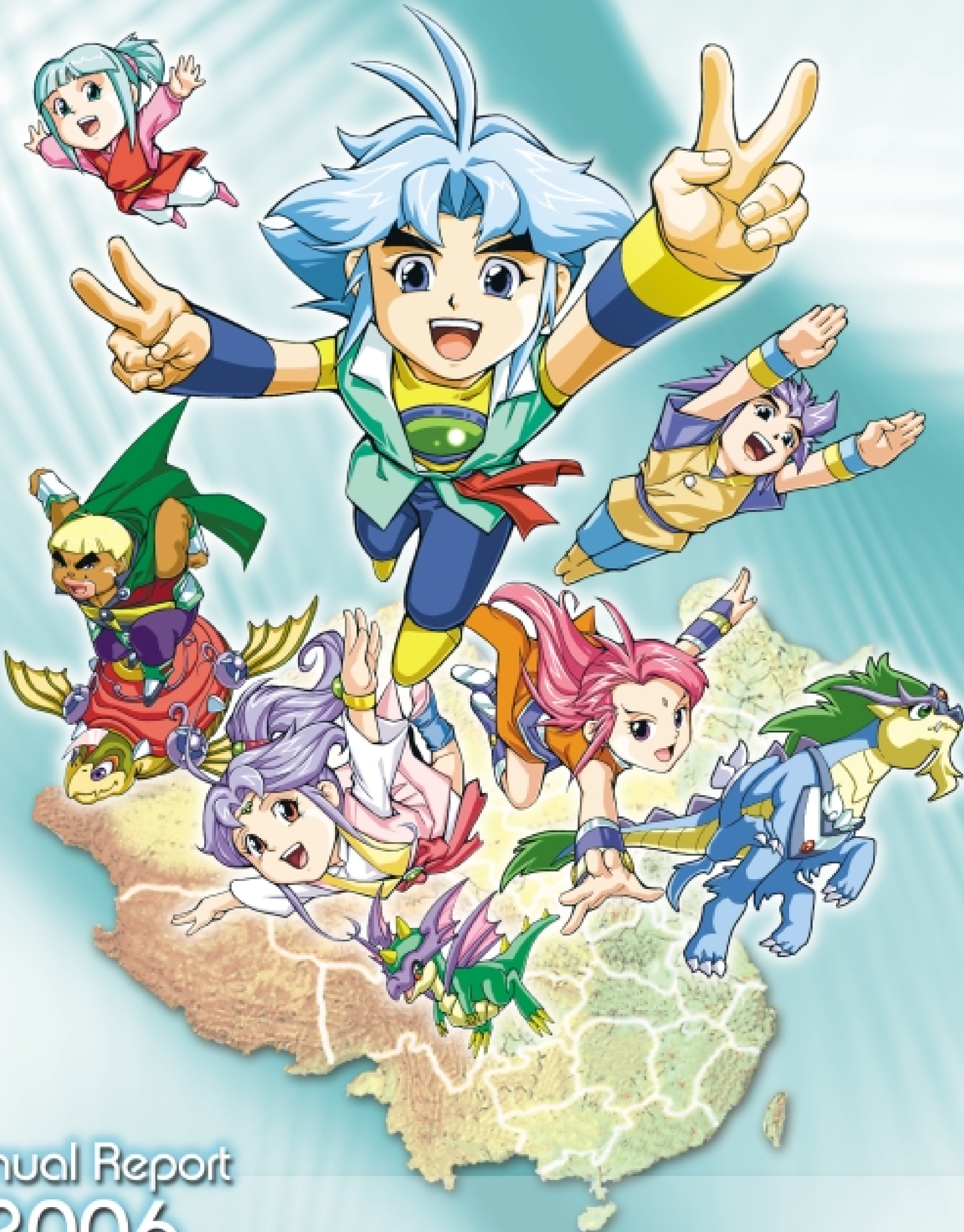
Jade Dynasty Group Limited
玉 皇 朝 集 團 有 限 公 司

(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 2006

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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*
Ho Yiu Ming**
Kwong Chi Keung**
Ma Fung Kwok**

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

AUDIT COMMITTEE

Ho Yiu Ming *(Chairman)*
Kwong Chi Keung
Ma Fung Kwok
Zhang Li Chen

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)

BANKERS

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

CORPORATE INFORMATION

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 Corporate Services 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 46, 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 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 44, 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 mulit-media business development of the Group. He joined the Group in August 2002.

WONG CHUN KEUNG *Deputy Chairman and Chief Operating Officer*

Aged 47, has over 27 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 50, graduated from The Chinese University of Hong Kong in 1982. Mr. Ko has over 24 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 42, 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 34, holds a degree in fine arts from Dartmouth College, Hanover, New Hampshire in United States of America. He has 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 is currently its Managing Director in charge Bentley and Lamborghini dealership. He joined the Group in January 2006.

INDEPENDENT NON-EXECUTIVE DIRECTOR

HO YIU MING *Independent Non-Executive Director*

Aged 62, 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 Holding 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 52, is qualified as a solicitor in Hong Kong, England, Australia (Victoria) and Singapore. Mr. Kwong is a Senior Partner of Sit, Fung, Kwong & Shum, Vice President of the Asian Patent Attorneys Association and a Notary Public. He was Deputy Chairman of the Copyright Tribunal. He is also a member of the Administrative Appeal 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 51, 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

WONG CHUN LOONG *Chief Creative Officer*

Aged 56, 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 and Honourable Professor of Taiwan Ling Tung University. 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 38, 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 broad experience in finance, accounting, tax planning and corporate governance. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is an associate member of Hong Kong Institute of Chartered Secretaries and Chartered Institute of Secretaries and Administrators (UK).

GUO YING LINDA *China Business Officer*

Aged 38, 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.

FINANCIAL REVIEW

For the year ended 31 March 2006, the Group recorded a turnover of HK$102.2 million as compared to HK$107.3 million last year (restated). Profit attributable to equity holders of the Company were approximately HK$13.5 million, as compared with a profit of approximately HK$11.0 million for the last financial year (restated). During the year, the Group has disposed of all catering business, resulting operating loss from its catering business of approximately HK$0.1 million, as compared to operating loss of approximately HK$1.3 million and a gain on disposal of restaurant of HK$0.5 million for previous year.

At the year end, the Group maintained a net cash position with cash and bank balances of approximately HK$2.3 million (2005: HK$4.1 million) and revolving bank loans of approximately HK$14.6 million (2005: HK$8.5 million). The Group had sufficient financial resources and will continue to finance its business development by revolving bank borrowings.

DIVIDEND

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK0.20 cent (2005: nil), which together with the interim dividend of HK0.20 cent (2005: nil) make a total dividend of HK0.40 cent for the year end of 31 March 2006. The total dividend of HK0.40 cent will amount to approximately HK$3.4 million of the Company's profit for the year ended 31 March 2006 (2005: nil).

The proposed final dividend of HK0.20 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 23 August 2006, is to be payable on 6 September 2006 to shareholders whose names appear on the Register of Members of the Company on 23 August 2006.

CLOSURE OF REGISTER OF MEMBER

The Register of Members of the Company will be closed from 18 to 23 August 2006, 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 4:00 p.m. on 17 August 2006.

OPERATIONAL REVIEW

Comics Publication and Related Business

The diversification of the Group's business into comics publication and related business has proved to be a successful move. Since the completion of the acquisition of 51% and the remaining 49% of Jade Dynasty Holdings Limited ("JDH") in April 2004 and October 2004 respectively, the full year contribution was fully reflected in the Group's financial statement. During the year, the Group published and sold 7 local Chinese comics on a weekly or bi-weekly basis and approximately 25 Japanese comics on a monthly basis. The Group's had also diversified its business from traditional comics books to animation-related products.

Catering Business

Since the catering business continued to face keen competition from other market players, the Directors completed the closure of the remaining restaurant business in April 2005.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 March 2006, the Group had 226 (2005: 163) employees. Employees' cost (including directors' other emoluments) amounted to approximately HK$37.4 million for the year (2005: HK$43.7 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. 31.8 million (2005: 61.8 million) outstanding share options have been granted to certain directors, employees, consultants, advisors, customers and business associates as at 31 March 2006.

LIQUIDTY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2006 were approximately HK$235.2 million (2005: HK$210.7 million) which were financed by the shareholders' fund and total liabilities of approximately HK$188.1 million (2005: HK$116.5 million) and HK$47.1 million (2005: HK$94.2 million) respectively.

The Group's gearing ratio then computed as total borrowings over shareholders' fund was approximately 15.9% as at 31 March 2006 (31 March 2005: 63.2%).

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 100.3 million new shares of HK$0.002 each at a price of HK$0.5 per share by way of convertible notes conversion and approximately 30.0 million new shares of HK$0.002 each at weighted average price by way of exercise share options respectively.

CHARGES ON ASSETS

As at 31 March 2006, certain assets of the Group with an aggregate amount of HK$25.9 million, including HK$21.8 million of property at market value and HK$4.1 million of pledge deposit, (2005: HK$19.0 million) were pledged to secure general banking facilities granted to the Group.

PROSPECTS

Striving to be "the leader of comics and animations industry in the Chinese community", the Group has achieved a breakthrough development in its animations-related business for the year under review. The Group entered into the Joint Investment Production Agreement of Animated TV Series ("Agreement") with China Central Television ("CCTV") on 9 March 2006 for the co-adaptation and co-production of an animated TV series titled "Shen Bing Kids". The animated TV series was adapted from the Group's home-grown comics titled "The Weapon". This breakthrough signified the Group has rolled out its plan to develop animations business and successfully penetrated into the enormous animations market in the PRC by positioning itself as the first overseas animations enterprise cooperating with the sole national TV station CCTV, utilizing the expertise and network of CCTV. The co-adapted and co-produced animated TV series was produced in accordance with "Comments on Developing Country's Film, Television and Animations Industry" set out by the State Administration of Radio Film and Television ("SARFT") in 2004.

Pursuant to the Agreement, the Group is responsible for the pre-production and production of "Shen Bing Kids" while CCTV is in charge of the post-production. CCTV will be responsible for the sales and distribution of VCD/DVD products in the PRC market (excluding Hong Kong and Macau) while the Group will be responsible for the sales and distribution of animations-derived comics books, licensing of animations characters to toys, apparels, premiums, stationery, food and drink manufacturers, broadcasting of "Shen Bing Kids" in other TV stations in and outside the PRC as well as licensing of VCD/DVD products outside the PRC. Copyrights of the animated TV series and its derivative products will be jointly owned by the Group and CCTV.

The Group has proposed to CCTV to reschedule the broadcasting timetable for the first 26 episodes of "Shen Bing Kids" on CCTV 1 Channel to summer vacation in order to not only capture maximum viewing rates, but also to avoid clashing with the examination period of children in the PRC. Such broadcasting schedule is still subject to final regulatory procedures of SARFT and final broadcasting scheduling of CCTV. Besides, the second 26 episodes of "Shen Bing Kids" are expected to be broadcasted in the 4^{th} quarter of 2006. The post-production of the second 26 episodes will take place in CCTV from July 2006. The Group endeavors to make "Shen Bing Kids" become an integral part of the daily lives of the children in the PRC.

"Shen Bing Kids" is the signature animations project enabling the Group to tap into the huge animations market in the PRC. We will keep our stakeholders informed once the broadcasting schedule is confirmed.

The Group believes "Shen Bing Kids" will on one hand generate substantial revenue and on another hand help diversifying the Group's business from merely comics publications into animations production. To attain this, the Group in early 2006 authorized Shanghai People's Fine Arts Publishing House, which is one of the leading fine arts state-owned publishers in the PRC with over 16,000 titles published and over 6 billion copies in issue since its establishment in 1952, to publish animations-derived comics books of "Shen Bing Kids".

In April 2006, the Group commissioned Promotional Partners Worldwide ("PPW"), which is one of the global promotional marketing service providers and licensing agents with headquarters in Hong Kong and has rich experience in cooperating with internationally renowned licensed intellectual properties owners such as Disney, Sanrio, Warner Bros and KFC, in granting product licensings as well as promotional licensings to renowned licensees of various derivative products of "Shen Bing Kids" including toys, apparels, premiums, stationery, food and drink manufacturers/ distributors in the PRC.

Additionally, the Group has entered into two two-year contracts – "TV Program Agency and Distribution Contract" on 7 July 2006 with China International Television Corporation ("CITVC"), a wholly-owned subsidiary of CCTV which was founded in 1984 and is the global marketing agent for program copyrights owned by CCTV and the exclusive overseas copyright agent for the Chinese TV Program Export Association, authorizing it to deal with an exclusive TV broadcasting and distribution right of "Shen Bing Kids" to areas in and outside the PRC and production and distribution rights of VCD/DVD products to areas outside the PRC. The authorization aimed at well-preparing the Group to capture the trend of "Shen Bing Kids" upon the first launch of the animated TV series in CCTV 1 Channel. The overseas markets that CITVC will cover include Hong Kong, Macau, Taiwan, Japan, Korea, South-East Asia, United States, Canada, Australia, New Zealand, Europe, South America, Middle-East, Africa and West Asia. Also, the further cooperation with CITVC complements the marketing and promotion of the licensees of other derivative products in and outside the PRC and fosters a closer business relationship with CCTV.

I am glad to report that the business developments undertaken by Shanghai People's Fine Arts Publishing House, PPW and CITVC are in good progress with some early bird promotional licensing contracts to be concluded in the near future.

During the year of 2005/06, the Group has launched 5 new comics books including "Bai Fa Gui" adapted from the comics adaptation copyright of "The Bride with White Hair" authorized by Mandarin Films Ltd., "Magical Weapon – Fore Story 4", movie-version comics named "Dragon Tiger Gate", "The Deer and the Cauldron – Comics Version" adapted from Jin Yong's famous knight-errant fiction "The Deer and the Cauldron". Additionally, the Group launched "Legend of "No-Man's-Land"- Comics Version", which was adapted from Huang Yi's recent masterpiece that has never been adapted by other media.

In view of the favourable environment of the capital market in the first few months of 2006, the Group is now in a debt-free position by ways of convertible notes conversions, share options exercises plus placing of new shares to 2 institutional investors, raising a net proceed of HK$28.5 million in a top-up placing in May 2006 principally for future animations development. At present, the Group's equity position has been enhanced by an aggregate of HK$105.0 million by these 3 types of fund-raising avenues. Such position allows the Group to face upcoming challenges in sustaining its position as the largest and only listed comics publisher in the local comics market and tap into the huge animations market in the PRC by adaptation of our existing comics library.

The undersupply in domestic animations in the PRC will prevail in the next few years. More importantly, the State Council of the People's Republic of China just announced "Comments on Developing Country's Animations Industry" dated 25 April 2006 to further encourage the development of the animations industry which favours our moves to strive to be the leader in the Chinese community's comics and animations industry.

APPRECIATION

I would like to express our sincere gratitude to all our stakeholders and business associates for their encouragement, support and assistance and our heartfelt thanks to all the employees of the Group who have worked hard to provide excellent services and contributions to the Group. I would also like to extend to my appreciation to all Board members for their invaluable and excellent contribution.

Tong Kai Lap
Chairman

Hong Kong, 18 July 2006

CORPORATE GOVERNANCE PRACTICE

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. 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 2005/06, 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"), except for the following rectified deviations:–

Code provision		Rectification
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.
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.

Code provision	Rectification
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.

Save for the above, 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-law, 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.

During the year 2005/06, the Group was seeking insurance cover to ensure our directors and senior management protected from any liability arising from the performance of their duties. An insurance policy on directors'and officers' liability was in force throughout the year under review.

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. Mr. Wong Chun Keung was the Chief Executive Officer during the year of 2005/06 and Mr. Ko Chi Keung has taken up the post of Chief Executive Officer from Mr. Wong Chun Keung effective on 1 April 2006. Mr. Wong Chun Keung has been appointed as the Deputy Chairman of the Company at the same day. 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-law 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. Four Board meetings were held in 2005/06. Individual attendance of each director at the Board meetings, the Audit Committee meetings and Remuneration Committee meetings during 2005/06 is set out below:

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

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

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 three meetings in 2005/06 with satisfactory attendance rate for the purpose of discharging the aforesaid duties. The Group's annual report for the year ended 31 March 2006 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.

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. Its 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 2005/06 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 2005/06 are set out in Note 14 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. Zhang Li Chen as new Director is put to the full Board for approval. Thereafter, Mr. Zhang Li Chen as the new director is subject to election by shareholders at the first annual general meeting after his appointment.

All the non-executive Director 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.

The fee for audit and audit related services provided by Deloitte Touche Tohmatsu for the year ended 31 March 2006 approximately amounted to HK$0.7 million (2005: HK$0.8 million).

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 that based on 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. 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 are 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, additional information is also available to shareholders from the Group's website.

INTERNAL CONTROLS AND RISK MANAGEMENT

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 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.

Periodical financial and operational meetings were held with the executive management review business performance against budgets and forecasts. The Board review quarterly management reports on the financial results and the key operating statistics of each business and hold quarterly meetings with executive management of business operations to review these reports. Operating expenditures are subject to overall budgetary control and are controlled within each business with approval levels for such expenditures being set by reference to each executive and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process.

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

Reports from the external auditors on audit issues and relevant financial reporting matters, are to be presented to the Audit committee. These reports are reviewed and appropriate actions are taken.

FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's 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 "new 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 changed some of its accounting policies following the adoption of the new and revised HKFRS which came into effect on 1 January 2005. The new and revised HKFRS have been adopted by the Group and are set out in the "Summary of Significant of Accounting Policies" 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 pages 35 to 36 in the Report of the Auditors.

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries were principally engaged in the publication of comics books, multimedia development and operation of restaurants in Hong Kong. On 30 April 2005, the Group completed the discontinuation of its restaurant operations.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2006, the largest and the top five suppliers of the Group accounted for approximately 21% and 35% respectively of the Group's total purchases. The largest and the top five customers of the Group accounted for approximately 49% and 91% respectively of the Group's total turnover.

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 2006 are set out in the consolidated income statement on page 37.

An interim dividend of HK0.2 cent per share amounting to HK$1,582,000 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 23 August 2006, amounting to HK$1,849,000, and the retention of the remaining profit in reserves.

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 2006 is HK$104,768,000 (2005: 98,348,000).

SHARE CAPITAL

During the year, convertible notes with an aggregate principal amount of HK$50,133,600 were converted into 100,267,200 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 29,984,000 ordinary shares. At the balance sheet date, the Company had outstanding 31,808,000 share options. Exercise in full of such options would result in the issue of 31,808,000 additional shares.

Details of movements during the year in the share capital of the Company are set out in note 32 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$50,133,600 into 100,267,200 ordinary shares.

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 94.

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 19 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 Lichen (appointed on 3 January 2006)

Independent non-executive directors:

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

In accordance with bye-law 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, Mr. Tong Kai Lap will retire by rotation and, being eligible, for re-election. In addition, pursuant to bye-law 86(2B) of the Company's Bye-laws, Mr. Zhang Li Chen will hold office until the forthcoming annual general meeting. Messrs. Tong Kai Lap and Zhang Li Chen 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 2006, the interests of the directors and their associates in the shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) 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)	Founder of discretionary trust	7,500,000 ordinary shares	1.20%
Mr. Tong (Note)	Beneficial owner	2,664,000 ordinary shares	1.20%
Mr. Wan Siu Lun	Beneficial owner	3,000,000 ordinary shares	0.36%
Mr. Wong Chun Keung	Beneficial owner	3,464,200 ordinary shares	0.41%
Mr. Ko Chi Keung	Beneficial owner	800,000 ordinary shares	0.09%
Mr. Kwong Chi Tak	Beneficial owner	1,392,000 ordinary shares	0.16%

Note: 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 and beneficial owner, Mr. Tong holds 10,164,000 shares of the Company, representing 1.20% of the issued shares of the Company.

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

Name of director	Capacity	Principal amount of convertible notes interested HK$	Number of unissued shares interested
Mr. Tong (Note 2)	Founder of discretionary trust	1,387,200	2,774,400
Mr. Tong (Note 3)	Interest of spouse	1,275,733	2,551,466
Mr. Wong Chun Keung	Beneficial owner	577,600	1,155,200
Mr. Kwong Chi Tak	Beneficial owner	165,333	330,666

Notes:

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

(2) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.

(3) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia, 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 2006.

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 2005	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2006
Mr. Tong	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	–
	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. Wong Chun Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	–
	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. Wan Siu Lun	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	–
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	800,000	(800,000)	–	–
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	(1,200,000)	–	–
Mr. Ko Chi Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	(1,600,000)	–	–
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	500,000	–	–	500,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,000,000	–	–	1,000,000
Mr. Kwong Chi Tak ("Mr. Kwong") (Note)	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	(296,000)	–	4,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	(296,000)	–	904,000
					20,299,998	(13,784,000)	(7,998)	6,508,000

Note: Share options were granted to Mr. Kwong on 27 March 2003 and 2 April 2004 in the capacity of a consultant of the Group. Mr. Kwong was appointed as a director of the Company on 1 January 2005.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(A) 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 5)
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	38.31%
Mr. Wong Chun Loong ("Mr. Wong") (Note 1)	Held by controlled corporation	323,435,100	38.31%
Kingston Finance Limited ("KFL") (Note 2)	Security interest	323,435,100	38.31%
Ms. Ma Siu Fong ("Ms. Ma") (Note 3)	Held by controlled corporation	323,435,100	38.31%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 3)	Held by controlled corporation	323,435,100	38.31%

(B) Share options

Name of shareholder	Capacity	Number of share options	Number of underlying shares	Percentage of the issued share capital of the Company (Note 5)
Kingston Securities Limited ("KSL")	Beneficial owner	3,000,000	3,000,000	0.36%
Ms. Ma (Note 4)	Held by controlled corporation	3,000,000	3,000,000	0.36%
Mrs. Chu (Note 4)	Held by controlled corporation	3,000,000	3,000,000	0.36%

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) 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.

(5) The denominator used is 844,357,384 shares, being the total number of shares in issue as at 31 March 2006.

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 2006.

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.

APPOINTMENT 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 chief creative officer responsible for the comic and animated cartoon providing 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 2006, the total annual emoluments paid by the Group to Mr. Wong for his services as a comic and animated cartoon creative writer amounted to HK$5,484,000.

The independent non-executive directors of the Company have reviewed the continuing connected transaction set out above and in note 38 to the financial statements 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 2006.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 39 to the financial statements.

AUDITORS

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

On behalf of the Board

Ko Chi Keung
DIRECTOR

Hong Kong, 18 July 2006

Deloitte.
德勤

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") and its subsidiaries ("the Group") from pages 37 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 18 July 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
Continuing operations			
Turnover	7	**102,214**	107,307
Cost of goods sold		**(55,420)**	(58,948)
Direct operating expenses		**(14,739)**	(10,331)
Gross profit		**32,055**	38,028
Other income	9	**1,221**	1,613
Selling and distribution costs		**(2,529)**	(2,800)
Administrative expenses		**(13,962)**	(21,581)
Finance costs	10	**(1,527)**	(1,433)
Profit before tax		**15,258**	13,827
Income tax (expense) credit	11	**(1,631)**	1,617
Profit for the year from continuing operations		**13,627**	15,444
Discontinued operations	12		
Loss for the year from discontinued operations		**(89)**	(1,302)
Gain on disposal of subsidiaries		**–**	547
Profit for the year	13	**13,538**	14,689
Attributable to:			
Equity holders of the Company		**13,538**	11,043
Minority interests		**–**	3,646
		13,538	14,689
Dividends	17		
– paid		**1,582**	–
– proposed		**1,849**	–
Earnings per share	18		
From continuing and discontinued operations			
Basic		**1.81 cents**	1.59 cents
Diluted		**1.67 cents**	1.54 cents
From continuing operation			
Basic		**1.82 cents**	1.69 cents
Diluted		**1.68 cents**	1.64 cents

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

	NOTES	**2006** HK$'000	2005 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	19	**6,790**	7,368
Prepaid lease payments	20	**8,532**	8,706
Intangible assets	21	**1,858**	2,598
Club membership		**–**	100
Goodwill	22	**124,539**	124,539
Deferred tax assets	23	**3,092**	3,322
		144,811	146,633
Current assets			
Inventories	24	**43,704**	21,384
Trade debtors	25	**27,710**	21,643
Other debtors	26	**233**	879
Prepaid lease payments	20	**174**	174
Deposits and prepayments	26	**11,793**	11,770
Tax recoverable		**413**	104
Pledged bank deposits	27	**4,113**	4,003
Bank balances and cash	28	**2,318**	4,119
		90,458	64,076
Current liabilities			
Trade creditors	29	**7,878**	8,521
Other creditors and accrued charges	30	**8,760**	11,177
Tax payable		**633**	938
Bank borrowings	31	**14,610**	8,485
		31,881	29,121
Net current assets		**58,577**	34,955
		203,388	181,588

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

	NOTES	**2006** **HK$'000**	2005 HK$'000 (restated)
Capital and reserves			
Share capital	32	**1,689**	1,428
Reserves		**186,474**	115,068
		188,163	116,496
Non-current liability			
Convertible notes	33	**15,225**	65,092
		203,388	181,588

The financial statements on pages 37 to 93 were approved and authorised for issue by the Board of Directors on 18 July 2006 and are signed on its behalf by:

Tong Kai Lap
Director

Ko Chi Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Special reserve** HK$'000 (Note 2)	**Contri-buted surplus** HK$'000	**Exchange reserve** HK$'000	**Accumu-lated (losses) profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 April 2004	1,119	239,327	–	(36,810)	–	–	(148,995)	54,641	–	54,641
Exchange difference on translation of overseas operations recognised directly in the equity	–	–	–	–	–	(88)	–	(88)	–	(88)
Profit for the year	–	–	–	–	–	–	11,043	11,043	3,646	14,689
Total recognised (expenses) income for the year	–	–	–	–	–	(88)	11,043	10,955	3,646	14,601
Issue of shares	309	52,635	–	–	–	–	–	52,944	–	52,944
Share issue expenses	–	(2,326)	–	–	–	–	–	(2,326)	–	(2,326)
Share premium reduction (Note 1)	–	(286,300)	–	–	286,300	–	–	–	–	–
Eliminated against accumulated losses (Note 1)	–	–	–	–	(236,906)	–	236,906	–	–	–
Recognition of equity component of convertible notes	–	–	282	–	–	–	–	282	–	282
Minority interest arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	12,791	12,791
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(1,960)	(1,960)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(14,477)	(14,477)
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 shares options	60	9,644	–	–	–	–	–	9,704	–	9,704
Dividend paid	–	–	–	–	–	–	(1,582)	(1,582)	–	(1,582)
At 31 March 2006	1,689	62,912	66	(36,810)	49,394	2	110,910	188,163	–	188,163

Notes:

(1) 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.

(2) 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.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit before tax		**15,169**	13,072
Adjustments for:			
Bank interest income		**(116)**	(28)
Interest expense		**1,527**	1,433
Depreciation of property, plant and equipment		**804**	1,905
Amortisation of intangible assets		**740**	849
Amortisation of prepaid lease payments		**174**	174
Gain on disposal of property, plant and equipment		**(100)**	–
Intangible assets written-off		**–**	117
Gain on disposal of subsidiaries		**–**	(547)
Impairment loss recognised in respect of property, plant and equipment		**–**	139
Operating cash flows before movements in working capital		**18,198**	17,114
Increase in inventories		**(22,320)**	(2,742)
Increase in trade debtors		**(6,067)**	(1,817)
Decrease (increase) in other debtors		**646**	(724)
Increase in deposits and prepayments		**(23)**	(8,800)
Decrease in trade creditors		**(643)**	(1,068)
Decrease in other creditors and accrued charges		**(2,417)**	(2,443)
Effect of foreign exchange rate changes		**90**	(79)
Cash used in operations		**(12,536)**	(559)
Income taxes paid		**(2,015)**	(721)
NET CASH USED IN OPERATING ACTIVITIES		**(14,551)**	(1,280)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
INVESTING ACTIVITIES			
Acquisition of additional interest in subsidiaries		–	(32,667)
Acquisition of subsidiaries	34	–	(20,927)
Increase in pledged bank deposits		**(110)**	(4,003)
Purchase of property, plant and equipment		**(226)**	(478)
Proceeds received from disposal of property, plant and equipment		**100**	–
Decrease (increase) of club membership		**100**	(100)
Disposal of subsidiaries	35	–	2,175
Interest received		**116**	28
NET CASH USED IN INVESTING ACTIVITIES		**(20)**	(55,972)
FINANCING ACTIVITIES			
Repayment of bank loans		**(3,394)**	(12,920)
Repayment of other loan		–	(5,000)
Dividends paid to minority shareholders		–	(1,960)
Dividends paid to equity holders of the Company		**(1,582)**	–
Interest paid		**(1,477)**	(1,392)
Proceeds from the issue of new shares		**9,704**	20,114
Share issue expenses		–	(370)
New bank loans raised		**9,519**	5,500
Increase in amount due to a related company		–	20
NET CASH GENERATED FROM FINANCING ACTIVITIES		**12,770**	3,992
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,801)**	(53,260)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,119**	57,379
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**2,318**	4,119

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The principal activities of the Group are the publication of comics books, multimedia development and operation of restaurants in Hong Kong. On 30 April 2005, the Group has completed discontinuation of its restaurant operations.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 by the Group for the year ended 31 March 2005. The application of the other HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated 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 and the consolidated income statement of the comparative period have been represented in respect of the discontinued operation. The application of these other 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:

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Financial instruments

In the current year, 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 the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application 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:

Convertible notes

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 loan notes were classified as liabilities on the balance sheet. 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 the liability and equity components on 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. Because HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. Comparative profit for 2005 has been restated in order to reflect the increase in effective interest on the liability component (see Note 3 for the financial impact).

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Share-based payments

In the current year, 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 share options, 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 vested before 1 April 2005 in accordance with the relevant transitional provisions. Because all the share options outstanding as at 1 April 2005 were 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.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, 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 on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

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:

	2006	2005
	HK$'000	HK$'000
Increase in interest on the liability component of convertible loan notes and decrease in profit for the year attributable to the equity holder of the parent (included in finance costs)	**50**	41

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

	As at 31 March 2005 (originally stated)	**Adjustments**	**As at 31 March 2005** (restated)
	HK$'000	HK$'000	HK$'000
Impact of HKAS 17:			
Property, plant and equipment	16,248	(8,880)	7,368
Prepaid lease payments	–	8,880	8,880
Impact of HKAS 32:			
Convertible notes	(65,333)	241	(65,092)
Capital reserve – equity component of convertible notes	–	282	282
Accumulated profits	98,995	(41)	98,954

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

The Group has not early applied the following new HKFRSs 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[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for accounting periods beginning on or after 1 January 2007.
2 Effective for accounting periods beginning on or after 1 January 2006.
3 Effective for accounting periods beginning on or after 1 December 2005.
4 Effective for accounting periods beginning on or after 1 March 2006.
5 Effective for accounting periods beginning on or after 1 May 2006.
6 Effective for accounting periods beginning on or after 1 June 2006.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at initial recognition as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

Goodwill

Goodwill arising on acquisitions after 1 April 2004

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 April 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less accumulated impairment loss.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

Revenue are measured at the fair value of the consideration received or receivable.

Sale of goods are recognised when goods are delivered.

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

Revenue recognition *(Continued)*

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

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

Service fees are recognised when services are provided.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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.

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.

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

Intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. 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.

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 income statement when the asset is derecognised.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Taxation *(Continued)*

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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).

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).

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and other schemes managed by the Government of the People's Republic of China ("PRC") are charged as expenses as they fall due.

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and the accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including trade debtors, other debtors, deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade creditors, other creditors, accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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 call option for the holder 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 retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes (Continued)

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.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation that may have a significant risk of causing material adjustment in the next financial year are disclosed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 March 2006, the carrying amount of goodwill is HK$124,539,000. Details of the recoverable amount calculation are disclosed in note 22.

Deferred tax

As at 31 March 2006, a deferred tax asset of HK$3,092,000 in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset 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 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 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 productions. The Group carries out an inventory review at each balance sheet date and makes allowance if the net realisable value below the cost.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade debtors, other debtors, deposits, bank balances, trade creditors, other creditors, accrued charges and bank borrowings. 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 and 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 interest rate risk relates primarily to bank balances and bank borrowings. Bank balances and bank loans 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 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's concentration of credit risk by geographical locations is mainly in Hong Kong.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

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

7. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to outside customers less returns and allowances and services rendered in the restaurants for the year. An analysis of the Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2006	2005
	HK$'000	HK$'000
Continuing operations		
Sale of comics books	**95,964**	98,440
Royalty income	**4,468**	5,590
Sale of merchandised goods	**872**	2,064
Online comics viewing income	**717**	1,027
Sale of comics scripts	**193**	186
	102,214	107,307
Discontinued operations		
Sale of goods in restaurants	**615**	14,742
Services rendered (Note)	**54**	951
	102,883	123,000

Note: Services rendered represent surcharge for services provided in the restaurants.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

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.

Income statement

	Continuing operations						Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Total		Restaurant operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Revenue	**101,414**	106,556	**800**	751	**102,214**	107,307	**669**	15,693	**102,883**	123,000
Segment result	**22,404**	20,393	**613**	170	**23,017**	20,563	**(89)**	(1,302)	**22,928**	19,261
Unallocated corporate expenses					**(6,232)**	(5,303)	**–**	–	**(6,232)**	(5,303)
Finance costs					**(1,527)**	(1,433)	**–**	–	**(1,527)**	(1,433)
Profit (loss) before tax					**15,258**	13,827	**(89)**	(1,302)	**15,169**	12,525
Income tax (expense) credit					**(1,631)**	1,617	**–**	–	**(1,631)**	1,617
Gain on disposal of subsidiaries					**–**	–	**–**	547	**–**	547
Profit (loss) for the year					**13,627**	15,444	**(89)**	(755)	**13,538**	14,689

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Balance sheet

	Continuing operations				Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Restaurant operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
ASSETS								
Segment assets	**177,797**	173,895	**47,339**	24,883	**–**	2,488	**225,136**	201,266
Unallocated corporate assets							**10,133**	9,443
Consolidated total assets							**235,269**	210,709
LIABILITIES								
Segment liabilities	**13,318**	15,842	**2,277**	3,071	**–**	785	**15,595**	19,698
Unallocated corporate liabilities							**31,511**	74,515
Consolidated total liabilities							**47,106**	94,213

Other information

	Continuing operations						Discontinued operations			
	Publication and distribution of comics books		Multimedia development		Total		Restaurant operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Goodwill arising from acquisition of subsidiaries	**–**	124,539	**–**	–	**–**	124,539	**–**	–	**–**	125,439
Additions of property, plant and equipment	**179**	456	**47**	–	**226**	456	**–**	22	**226**	478
Additions of intangible assets on acquisition of subsidiaries	**–**	3,364	**–**	–	**–**	3,364	**–**	–	**–**	3,364
Additions of property, plant and equipment on acquisition of subsidiaries	**–**	7,987	**–**	24	**–**	8,011	**–**	–	**–**	8,011
Gain on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**100**	–	**100**	–
Depreciation and amortisation	**1,510**	1,900	**–**	–	**1,510**	1,900	**34**	854	**1,544**	2,754
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	139	**–**	139
Intangible assets written off	**–**	–	**–**	–	**–**	–	**–**	117	**–**	117

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's turnover and profit before tax for both years are substantially derived from Hong Kong. The Group's assets and liabilities are also substantially located in Hong Kong. Accordingly, no analysis by geographical segment is presented.

9. OTHER INCOME

	2006	2005
	HK$'000	HK$'000
Continuing operations		
Advertising income	**385**	788
Bank interest income	**116**	28
Others	**720**	797
	1,221	1,613
Discontinued operations		
Others	**–**	1
	1,221	1,614

10. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
		(restated)
Interest on		
– Bank loans wholly repayable within five years	**810**	805
– Effective interest expense on convertible notes	**717**	628
	1,527	1,433

11. INCOME TAX (EXPENSE) CREDIT

	2006 HK$'000	2005 HK$'000
Hong Kong:		
Provision for current year	(1,410)	(1,691)
Overprovision(underprovision) in prior year	9	(14)
Deferred tax (charge) credit (note 23)	(230)	3,322
	(1,631)	1,617

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

Income tax (expense) credit for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000 (restated)
Profit (loss) before tax:		
Continuing operations	15,258	13,827
Discontinuing operations	(89)	(755)
	15,169	13,072
Tax at the Hong Kong Profits Tax rate of 17.5%	(2,655)	(2,288)
Tax effect of expenses not deductible for tax purpose	(183)	(523)
Tax effect of tax losses not recognised	(412)	(532)
Utilisation of tax losses previously not recognised	62	1,042
Tax effect of income not taxable for tax purpose	1,542	1,428
Recognition of tax losses previously not recognised	–	2,517
Overprovision(underprovision) in prior year	9	(14)
Others	6	(13)
Income tax (expense) credit for the year	(1,631)	1,617

12. DISCONTINUED OPERATIONS

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

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

	2006	2005
	HK$'000	HK$'000
Turnover	**669**	15,693
Cost of goods sold	**(208)**	(5,097)
Direct operating expenses	**(692)**	(11,203)
Other income	**142**	1
Selling and distribution costs	**–**	(148)
Administrative expenses	**–**	(548)
Loss before tax	**(89)**	(1,302)
Income tax	**–**	–
Loss from ordinary activities after tax	**(89)**	(1,302)
Gain on disposal of subsidiaries	**–**	547
	(89)	(755)

During the year, the restaurant operations had net cash outflow of HK$189,000 (2005: HK$99,000) in operating activities and net cash inflow of HK$100,000 (2005: HK$2,153,000) in respect of investing activities.

13. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Profit for the year has been arrived at after charging:						
Amortisation of intangible assets (included in direct operating expenses)	**740**	849	**–**	–	**740**	849
Amortisation of prepaid lease payment	**174**	174	**–**	–	**174**	174
Auditors' remuneration	**700**	790	**–**	–	**700**	790
Cost of inventories recognised as expense	**2,258**	1,461	**208**	5,097	**2,466**	6,558
Depreciation	**770**	1,287	**34**	618	**804**	1,905
Gain of disposal of property, plant and equipment	**–**	–	**100**	–	**100**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**–**	139	**–**	139
Intangible assets written off	**–**	–	**–**	117	**–**	117
Operating lease payments in respect of rented premises	**968**	857	**40**	1,186	**1,008**	2,043
Staff costs, including directors' emoluments (Note 14) and retirement benefits scheme contributions (Note 16)	**37,035**	39,504	**341**	4,146	**37,376**	43,650

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2005: 12) directors were as follows:

	Directors' fee HK$'000	Salary and allowances HK$'000	Discretionary bonuses HK$'000 (Note)	Retirement benefit scheme contributions HK$'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 Lichen	**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**

14. DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fee HK$'000	Salary and allowances HK$'000	Discretionary bonuses HK$'000 (Note)	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Executive directors:					
Tong Kai Lap	–	1,500	–	11	1,511
Wan Siu Lun	–	961	410	11	1,382
Wong Chun Keung	–	790	120	11	921
Ko Chi Keung	–	486	–	11	497
Kwong Chi Tak	–	559	–	11	570
Chan Kong Sang, Jackie	844	–	–	9	853
Chan Chee Kheong	338	–	–	9	347
Cheung Ting Kau, Vincent	202	–	–	–	202
So Che Hung, Solon	202	–	–	9	211
Independent non-executive directors:					
Ho Yiu Ming	210	–	–	–	210
Kwong Chi Keung	210	–	–	–	210
Ma Fung Kwok	90	–	–	–	90
Total	2,096	4,296	530	82	7,004

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 any emoluments during the year.

Note: The discretionary bonus are determined as a percentage of the results of business segments managed by respective directors.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The total emoluments of the remaining two (2005: two) highest paid individuals were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**9,247**	9,686
Retirement benefits scheme contributions	**24**	23
	9,271	9,709

Their emoluments were within the following bands:

	Number of individuals	
	2006	2005
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
	2	2

16. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

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).

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$1,005,000 (2005: HK$1,166,000).

17. DIVIDENDS

	2006	2005
	HK$'000	HK$'000
Ordinary shares:		
Interim dividend paid of HK0.2 cent per share	**1,582**	–

An interim dividend of HK0.2 cent per share (2005: nil) amounting to HK$1,582,000 (2005: nil) was paid on 25 January 2006 to the shareholders of the Company whose names appear in the Register of Members on 11 January 2006.

17. DIVIDENDS *(Continued)*

The directors have proposed that a final dividend of HK0.2 cent per share (2005: nil) amounting to HK$1,849,000 (2005: nil) be payable on 6 September 2006 to the shareholders of the Company whose names appear in the Register of Members on 23 August 2006 ("Book Close Date").

	2006	2005
	HK$'000	HK$'000
Final dividend to existing shareholders	**1,689**	–
Final dividend to other shareholders (Note)	**160**	–
	1,849	–

Note: Subsequent to the year end and up to the date of this report, an aggregate 80,003,732 ordinary shares ("Shares") were issued due to conversion of convertible notes, exercise of share options and allotment of 40,000,000 ordinary shares to Super Empire Investments Limited as set out in note 39. The holders of Shares also entitle equivalent amount of final dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, a final dividend of HK$160,000 will be paid to the holders of Shares. The number of shares entitled to final dividend is subject to future exercise/conversion of Company's share options and convertible notes prior to the Book Close Date.

18. EARNINGS PER SHARE

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

	2006	2005
	HK$'000	HK$'000
		(restated)
For continuing and discontinued operations		
Earnings		
Earnings for the purposes of basic earnings per share	**13,538**	11,043
Effect on dilutive potential ordinary shares:		
Interest on convertible notes	**717**	628
Earnings for the purposes of diluted earnings per share	**14,255**	11,671
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**748,960,707**	696,334,317
Effect of dilutive potential ordinary shares:		
Share options	**6,457,525**	3,650,075
Convertible notes	**98,200,863**	58,710,502
Weighted average number of shares for the purpose of diluted earnings per share	**853,619,095**	758,694,894

18. EARNINGS PER SHARE *(Continued)*

From continuing operations

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

	2006 HK$'000	2005 HK$'000
Earnings		
Earnings for the purposes of basic earnings per share	**13,538**	11,043
Add: Loss for the year from discontinued operations	**89**	755
Earnings for the purposes of basic earnings per share from continuing operations	**13,627**	11,798
Effect of dilutive potential ordinary shares: Interest on convertible notes	**717**	628
Earnings for the purposes of diluted earnings per share from continuing operations	**14,344**	12,426

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

18. EARNINGS PER SHARE *(Continued)*

From discontinued operations

Basic loss per share for discontinued operations for the year ended 31 March 2006 is HK0.01 cent (2005: HK0.11 cent), based on the calculation the loss for the year from the discontinued operations HK$89,000 (2005: HK$755,000) and the same denominators detailed above for the basic earnings per share.

Diluted loss per share for discontinued operations for both years are not presented because the exercise of the convertible notes and share options outstanding would result in a decrease in net loss per share for the year.

Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in note 3. To the extent that those changes have had an impact on results reported for the year ended 31 March 2005 and 31 March 2006, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on basic earnings from continuing and discontinued operations per share:

	Impact on basic earnings per share	
	2006	2005
	HK cent	HK cent
Increase in finance costs as a result of fair value measurement of convertible notes	**0.007**	0.006

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Crockery, utensils, linens and uniforms	Total
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 2004	–	13,023	–	238	13,261
Additions	–	478	–	–	478
Acquired on acquisition of subsidiaries	6,227	1,257	527	–	8,011
Disposal of subsidiaries	–	(4,311)	–	(238)	(4,549)
Disposals/write-off	–	(4)	–	–	(4)
At 31 March 2005	6,227	10,443	527	–	17,197
Additions	–	226	–	–	226
Disposals	–	(8,733)	–	–	(8,733)
At 31 March 2006	6,227	1,936	527	–	8,690
DEPRECIATION					
At 1 April 2004	–	10,229	–	–	10,229
Provided for the year	113	1,484	308	–	1,905
Eliminated on disposal of subsidiaries	–	(2,440)	–	–	(2,440)
Eliminated on disposals/ write-off	–	(4)	–	–	(4)
Impairment loss recognised in the income statement	–	139	–	–	139
At 31 March 2005	113	9,408	308	–	9,829
Provided for the year	132	525	147	–	804
Eliminated on disposals	–	(8,733)	–	–	(8,733)
At 31 March 2006	245	1,200	455	–	1,900
CARRYING VALUES					
At 31 March 2006	5,982	736	72	–	6,790
At 31 March 2005	6,114	1,035	219	–	7,368

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

For the year ended 31 March 2005, leasehold land and buildings were presented together under a same column headed "leasehold land and buildings". The application of HKAS 17 has resulted the segregation of lease of land and buildings and this change in accounting policy has been applied retrospectively. The comparative figures of the movement in property, plant and equipment have been restated.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the estimated useful lives of 50 years or over the term of the leases, if less than 50 years
Furniture and equipment	10 – $33^1/_3$%
Fixtures	10 – 20% or over the term of the leases, whichever is shorter
Motor vehicles	20 – 25%

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

For the year ended 31 March 2005, the impairment loss recognised of HK$139,000 represented the recognition of a decrease in the recoverable amount of furniture, fixtures and equipment of a subsidiary engaged in the restaurant operations as a result of the cessation of operations of this subsidiary subsequent to 31 March 2005.

The Group has pledged buildings of a carrying value of HK$5,982,000 (2005: HK$6,114,000) to secure general banking facilities granted to the Group.

20. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under long lease	**8,706**	8,880
Analysed for reporting purposes as:		
Current asset	**174**	174
Non-current asset	**8,532**	8,706
	8,706	8,880

The Group has pledged prepaid lease payments of a carrying value of HK$8,706,000 (2005: HK$8,880,000) to secure banking facilities granted to the Group.

21. INTANGIBLE ASSETS

	Copyrights	**Trademarks**	**Other**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2004	–	–	300	300
Acquired on acquisition of subsidiaries	3,213	151	–	3,364
Write-off	–	–	(300)	(300)
At 31 March 2005 and 31 March 2006	3,213	151	–	3,364
AMORTISATION				
At 1 April 2004	–	–	100	100
Charge for the year	710	56	83	849
Eliminated on write-off	–	–	(183)	(183)
At 31 March 2005	710	56	–	766
Charge for the year	680	60	–	740
At 31 March 2006	1,390	116	–	1,506
CARRYING VALUES				
At 31 March 2006	1,823	35	–	1,858
At 31 March 2005	2,503	95	–	2,598

21. INTANGIBLE ASSETS *(Continued)*

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following:

Copyrights	4 – 5 years
Trademarks	5 years

22. GOODWILL

	HK$'000
COST	
Arising on acquisition of subsidiaries	41,025
Arising on acquisition of additional interests in subsidiaries	83,514
At 31 March 2005 and 31 March 2006	124,539

As explained in note 8, the Group 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.

For the year ended 31 March 2006, 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 amounts are determined from value in use calculations. The key assumptions for the value in use calculations are discount rate and expected changes to 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%. 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.

22. GOODWILL *(Continued)*

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 operating profits in the past, the directors considered the adoption of a 15-years forecast period is appropriate.

23. DEFERRED TAX ASSETS

The following is the major deferred tax asset recognised by the Group, and the movement thereon during the current and prior years:

	Tax losses
	HK$'000
At 1 April 2004	–
Credit to income statement (note 11)	3,322
At 31 March 2005	3,322
Charge to income statement (note 11)	(230)
At 31 March 2006	3,092

At the balance sheet date the Group has unused tax losses of HK$27,662,000 (2005: HK$26,976,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$17,669,000 (2005: HK$18,983,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$9,993,000 (2005: HK$7,993,000) due to the unpredictability of future profit streams of these subsidiaries. The tax loss can be carried forward indefinitely.

24. INVENTORIES

	2006	2005
	HK$'000	HK$'000
Raw materials and consumables	**120**	84
Merchandised goods	**127**	246
Work-in-progress	**43,457**	21,054
	43,704	21,384

25. TRADE DEBTORS

The Group allows an average credit period of 90 days to its trade customers.

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

	2006	2005
	HK$'000	HK$'000
0 – 30 days	**15,748**	9,183
31 – 60 days	**7,337**	5,436
61 – 90 days	**2,567**	2,685
Over 90 days	**2,058**	4,339
	27,710	21,643

The fair value of the Group's trade debtors at 31 March 2006 approximates to the corresponding carrying amount.

26. OTHER FINANCIAL ASSETS

The fair value of the Group's other debtors and deposits approximates to the corresponding carrying amount.

27. PLEDGED BANK DEPOSITS

The deposits carry fixed interest rate ranging from 3.5% to 3.61%. The pledged bank deposits will be released upon the settlement of relevant banking borrowings. The fair value of pledged bank deposits at 31 March 2006 approximates to the corresponding carrying amount.

28. BANK BALANCES AND CASH

The bank balances carried interest at prevailing market interest rates of approximately 2.8%. The fair value of bank balances at 31 March 2006 approximates the corresponding carrying amount. At 31 March 2006, the bank balances and cash of approximately HK$254,000 (2005: HK$238,000) were denominated in Renminbi which is not freely convertible into other currencies.

29. TRADE CREDITORS

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

	2006	2005
	HK$'000	HK$'000
0 – 30 days	**3,219**	2,636
31 – 60 days	**1,515**	1,610
61 – 90 days	**1,620**	1,413
Over 90 days	**1,524**	2,862
	7,878	8,521

The fair value of the Group's trade creditors at 31 March 2006 approximates to the corresponding carrying amount.

30. OTHER FINANCIAL LIABILITIES

The fair value of the Group's other creditors and accrued charges at 31 March 2006 approximates to the corresponding carrying amount.

31. BANK BORROWINGS

	2006	2005
	HK$'000	HK$'000
Secured bank loans repayable on demand or within one year	**14,610**	8,485

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

	2006	2005
Variable-rate borrowings	HIBOR + 2.5% Hong Kong Dollar Prime Rate – 2%	HIBOR + 1%

The Group's bank borrowings are denominated in Hong Kong dollars and their fair value as at 31 March 2006 approximates to the corresponding carrying amount.

32. SHARE CAPITAL

	Notes	Par value of ordinary share	Number of ordinary shares	Amount
		HK$		HK$'000
Authorised:				
At 1 April 2004, 31 March 2005 and 31 March 2006		0.002 each	250,000,000,000	500,000
Issued and fully paid:				
At 1 April 2004		0.002 each	559,663,466	1,119
Issued in consideration for the acquisition of the issued share capital of JDH		0.002 each	84,442,718	169
Placing of new shares		0.002 each	70,000,000	140
At 31 March 2005			714,106,184	1,428
Issue of new shares upon conversion of convertible notes	(1)	0.002 each	100,267,200	201
Issue of new shares upon exercise of share options	(2)	0.002 each	29,984,000	60
At 31 March 2006			844,357,384	1,689

Notes:

(1) During the year, convertible notes with an aggregate principal amount of HK$50,133,600 were converted into 100,267,200 shares at a conversion price of HK$0.5 per share.

(2) During the year, 29,984,000 share options were exercised at a subscription price ranging from HK$0.267 to HK$0.37 per share, resulting in the issue of 29,984,000 shares of HK$0.002 each for a total cash consideration of HK$9,703,732.

33. CONVERTIBLE NOTES

Convertible notes (the "Notes") of the Group were issued on 19 October 2004 upon completion of the agreement for the sale and purchase of 49% equity interests in JDH dated 17 August 2004. As at 31 March 2006, outstanding Notes with the principal amount of HK$15,291,000 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 Group 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. The fair value of early redemption right of the Notes is insignificant.

Unless converted by the noteholder or prepaid by the Group, the Group 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.

The convertible notes contain two components, liability and equity elements. Upon the application of HKAS 32 Financial Instruments: Disclosure and Presentation (see Note 3 for details), the convertible notes were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "capital reserve". The effective interest rate of the liability component is 2.15%.

33. CONVERTIBLE NOTES *(Continued)*

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

	2006	2005
	HK$'000	HK$'000
Liability component at the beginning of the year	**65,092**	–
Issuance of convertible notes	**–**	65,051
Conversion to shares of the Company	**(49,917)**	–
Interest charge (Note 10)	**717**	629
Interest paid	**(667)**	(588)
Liability at the end of the year	**15,225**	65,092

The fair value of the liability component of the convertible notes at 31 March 2006, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date approximates its carrying amount.

34. ACQUISITION OF SUBSIDIARIES

On 22 April 2004, the Group acquired 51% of the issued share capital of JDH and its subsidiaries (collectively the "JDH Group") for a consideration of approximately HK$54,338,000. The amount of goodwill arising as a result of the acquisition was HK$41,025,000.

	2005 HK$'000 (restated)
Net assets acquired:	
Property, plant and equipment	8,011
Prepaid lease payments	9,054
Intangible assets	3,364
Inventories	18,693
Trade debtors	18,549
Loan receivable	100
Amount due from a related company	25
Deposits and prepayments	1,627
Bank balances and cash	2,537
Tax recoverable	532
Trade creditors	(9,221)
Other creditors and accrued charges	(11,154)
Tax payable	(108)
Bank borrowings	(15,905)
Minority interests	(12,791)
	13,313
Goodwill	41,025
Total consideration	54,338
Satisfied by:	
Shares allotted	30,874
Cash	23,464
	54,338
Net cash outflow arising on acquisition:	
Cash consideration	23,464
Bank balances and cash acquired	(2,537)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	20,927

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

The JDH Group contributed HK$101,947,000 to the Group's turnover and HK$25,036,000 to the Group's profit before tax between the date of acquisition and 31 March 2005.

35. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2005, the Group disposed of the entire interest in Pacific Glory Limited ("Pacific Glory") and Best Spread Limited ("Best Spread"). Pacific Glory and its subsidiaries and Best Spread were principally engaged in operating restaurants.

The net assets of Pacific Glory and Best Spread at the date of disposal were as follows:

	2005
	HK$'000
Net assets disposed of:	
Property, plant and equipment	(2,109)
Inventories	(285)
Trade debtors	(51)
Other debtors	(54)
Deposits and prepayments	(852)
Bank balances and cash	(2,825)
Trade creditors	972
Other creditors and accrued charges	642
	(4,562)
Gain on disposal	(547)
Total consideration	5,109
Satisfied by:	
Cash	5,000
Deferred consideration (included in other debtors)	109
	5,109
Net cash inflow arising on disposal:	
Cash consideration	5,000
Bank balances and cash disposed of	(2,825)
	2,175

The subsidiaries disposed of during the year ended 31 March 2005 contributed HK$7,759,000 to the Group's turnover and had a loss before tax of HK$69,000 for the year ended 31 March 2005.

36. OPERATING LEASES

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:

	2006	2005
	HK$'000	HK$'000
Within one year	**573**	223
In the second to fifth year inclusive	**132**	161
	705	384

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

37. SHARE BASED PAYMENT TRANSACTIONS

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 *(Continued)*

Equity-settled share option scheme *(Continued)*

At 31 March 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 31,808,000 (2005: 61,799,998), representing 3.8% (2005: 8.7%) 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 *(Continued)*

Equity-settled share option scheme *(Continued)*

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

					Number of share options						
	Option type	Date of grant	Exercisable period	Exercise price	At 1 April 2004	Granted during the year	Lapsed during the year	At 31 March 2005	Exercised during the year	Lapsed during the year	At 31 March 2006
Directors	2003	27.3.2003	28.3.2003 to 27.3.2006	0.267	11,199,998	–	–	11,199,998	(11,192,000)	(7,998)	–
	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	–	9,300,000	(6,000,000)	3,300,000	(1,096,000)	–	2,204,000
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	–	5,800,000	–	5,800,000	(1,496,000)	–	4,304,000
					11,199,998	15,100,000	(6,000,000)	20,299,998	(13,784,000)	(7,998)	6,508,000
Employees	2003	27.3.2003	28.3.2003 to 27.3.2006	0.267	1,600,000	–	–	1,600,000	(1,600,000)	–	–
	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	–	600,000	–	600,000	(300,000)	–	300,000
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	–	300,000	–	300,000	(300,000)	–	–
					1,600,000	900,000	–	2,500,000	(2,200,000)	–	300,000
Consultants, advisors, customers, shareholders and business associate	2004	2.4.2004	22.4.2004 to 21.4.2007	0.363	–	13,000,000	–	13,000,000	(9,000,000)	–	4,000,000
	2005	6.1.2005	21.1.2005 to 20.1.2008	0.370	–	26,000,000	–	26,000,000	(5,000,000)	–	21,000,000
					–	39,000,000	–	39,000,000	(14,000,000)	–	25,000,000
					12,799,998	55,000,000	(6,000,000)	61,799,998	(29,984,000)	(7,998)	31,808,000

The Group has not applied HKFRS 2 to share options granted on or before 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.

37. SHARE BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

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 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 lapse or are 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$0.60.

At the balance sheet date, the Company had outstanding HK$31,808,000 (2005: HK$61,799,998) share options. Exercise in full in such share options would result in the issue of HK$31,808,000 (2005: HK$61,799,998) additional shares.

38. RELATED PARTY TRANSACTIONS

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

	NOTES	**2006** **HK$'000**	2005 HK$'000
Payment of comics script fee and bonus to a shareholder	(a)	**5,484**	5,693
Interest expense on convertible notes paid to directors	(b)	**124**	56
Interest expense on convertible note to a shareholder	(b)	**384**	257

Notes:

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

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) During the year, the Group paid interest on convertible notes to directors and their associates and a shareholder and his associates. The interest is 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 is HK$144,000 (2005: HK$60,000).

(c) The directors of the Company considered they are also the key management of the Group. Details of their remuneration is set out in note 14.

39. POST BALANCE SHEET EVENT

On 10 May 2006, 40,000,000 ordinary shares of HK$0.002 each of the Company held by Super Empire Investments Limited ("Super Empire"), a company wholly owned by the major shareholder of the Company, were placed to independent professional investors at a price of HK$0.73 each and 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. The net proceeds of approximately HK$28.5 million from the placing and subscription agreement were used for further development of multi-media business and general working capital.

Subsequent to the year end, an aggregate principal amount of HK$9,405,866 convertible notes were converted into 18,811,732 ordinary shares of HK$0.002 each at HK$0.5 per share.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AT 31 MARCH 2006

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
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
Jade Dynasty Comics Development Limited (formerly known as "Rich Delight Limited")	Hong Kong	Ordinary	HK$2	100%	Publication of comics books
Rising Dragon Publications Limited	Hong Kong	Ordinary	HK$100	100%	Sale of merchandised goods
Yuk Long Animation Limited (formerly known as "Wide Creation Limited ")	Hong Kong	Ordinary	HK$2	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

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

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

The above tale 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.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(restated)	
Turnover	242,516	235,133	166,465	107,307	**102,214**
(Loss) profit for the year attributable to the equity holders of the Company	(49,088)	(24,347)	13,534	11,043	**13,538**

ASSETS AND LIABILITIES

	At 31 March				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(restated)	
Total assets	122,261	109,755	64,368	210,709	**235,269**
Total liabilities	(129,579)	(122,716)	(9,727)	(94,213)	**(47,106)**
	(7,318)	(12,961)	54,641	116,496	**188,163**
Equity attributable to equity holders of the Company	(7,318)	(22,145)	54,641	116,496	**188,163**
Minority interests	–	9,184	–	–	**–**
	(7,318)	(12,961)	54,641	116,496	**188,163**