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 2005

RESULTS

The board of directors (the "Directors") of Jade Dynasty Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005 (the "Period") together with comparative figures for the corresponding period in 2004. The unaudited financial statements have been reviewed by both the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30.9.2005	30.9.2004
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited and restated)
Continuing operations			
Turnover	*4*	**53,871**	55,035
Cost of goods sold		**(29,087)**	(31,332)
Direct operating expenses		**(7,166)**	(6,918)
		17,618	16,785
Other operating income		**756**	1,278
Selling and distribution costs		**(1,736)**	(2,245)
Administrative expenses		**(6,843)**	(8,918)
Finance costs		**(1,000)**	(526)

* *for identification purposes only*

Profit before tax		**8,795**	6,374
Income tax expense	*6*	**(1,402)**	(1,239)
Profit for the period from continuing operations		**7,393**	5,135
Discontinued operations			
Loss for the period from discontinued operations		**(89)**	(498)
Gain on disposal of subsidiaries		**–**	1,361
Profit for the period		**7,304**	5,998
Attributable to:			
Equity holders of the parent		**7,304**	2,335
Minority interests		**–**	3,663
		7,304	5,998
Dividend	*7*	**1,570**	–
Earnings per share	*8*		
From continuing and discontinued operations:			
Basic		**1.0 cent**	0.3 cent
Diluted		**0.9 cent**	0.3 cent
From continuing operations:			
Basic		**1.0 cent**	0.2 cent
Diluted		**0.9 cent**	0.2 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Non-current assets		
Property, plant and equipment	**15,813**	16,248
Intangible assets	**2,228**	2,598
Club membership	**100**	100
Goodwill	**124,539**	124,539
Deferred tax assets	**2,970**	3,322
	145,650	146,807

Current assets		
Inventories	**33,867**	21,384
Trade debtors	**22,764**	21,643
Other debtors	**–**	879
Deposits and prepayments	**11,828**	11,770
Tax recoverable	**104**	104
Pledged bank deposits	**4,050**	4,003
Bank balances and cash	**3,863**	4,119
	76,476	63,902
Current liabilities		
Trade creditors	**9,370**	8,521
Other creditors and accrued charges	**8,138**	11,177
Tax payable	**1,988**	938
Short-term bank loans (secured)	**13,618**	8,485
	33,114	29,121
Net current assets	**43,362**	34,781
	189,012	181,588
Capital and reserves		
Share capital	**1,428**	1,428
Reserves	**122,448**	115,068
	123,876	116,496
Non-current liability		
Convertible notes	**65,136**	65,092
	189,012	181,588

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Financial instruments

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

Convertible notes

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

Share-based Payments

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

Owner-occupied Leasehold Interest in Land

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

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:

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

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

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

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

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Increase in finance costs	**44**	–

4. SEGMENT INFORMATION

Business segments

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

Principal activities are as follows:

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

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)**
Turnover	**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 tax					**8,706**
Income tax expense					**(1,402)**
Profit for the period					**7,304**

For the six months ended 30 September 2004

	Continuing operations			Discontinued operations	
	Comics publication *HK$'000*	Multimedia development *HK$'000*	Total *HK$'000*	Restaurant operations *HK$'000*	Consolidated *HK$'000* (unaudited)
Turnover	52,285	2,750	55,035	9,021	64,056

Segment profit (loss)	8,760	1,318	10,078	(498)	9,580
Gain on disposal of subsidiaries				1,361	1,361
Unallocated corporate expenses					(3,178)
Finance costs					(526)
Profit before tax					7,237
Income tax expense					(1,239)
Profit for the period					5,998

5. DEPRECIATION AND AMORTISATION

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

6. INCOME TAX EXPENSE

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations:		
Provision for Hong Kong Profits Tax	**1,050**	1,239
Deferred tax charge	**352**	–
Income tax expense relating to continuing operations	**1,402**	1,239

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

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

7. INTERIM DIVIDEND

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

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

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

From continuing operations

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

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings for the period attributable to equity holders of the parent	**7,304**	2,335
Less: (Loss) earnings for the period from discontinued operations	**(89)**	863

Earnings for the purpose of basic earnings per share from continuing operations	**7,393**	1,472
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	**584**	–
Earnings for the purposes of diluted earnings per share from continuing operations	**7,977**	1,472

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

From discontinued operations

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

Operational Review

Comics Publication

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

Multimedia Development

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

Catering Business

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

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 September 2005, the Group had 223 permanent employees and 5 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK$19.2 million for the period. All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

There has been no change to the share option scheme adopted by the Company on 7 October 2002. A total of 61.8 million share options have been granted to certain directors, employees, consultants, advisors, customers, shareholders and business associates as at 30 September 2005.

LIQUIDTY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

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

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

CHARGES ON ASSETS

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

PROSPECTS

The Group redefined its business focus by the disposals of the Group's catering business in last financial year and our financial performance has greatly improved with a focused mission and vision, that is, to be the leader in the Chinese community's comics and animations industry. Therein, we strived our best to maintain our leading position in Hong Kong and open up the enormous PRC market. To start with, as mentioned in "Operational Review" Section, our Group has formed a strategic alliance with the sole nationwide television station China Central Television ("CCTV") to co-produce an animated TV series named "Shen Bing Kids" (previously titled "The Invincible Amour") which is still subject to further regulatory reviews, procedures and approval by the State Administration of Radio Film and Television ("SARFT") and CCTV. The SARFT indicated in Article 20 of "Comments on Developing Country's Film, Television and Animations Industry" dated 20 April 2004 that "Co-produced Animations have to fulfill Six Criteria including Chinese Characteristics, Chinese Stories, Chinese Images, Chinese Style, Chinese Manners and Chinese Spirit to be deemed as good

co-produced animations, which enjoys same treatment as domestic animations." To report encouragingly, "Shen Bing Kids" can comply with these Six Criteria. Assuming such reviews, procedures and approvals being obtained in due course coupled with the co-production processes as scheduled, we envisage the first 26 episodes of "Shen Bing Kids" may be launched in the second quarter of 2006 and made available to the population of about 1.3 billion including around 370 million children in the PRC. Such pilot co-production project allows our Group to penetrate into the huge animations market in the PRC and enables us to deliver our shareholders with promising returns with the proven successful track record of marketing campaigns launched by or with CCTV. Based on the Analysis and Investment Consulting of Animation Industry in PRC, about 268,000 minutes were in demand in the animations & comics market in the PRC in 2004. However, the total production volume of animations was only 29,000 minutes in 2004, and in other words 230,000 more minutes were undersupplied to meet with the huge demand. The undersupply in the domestic animations will prevail in the next few years. At the same time, we look forward to signing the "Joint Investment Production Agreement of Animated TV Series" with CCTV as soon as practicable after a Letter of Intent on Co-operation was executed in July 2005.

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

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.
D.1.2	The Company should formalise the functions reserved to the Board and those delegated to management.	Such functions have been formalised and set out in writing which was approved by the Board on 24 June 2005.
D.2.1	Where Board Committees are established, the Board should prescribe sufficiently clear terms of reference to enable such Committees to discharge their function properly.	Remuneration Committee of the Company was established with written terms of reference approved by the Board on 24 June 2005.

Compliance with the " Model Code"

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

Audit Committee

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

Remuneration Committee

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 January 2006 to 11 January 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch Share Registrar, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3 January 2006, the address of Secretaries Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) no later than 4:00 p.m. on 8 January 2006.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information of the Group's results for the Period as required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Tong Kai Lap
Chairman

Hong Kong, 20 December 2005

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

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