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Jade Dynasty Group Limited
玉皇朝集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 970)

CONTINUING CONNECTED TRANSACTION: SERVICE AGREEMENT WITH MR. WONG

On 29 June 2006, the Company entered into the Service Agreement with Mr. Wong for a term commenced from 1 April 2006 and ending on 31 March 2007 for the provision of his service as a comic and animated cartoon creative writer. Under the Service Agreement, subject to a Cap of HK$6,500,000, 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 ending 31 March 2007.

Mr. Wong is the sole shareholder and is, therefore, an associate (within the meaning of the Listing Rules) of Super Empire Investments Limited, a substantial shareholder of the Company. Accordingly, Mr. Wong is a connected person (with the meaning of the Listing Rules) of the Company.

The Service Agreement constitutes a continuing connected transaction for the Company and is only subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements. Appropriate disclosure of the Service Agreement will be made in the Company's published annual report and accounts for the year ending 31 March 2007.

* *for identification purpose only*

Reference is made to the announcement of Jade Dynasty Group Limited ("**Company**", together with its subsidiaries, the "**Group**") dated 1 March 2004 ("**Announcement**"). As disclosed in the Announcement, after completion of the acquisition of 51% interest in Jade Dynasty Holdings Limited, the service agreement ("**Previous Agreement**") between Mr. Wong Chun Long ("**Mr. Wong**") and Jade Dynasty Publications Limited, a subsidiary of the Company, for the provision of his services as a comic and animated cartoon creative writer for a period of three years ended on 31 March 2006 constituted a continuing connected transaction of the Company under the Listing Rules.

The board of directors ("**Directors**") of the Company announced that on 29 June 2006, the Company entered into a new service agreement ("**Service Agreement**") with Mr. Wong, detailed terms of which are set out below:

THE SERVICE

Pursuant to the Service Agreement, the Company has appointed Mr. Wong, for a term commenced from 1 April 2006 and ending on 31 March 2007. The duties and responsibilities of Mr. Wong shall include ("**Services**"):

– to act as a creative writer for the weekly, bi-weekly of any other comic titles of the Group;

– to design the characters and story of the animated cartoon of the Group;

– to provide creative idea for the comic and animated cartoon related products of the Group; and

– to assist the promotion of the Group's products to the public.

SERVICE FEE

Pursuant to the Service Agreement, Mr. Wong is principally 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 ending 31 March 2007. However, the total emoluments paid to Mr. Wong under the Service Agreement and in relation to the Services for the year ending 31 March 2007 shall be subject to the cap of HK$6,500,000 ("**Cap**").

Either the Company or Mr. Wong may require the remuneration package under the Service Agreement to be reviewed following the broadcasting by China Central Television ("**CCTV**") of the animated TV series titled "Shen Bing Kids" co-adapted and co-produced with CCTV in the People's Republic of China having regard to the revenue contributions to the Group after such broadcasting. The Group believes that favourable response of broadcasting may cause substantial revenue from the sale of derivative products to be generated but the result is dependent on the market reaction to the "Shen Bing Kids" animation. Any such review of the remuneration package shall be subject to compliance with the Listing Rules.

For the two years 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 pursuant to the Previous Agreement amounted to HK$5,693,000 (comprising basic salary of HK$4,293,000 and a bonus of HK$1,400,000) and HK$5,484,000 (comprising basic salary of HK$4,584,000 and a bonus of HK$900,000).

After the expiry of the term under the Previous Agreement, for the two months ended 31 May 2006, the total emoluments paid by the Group to Mr. Wong for his services amounted to HK$784,000 (which is equal to the rate of HK$392,000 per month).

BASIS OF THE SERVICE FEE AND REASONS FOR THE SERVICE AGREEMENT

The terms of the Service Agreement were determined after arm's length negotiations between the Group and Mr. Wong and the service fee payable to Mr. Wong is determined with reference to the duties and responsibilities of Mr. Wong.

The Cap was determined between the Company and Mr. Wong after taking into account the historical figures for the bonus paid to Mr. Wong under the Previous Agreement and the likely growth of the Group's business for the year ending 31 March 2007.

The Group is principally engaged in the publication of comics books and multimedia development.

Mr. Wong is a renowned writer of comic and animated cartoon in Hong Kong and has over 40 years of experience in the industry and is considered as a legendary figure in Hong Kong comics industry. As such, the Directors (including the independent non-executive Directors) are of the view that the terms of the Service Agreement (including the Annual Cap) are normal commercial terms and is in the ordinary and usual course of business and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTION

Mr. Wong is the sole shareholder and is, therefore, an associate (within the meaning of the Listing Rules) of Super Empire Investments Limited, a substantial shareholder of the Company. Accordingly, Mr. Wong is a connected person (with the meaning of the Listing Rules) of the Company.

The Service Agreement constitutes a continuing connected transaction for the Company and is only subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and is exempt from the independent shareholders' approval requirements. Appropriate disclosure of the Service Agreement will be made in the Company's published annual report and accounts for the year ending 31 March 2007.

Jade Dynasty Group Limited
Ko Chi Keung
Chief Executive Officer and Director

Hong Kong, 19 July 2006

As at the date of this announcement, the executive Directors are Mr. Tong Kai Lap (Chairman), Mr. Wan Siu Lun (Deputy Chairman), Mr. Wong Chun Keung (Deputy Chairman), Mr. Ko Chi Keung and Mr. Kwong Chi Tak. The non-executive Director is Mr. Zhang Lichen and the independent non-executive Directors are Mr. Ho Yiu Ming, Mr. Kwong Chi Keung and Mr. Ma Fung Kwok.

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