the spouse of Mr. Tong. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (5) The denominator used is 714,106,184 shares, being the total number of shares in issue as at 30 September 2005.
- (6) Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 September 2005.



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

**(A) Interests in issued shares**

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of the issued share capital of the Company</b> <i>(Note 7)</i>
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	45.29%
Mr. Wong Chun Loong ("Mr. Wong") <i>(Note 1)</i>	Held by controlled corporation	323,435,100	45.29%
Kingston Finance Limited ("KFL") <i>(Note 2)</i>	Security interest	323,435,100	45.29%
Ms. Ma Siu Fong ("Ms. Ma") <i>(Note 3)</i>	Held by controlled corporation	323,435,100	45.29%
Mrs. Chu Yuet Wah ("Mrs. Chu") <i>(Note 3)</i>	Held by controlled corporation	323,435,100	45.29%
Dr. Jackie Chan <i>(Note 4)</i>	Held by trust	36,599,333	5.13%

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

**(B) Interests in convertible notes**

Name of shareholder	Capacity	Principal amount of convertible notes	Number of unissued shares <i>(Note 6)</i>	Approximate % of the total number of issued shares <i>(Note 7)</i>
Mr. Wong <i>(Note 8)</i>	Beneficial owner	HK\$10,002,933	20,005,866	2.8%
Mr. Wong <i>(Note 8)</i>	Held by spouse	HK\$229,600	459,200 <i>(Note 9)</i>	0.06%
Dr. Jackie Chan <i>(Note 10)</i>	Held by trust	HK\$1,527,200	3,054,400	0.43%

**(C) Interests in share options**

Name of shareholder	Capacity	Number of share options and underlying share	Approximate % of the issued share capital of the Company <i>(Note 7)</i>
Kingston Securities Limited ("KSL")	Beneficial owner	3,000,000	0.4%
Ms. Ma <i>(Note 5)</i>	Held by controlled corporation	3,000,000	0.4%
Mrs. Chu <i>(Note 5)</i>	Held by controlled corporation	3,000,000	0.4%



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

**(C) Interests in share options** *(Continued)*

*Notes:*

- (1) Super Empire is a company controlled by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the 323,435,100 shares held by Super Empire.
- (2) Super Empire has pledged to KFL the 323,435,100 shares which it owns in the Company. Such shares are pledged to KFL for the purpose of securing credit facilities granted to Super Empire. Accordingly, KFL has a security interest in these shares.
- (3) KFL is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 323,435,100 shares pledged by Super Empire to KFL.
- (4) These shares are beneficially owned by Pariaian Enterprises Corp., a company controlled by the discretionary trust of Dr. Jackie Chan, a former director of the Company.
- (5) KSL is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 3,000,000 share options.
- (6) The unissued shares disclosed above are the conversion shares falling to be issued upon exercise of the conversion rights attaching to these convertible notes. The number of unissued shares disclosed is arrived at based on the initial conversion price of HK\$0.50 per share and assuming full conversion of the convertible notes.
- (7) The denominator used is 714,106,184 shares, being the total number of shares in issue as at 30 September 2005.
- (8) On 19 October 2004, convertible notes were issued by the Company to Mr. Wong and his associate.
- (9) Interest in these 459,200 unissued shares is held by Ms. Ngai Man Kuen, Annie, the spouse of Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in these unissued shares.
- (10) On 19 October 2004, a convertible note was issued by the Company to Noble River Limited, a company controlled by the discretionary trust of Dr. Jackie Chan, a former director of the Company.
- (11) Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2005.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

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

**PRE-EMPTIVE RIGHTS**

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

**CORPORATE GOVERNANCE**

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

**Compliance with the "Code on Corporate Governance Practices"**

During the period, the Group applied the principles and complied with all applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following rectified deviations:–

<b>Code provision</b>	<b>Rectification</b>
A.4.2 Every director should be subject to retirement by rotation at least once every three years.	Relevant Bye-Laws of the Company was altered to such effect in pursuance with a special resolution passed at the annual general meeting of the Company on 22 August 2005.



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**CORPORATE GOVERNANCE**

<b>Code provision</b>	<b>Rectification</b>
A.5.4 The Board should establish written guidelines on no less exacting terms than the "Model Code" for relevant employees, who are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities, in respect of their dealings in the securities of the Company.	Such written guidelines were established and distributed to the relevant employees in November 2005.
D.1.2 The Company should formalise the functions reserved to the Board and those delegated to management.	Such functions have been formalised and set out in writing which was approved by the Board on 24 June 2005.
D.2.1 Where Board Committees are established, the Board should prescribe sufficiently clear terms of reference to enable such Committees to discharge their function properly.	Remuneration Committee of the Company was established with written terms of reference approved by the Board on 24 June 2005.

**Compliance with the "Model Code"**

The Company has adopted Appendix 10 of the Listing Rules "Model Code" to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirmed that they complied with the "Model code" during the period.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

**Audit Committee**

The Audit Committee comprises three independent non-executive directors, namely Mr. Ho Yiu Ming (Chairman of the Committee), Mr. Kwong Chi Keung and Mr. Ma Fung Kwok. The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited financial statements.

**Remuneration Committee**

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Kwong Chi Keung (Chairman of the Committee), Mr. Ho Yiu Ming and Mr. Ma Fung Kwok and two executive directors, namely, Mr. Tong Kai Lap (Chairman of the Board) and Mr. Ko Chi Keung. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

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

Hong Kong, 20 December 2005