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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)**

## PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES RESUMPTION OF TRADING

**Placing Agent**

UOBKayHian

**UOB KAY HIAN (HONG KONG) LIMITED**

Under the Placing Agreement dated 29 May 2007, the Vendor has appointed the Placing Agent as placing agent to unconditionally place, on a best effort basis, up to 100,000,000 existing Shares held by it to more than six placees at HK$0.76 per Placing Share during the period commencing from 29 May 2007 to 30 May 2007. Pursuant to the Placing Agreement, the Placing Agent has procured more than six investors to purchase an aggregate of 100,000,000 existing Shares at HK$0.76 per Placing Share. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all these placees and their ultimate beneficial owners are independent of the Company and are not connected persons of the Company.

* *For identification purpose only*

Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for such number of Subscription Shares as is equivalent to the Placing Shares actually placed by the Placing Agent under the Placing, up to the maximum of 100,000,000 Subscription Shares at HK$0.76 per Subscription Share. The Subscription is subject to various conditions set out below under the heading "Conditions of the Subscription".

Both the price per Placing Share and the price per Subscription Share are identical, and represent:

(i) a discount of approximately 9.5% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange at 2:30 p.m. on the Last Trading Day;

(ii) a premium of approximately 6.4% over the average closing price of approximately HK$0.714 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the Last Trading Day;

(iii) a discount of approximately 6.2% to the average closing price of approximately HK$0.810 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the Last Trading Day;

(iv) a premium of approximately 280.0% over the audited net asset value per Share of approximately HK$0.200 based on the audited consolidated financial statements of the Group as at 31 March 2006 with net assets of HK$188,163,000 (based on 940,394,450 Shares in issue as at the date of this announcement); and

(v) a premium of approximately 196.9% over the unaudited consolidated net asset value per Share of approximately HK$0.256 based on the unaudited consolidated financial statements of the Group as at 30 September 2006 with net assets of HK$240,739,000 (based on 940,394,450 Shares in issue as at the date of this announcement).

The Directors consider that the price per Placing Share and the price per Subscription Share are fair and reasonable so far as the Company and its Shareholders are concerned.

The Placing Shares represent approximately 10.63% of the existing issued share capital of the Company and approximately 9.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Placing will reduce the aggregate shareholding of the Vendor, its associates and parties acting in concert with them from approximately 35.26% to approximately 24.62% of the existing issued share capital of the Company.

On the basis that 100,000,000 Placing Shares have been placed and that the Vendor will subscribe for 100,000,000 Subscription Shares under the Subscription, the shareholding of the Vendor and parties acting in concert with it will then be increased to approximately 31.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 23 August 2006.

The net proceeds from the Subscription will amount to approximately HK$73.4 million. The Company intends to use the proceeds as to approximately HK$65 million for further development in the animation production business and as to approximately HK$8.4 million for general working capital of the Group.

Trading in the Shares was suspended at 2:30 p.m. on 29 May 2007 at the request of the Company pending this announcement and application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 1 June 2007.

## 1. PLACING AGREEMENT DATED 29 MAY 2007 BETWEEN THE VENDOR AND THE PLACING AGENT

**Vendor:**

Super Empire Investments Limited, a company incorporated in the British Virgin Islands with limited liability, being a substantial Shareholder which, immediately prior to the signing of the Placing Agreement, held together with its concert parties an aggregate of 331,570,566 Shares, representing approximately 35.26% of the existing issued share capital of the Company. The Vendor is controlled by Mr. Wong Chun Loong, the chief creative officer of the Group.

**Number of Placing Shares:**

Under the Placing Agreement, the Placing Agent has been appointed by the Vendor as placing agent to procure on a best effort basis placees for up to 100,000,000 Shares owned by the Vendor during the period from 29 May 2007 to 30 May 2007. Pursuant to the Placing Agreement, the Placing Agent has procured more than 6 investors to purchase an aggregate of 100,000,000 existing Shares, representing approximately 10.63% of the existing issued share capital of 940,394,450 Shares as at the date of this announcement or approximately 9.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription at HK$0.76 per Placing Share.

**Placees:**

More than six placees have been procured by the Placing Agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) all these placees and their ultimate beneficial owners are independent of the Company and are not connected persons of the Company and (ii) none of these placees are acting in concert with the Vendor, its concert parties, any substantial Shareholders of the Company or any of the HY Vendors. These placees are corporate and institutional investors.

**Placing price:**

HK$0.76 per Placing Share.

This price was agreed after arm's length negotiations and represents:

(i) a discount of approximately 9.5% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange at 2:30 p.m. on the Last Trading Day;

(ii) a premium of approximately 6.4% over the average closing price of approximately HK$0.714 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the Last Trading Day;

(iii) a discount of approximately 6.2% to the average closing price of approximately HK$0.810 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the Last Trading Day;

(iv) a premium of approximately 280.0% over the audited net asset value per Share of approximately HK$0.200 based on the audited consolidated financial statements of the Group as at 31 March 2006 with net assets of HK$188,163,000 (based on 940,394,450 Shares in issue as at the date of this announcement); and

(v) a premium of approximately 196.9% over the unaudited consolidated net asset value per Share of approximately HK$0.256 based on the unaudited consolidated financial statements of the Group as at 30 September 2006 with net assets of HK$240,739,000 (based on 940,394,450 Shares in issue as at the date of this announcement).

The Directors consider that the price per Placing Share and the price per Subscription Share are fair and reasonable so far as the Company and its Shareholders are concerned.

**Placing Agent:**

UOB Kay Hian (Hong Kong) Limited.

**Independence of placees and placing agent:**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all the placees procured by the Placing Agent and their ultimate beneficial owners are, as well as the Placing Agent and its ultimate parent company (i) are, independent of the Company and are not connected persons of the Company and (ii) are not acting (or presumed to be acting) in concert with the Vendor, its concert parties, any substantial Shareholders of the Company, any of the HY Vendors or the holders of outstanding share options granted by the Company under its share option scheme.

To the best knowledge of the Directors, none of the placees will become substantial Shareholders immediately following the Placing. Further announcement will be made by the Company in the event that any of the placees will become a substantial Shareholder as a result of the Placing.

The Placing Agent will charge a placing commission of 2.5% of the aggregate Placing Price multiplied by the number of Placing Shares actually placed.

**Completion of the Placing:**

The Placing is unconditional and will take place on the date falling two business days from the date of such sale procured by the Placing Agent, which is expected to be on 1 June 2007.

**Rights of the Placing Shares**

The Placing Shares will be sold by the Vendor free from all options, liens, charges and encumbrances and together with all rights attaching thereto at the date of completion of the Placing.

## 2. THE SUBSCRIPTION AGREEMENT DATED 29 MAY 2007

**Subscriber:**

The Vendor

**Number of Subscription Shares:**

Under the Subscription Agreement, the Company has conditionally agreed to allot and issue and the Vendor has conditionally agreed to subscribe for such number of new Shares as is equivalent to the aggregate number of Placing Shares sold to the placees under the Placing up to a maximum number of 100,000,000 new Shares. The 100,000,000 Subscription Shares represent approximately 10.63% of the existing issued share capital of the Company as at the date of this announcement or approximately 9.61% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

**Subscription price:**

HK$0.76 per Subscription Share, which is the equivalent of the price per Placing Share.

**Mandate to allot and issue new Shares:**

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of its Shareholders passed at the annual general meeting of the Company held on 23 August 2006. The Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription. The available amount of such mandate as at the date of this announcement is 185,472,223 new Shares.

**Ranking:**

The Subscription Shares will rank pari passu among themselves and with all other Shares in issue as at the date of completion of the Subscription under the Subscription Agreement.

**Conditions of the Subscription:**

The Subscription is conditional upon, among other conditions:

(i) the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal in, the Subscription Shares;

(ii) completion of the Placing pursuant to the Placing Agreement;

(iii) (if so required) the Executive granting a waiver to the Vendor to the effect that neither of the Vendor nor any party acting in concert with them will be obliged to make a general offer for the Shares under Rule 26.1 of the Takeovers Code as a result of the Subscription pursuant to the Subscription Agreement; and

(iv) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares.

None of the above conditions can be waived by the parties to the Subscription Agreement.

**Completion of the Subscription:**

The completion of the Subscription will take place on the business day next following the day on which all the conditions referred to above are fulfilled, which is expected to be on or before 12 June 2007, being 14 days after the date of the Placing Agreement and the Subscription Agreement.

If the conditions are not fulfilled by 12 June 2007, the Subscription will lapse. If the date of completion of the Subscription is to be extended by the parties of the Subscription Agreement by mutual agreement beyond 12 June 2007, the Subscription will constitute a connected transaction under the Listing Rules which will require the approval of the independent Shareholders and the Company will take steps to ensure compliance with the Listing Rules. Further announcement will be made as and when appropriate.

**Changes to the shareholding as a result of the Placing and the Subscription:**

On the basis that 100,000,000 Placing Shares will be placed and that the Vendor will subscribe for 100,000,000 Subscription Shares, the shareholding interests of the Company as at the date of the Placing Agreement and the Subscription Agreement, immediately after completion of the Placing but before completion of the Subscription and immediately after completion of the Placing and the Subscription are as follows:

| | **As at the date of the Placing Agreement and the Subscription Agreement** | | **After the Placing but before the Subscription** | | **After the Placing and the Subscription** | |
|---|---|---|---|---|---|---|
| | *No. of Shares* | *%* | *No. of Shares* | *%* | *No. of Shares* | *%* |
| **The Vendor and Concert Parties** | | | | | | |
| The Vendor[1] | 323,435,100 | 34.393 | 223,435,100 | 23.760 | 323,435,100 | 31.088 |
| Mr. Wong Chun Keung[2] | 4,264,000 | 0.453 | 4,264,000 | 0.453 | 4,264,000 | 0.410 |
| Ms. Wong Miu Ling[3] | 2,551,466 | 0.271 | 2,551,466 | 0.271 | 2,551,466 | 0.245 |
| Ms. Wong Miu Chun[3] | 1,320,000 | 0.140 | 1,320,000 | 0.140 | 1,320,000 | 0.127 |
| **Sub-total:** | 331,570,566 | 35.257 | 231,570,566 | 24.624 | 331,570,566 | 31.870 |
| **Directors[4]** | | | | | | |
| Mr. Tong Kai Lap[5] | 15,034,400 | 1.599 | 15,034,400 | 1.599 | 15,034,400 | 1.445 |
| Mr. Wan Siu Lun | 504,000 | 0.054 | 504,000 | 0.054 | 504,000 | 0.048 |
| Mr. Ko Chi Keung | 580,000 | 0.062 | 580,000 | 0.062 | 580,000 | 0.056 |
| Mr. Kwong Chi Tak | 1,122,666 | 0.119 | 1,122,666 | 0.119 | 1,122,666 | 0.108 |
| **Sub-total** | 17,241,066 | 1.834 | 17,241,066 | 1.834 | 17,241,066 | 1.657 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Public Shareholders** | | | | | | |
| Placees | | | | | | |
| Galaxy China Opportunities Fund[6] | 51,432,000 | 5.470 | 71,432,000 | 7.596 | 71,432,000 | 6.866 |
| Other Placees | – | – | 80,000,000 | 8.507 | 80,000,000 | 7.689 |
| Other public Shareholders | 540,150,818 | 57.439 | 540,150,818 | 57.439 | 540,150,818 | 51.918 |
| **Sub-total:** | 591,582,818 | 62.909 | 691,582,818 | 73.542 | 691,582,818 | 66.473 |
| **In aggregate** | 940,394,450 | 100 | 940,394,450 | 100 | 1,040,394,450 | 100 |

*Notes:*

1. The Vendor, Super Empire Investment Limited, is a company held as to 100% by Mr. Wong Chun Loong.

2. Mr. Wong Chun Keung is the brother of Mr. Wong Chun Loong and is accordingly deemed a concert party of the Vendor. Mr. Wong Chun Keung is also a director of the Company.

3. Ms. Wong Miu Ling and Ms. Wong Miu Chun are sisters of Mr. Wong Chun Loong and are accordingly deemed concert parties of the Vendor.

4. To avoid double counting, the Shares held by Mr. Wong Chun Keung are not included.

5. Of these 15,034,400 Shares, (i) 10,274,400 Shares are held by Rapid Alert International Limited, a company held as to 100% by a discretionary trust of which Mr. Tong Kai Lap is the founder, and (ii) 4,760,000 Shares are beneficially held by Mr. Tong Kai Lap.

6. Galaxy China Opportunities Fund, an existing Shareholder, is one of the placees which has agreed to purchase 20,000,000 Placing Shares.

Further changes to the shareholding interests of the Company after completion of the Placing and the Subscription as a result of (i) the exercise of the conversion rights pursuant to the outstanding convertible notes issued by the Company in October 2004; (ii) the exercise of any share options which have been granted by the Company under its share option scheme and outstanding as at the date of this announcement; and (iii) the issue of new shares by the Company to Taiwan Hongying as consideration for the Acquisition of 51% interest in certain animation business as announced by the Company on 25 May 2007 (collectively "**Dilutive Events**") are shown below:

| | **After the Placing and the Subscription** | | **After occurrence and completion of all the Dilutive Events** | |
|---|---|---|---|---|
| | *No. of Shares* | *%* | *No. of Shares* | *%* |
| **The Vendor and Concert Parties** | | | | |
| The Vendor | 323,435,100 | 31.088 | 323,435,100 | 29.745 |
| Mr. Wong Chun Keung[1] | 4,264,000 | 0.410 | 5,464,000 | 0.502 |
| Ms. Wong Miu Ling | 2,551,466 | 0.245 | 2,551,466 | 0.235 |
| Ms. Wong Miu Chun | 1,320,000 | 0.127 | 1,320,000 | 0.121 |
| **Sub-total:** | 331,570,566 | 31.870 | 332,770,566 | 30.603 |
| **Directors** | | | | |
| Mr. Tong Kai Lap[2] | 15,034,400 | 1.445 | 15,038,400 | 1.383 |
| Mr. Wan Siu Lun | 504,000 | 0.048 | 504,000 | 0.046 |
| Mr. Ko Chi Keung[3] | 580,000 | 0.056 | 1,580,000 | 0.145 |
| Mr. Kwong Chi Tak[4] | 1,122,666 | 0.108 | 2,030,666 | 0.187 |
| **Sub-total** | 17,241,066 | 1.657 | 19,153,066 | 1.761 |
| Taiwan Hongying | – | – | 40,800,000 | 3.752 |

| | | | | |
|---|---|---|---|---|
| **Public Shareholders** | | | | |
| Placees | | | | |
| Galaxy China Opportunities Fund | 71,432,000 | 6.866 | 71,432,000 | 6.569 |
| Other Placees | 80,000,000 | 7.689 | 80,000,000 | 7.358 |
| Holder of convertible note | – | – | 3,054,400 | 0.281 |
| Other public Shareholders[5] | 540,150,818 | 51.918 | 540,154,818 | 49.676 |
| **Sub-total:** | 691,582,818 | 66.473 | 694,641,218 | 63.884 |
| **In aggregate** | 1,040,394,450 | 100 | 1,087,364,850 | 100 |

*Notes:*

1. Mr. Wong Chun Keung holds share options carrying the rights to acquire a total of 1,200,000 new Shares.

2. Mr. Tong Kai Lap holds share options carrying the rights to acquire a total of 4,000 new Shares.

3. Mr. Ko Chi Keung holds share options carrying the rights to acquire a total of 1,000,000 new Shares.

4. Mr. Kwong Chi Tak holds share options carrying the rights to acquire a total of 908,000 new Shares.

5. A staff of the Group holds share options carrying the rights to acquire a total of 4,000 new Shares. He is accounted for a public shareholder if his share option is exercised.

## Reasons for the Placing and Subscription and use of proceeds:

In view of the current market condition, the Directors consider that the Placing and Subscription represent an ideal opportunity for the Company to raise additional capital for its future business developments, to enhance its capital base, and to increase its shareholders' base. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and they are in the best interests of the Company and the Shareholders as a whole.

The net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company, under the Subscription are estimated to be approximately HK$73.4 million. The net price to the Company of each Subscription Share, which is calculated by dividing the aggregate net proceeds by the total number of the Subscription Shares, is approximately HK$0.734. The Company intends to use the proceeds as to approximately HK$65 million for further development in the animation production business and as to approximately HK$8.4 million for general working capital of the Group.

## GENERAL INFORMATION

The Group is principally engaged in the comics publication and multimedia development, including production of animation.

The Group has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

## APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WAIVER

On the basis that 100,000,000 Placing Shares have been placed, the aggregate shareholdings of the Vendor, its associates and parties acting in concert with them will decrease from approximately 35.26% to approximately 24.62% immediately after the Placing and will increase back to approximately 31.87% immediately after the Subscription. Such change in shareholding will trigger an obligation to make a general offer pursuant to Rule 26.1 of the Takeovers Code.

An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription.

## SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended at 2:30 p.m. on 29 May 2007 at the request of the Company pending this announcement and application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 1 June 2007.

## DEFINITIONS

The following defined terms are used in this announcement:

| | |
|---|---|
| "Acquisition" | the proposed acquisitions by the Group of certain animation business under the Framework Agreement dated 15 May 2007 (as supplemented) entered into by Jade Dynasty Multi-media Limited (a wholly owned subsidiary of the Company) and the HY Vendors, details of which were disclosed in the Company's press announcement dated 25 May 2007. |
| "associates" | has the meaning ascribed thereto in the Listing Rules. |
| "Board" | the board of Directors. |
| "Company" | Jade Dynasty Group Limited, the shares of which are listed on the main board of the Stock Exchange. |
| "connected person(s)" | has the meaning ascribed thereto in the Listing Rules. |
| "Director(s)" | the director(s) of the Company. |
| "Executive" | the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director |

| | |
|---|---|
| "HY Vendors" | collectively, Mr. Hsieh Tai-chun (謝台春) and Taiwan Hongying, being the vendors under the Acquisition. |
| "Group" | the Company and its subsidiaries. |
| "Last Trading Day" | 29 May 2007, being the last trading day on which Shares were traded on the Stock Exchange immediately preceding the date of this announcement. |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange. |
| "Listing Committee" | the listing committee of the Stock Exchange. |
| "Placing" | the placing of the Placing Shares pursuant to the terms of the Placing Agreement. |
| "Placing Agent" | UOB Kay Hian (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). |
| "Placing Agreement" | the placing letter agreement dated 29 May 2007 and entered into between the Vendor and the Placing Agent. |
| "Placing Shares" | 100,000,000 existing Shares, being the aggregated number of Shares placed by the Placing Agent under the Placing. |
| "Subscription Agreement" | the subscription agreement dated 29 May 2007 and entered into between the Company and the Vendor. |
| "Share(s)" | ordinary share(s) of HK$0.002 each in the share capital of the Company. |
| "Shareholder(s)" | holder(s) of Shares. |

| | |
|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited. |
| "Subscription" | the subscription of the Subscription Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement. |
| "Subscription Shares" | new Shares to be subscribed for by the Vendor in such number as shall be equivalent to the number of the Placing Shares placed by the Placing Agent under the Placing Agreement, that is, 100,000,000 new Shares. |
| "Taiwan Hongying" | 鴻鷹世界股份有限公司 (Hong Ying Universe Company Limited), a company established in Taiwan with limited liability, being one of the vendors under the Acquisition. |
| "Takeovers Code" | The Codes on Takeovers and Mergers and Share Repurchases. |
| "Vendor" | Super Empire Investments Limited, a company incorporated in the British Virgin Islands, being a substantial Shareholder |

By order of the Board of
**Jade Dynasty Group Limited**
**Ko Chi Keung**
*Chief Executive Officer and Director*

Hong Kong, 31 May 2007

*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 and the independent non-executive directors are Mr. Ho Yiu Ming, Mr. Kwong Chi Keung and Mr. Ma Fung Kwok.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

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