Jade Dynasty Group Limited
玉皇朝集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

RESULTS

The board of directors ("the Board") of Jade Dynasty Group Limited ("the Company") announces the unaudited interim results of the Company and its subsidiaries (hereafter "the Group") for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30.9.2006	30.9.2005
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	*2*	**52,889**	53,871
Cost of goods sold		**(28,383)**	(29,087)
Direct operating expenses		**(7,960)**	(7,166)
Gross Profit		**16,546**	17,618
Other operating income		**561**	756
Selling and distribution costs		**(1,639)**	(1,736)
Administrative expenses		**(6,202)**	(6,843)
Profit from operations	*3*	**9,266**	9,795
Finance costs		**(277)**	(1,000)
Profit before income tax		**8,989**	8,795
Income tax expense	*4*	**(1,300)**	(1,402)

Profit for the period from continuing operations		**7,689**	7,393
Discontinued operations			
Loss for the period from discontinued operations		**–**	(89)
Profit for the period		**7,689**	7,304
Attributable to:			
Equity holders of the Company		**7,689**	7,304
Minority interests		**–**	–
		7,689	7,304
Dividend	*5*	**1,862**	1,582
Earnings per share	*6*		
From continuing and discontinued operations:			
Basic		**0.8 cent**	1.0 cent
Diluted		**0.8 cent**	0.9 cent
From continuing operations:			
Basic		**0.8 cent**	1.0 cent
Diluted		**0.8 cent**	0.9 cent

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	NOTES	**30.9.2006** ***HK$'000*** **(unaudited)**	31.3.2006 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**7,713**	6,790
Prepaid lease payments		**8,445**	8,532
Intangible assets		**1,488**	1,858
Goodwill		**124,539**	124,539
Deferred tax assets		**2,791**	3,092
		144,976	144,811

Current assets			
Inventories		**55,345**	43,704
Trade debtors	*7*	**30,183**	27,710
Other debtors		**178**	233
Prepaid lease payments		**174**	174
Deposits and prepayments		**13,816**	11,793
Tax recoverable		**817**	413
Pledged bank deposits		**4,188**	4,113
Bank balances and cash		**13,312**	2,318
		118,013	90,458
Current liabilities			
Trade creditors	*8*	**9,265**	7,878
Other creditors and accrued charges		**4,896**	8,760
Tax payable		**1,633**	633
Short-term bank loans (secured)		**857**	14,610
		16,651	31,881
Net current assets		**101,362**	58,577
		246,338	203,388
Capital and reserves			
Share capital		**1,856**	1,689
Reserves		**238,883**	186,474
		240,739	188,163
Non-current liability			
Convertible notes		**5,599**	15,225
		246,338	203,388

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In the current period, the group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2006. The application of these new HKFRSs has no material effect on the results for the current and prior accounting periods.

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

2. SEGMENT INFORMATION

Business segments

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

Principal activities are as follows:

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

For the six months ended 30 September 2006

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

For the six months ended 30 September 2005

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

Geographical segments

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

3. PROFIT FROM OPERATIONS

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

4. INCOME TAX EXPENSE

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

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

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

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

5. DIVIDEND

	Six months ended	
	30.9.2006	30.9.2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited and restated)
Interim dividend to existing shareholders	**1,856**	1,428
Interim dividend to convertible notes holders	**–**	142
Interim dividend to share options holders	**6**	12
Interim dividend of HK0.2 cents (2005: HK0.2 cents) per ordinary share	**1,862**	1,582

6. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

From continuing operations

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

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

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

From discontinued operations

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

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

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

7. TRADE DEBTORS

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

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

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

8. TRADE CREDITORS

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

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

9. EVENTS AFTER THE BALANCE SHEET DATE

(1) On 1 November 2006, a wholly-owned subsidiary of the Company, Jade Dynasty Multi-Media Limited ("JDMML"), entered into an agreement with an independent third party for the acquisition of 51% issued share capital of Dragon Animation Limited ("DAL") with a consideration of HK$2,550,000. JDMML has the option to purchase the remaining 49% of DAL within a specified period in accordance with the relevant terms of agreement.

(2) Subsequent to the period end, an aggregate amount of HK$1,110,000 share options were exercised into 3,000,000 ordinary shares of HK$0.002 each at HK$0.37 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

The Group's restaurant operations had permanently ceased in April 2005 and therefore, no revenue nor expenses were recorded for the six months ended 30 September 2006. The revenue and loss for the corresponding period of last year were approximately HK$669,000 and HK$89,000, respectively.

Interim Dividend

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

Closure of Register of Member

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

Operational Review

Comics Publication

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

Multimedia Development

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

Prospects

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

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

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

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

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

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

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

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

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

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

Numbers and Remuneration of Employees

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

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

Liquidity and Financial Resources

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

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

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

Capital Structure

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

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

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

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

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

Exposure to Foreign Exchange

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

Charges on Assets

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

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

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

CORPORATE GOVERNANCE

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

Compliance with the "Code on Corporate Governance Practices"

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

Compliance with the "Model Code"

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

Audit Committee

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

Remuneration Committee

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

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

Publication of Detailed Results Announcement on the Stock Exchange's Website

The information as required by Appendix of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Tong Kai Lap
Chairman

Hong Kong, 20 December 2006

As at the date of this announcement, the Company has five executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors are Mr. Tong Kai Lap, Mr. Wan Siu Lun, Mr. Wong Chun Keung, Mr. Ko Chi Keung and Mr. Kwong Chi Tak. The non-executive Director is Mr. Zheng Hao Jiang. The independent non-executive Directors are Mr. Ho Yiu Ming, Mr. Kwong Chi Keung and Mr. Ma Fung Kwok.

* *for identification purposes only*

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