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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)**

# CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING 49% INTEREST IN NON WHOLLY–OWNED SUBSIDIARIES

**Financial adviser to the Company**

AmCap
*Ample Capital Limited*
*豐盛融資有限公司*

The Board is pleased to announce that on 22 July 2008, JD Multi-media (a wholly-owned subsidiary of the Company) entered into the SP Agreement with the Vendor, Mr. Cheng and Dragon Animation Holdings. Pursuant to the SP Agreement, JD Multi-media has agreed to purchase, and the Vendor has agreed to sell, the remaining 49% interest in each of Dragon Animation Holdings and Dragon Animation at an aggregate cash consideration of HK$4,900,000. The Vendor is a connected person of the Company by virtue of it being a substantial shareholder of non wholly-owned subsidiaries of the Company.

As the relevant percentage ratios for the Acquisition are less than 2.5%, the Acquisition is a connected transaction subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32(1) of the Listing Rules. As the relevant percentage ratios for the Cancellation of Call Option are less than 0.1%, the Cancellation of Call Option is a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules.

* *for identification purpose only*

## THE SP AGREEMENT

### Date

22 July 2008

### Parties

(a) Upbig as the Vendor;

(b) JD Multi-media (an indirect wholly-owned subsidiary of the Company) as the purchaser;

(c) Mr. Cheng as the Vendor's guarantor who shall guarantee the performance and observance of the obligations of the Vendor under the SP Agreement; and

(d) Dragon Animation Holdings.

Upbig is a connected person of the Company by virtue of it being a substantial shareholder of non wholly-owned subsidiaries of the Company.

### The Acquisition

Under the terms of the SP Agreement, JD Multi-media has agreed to purchase, and the Vendor has agreed to sell, 49 shares in each of Dragon Animation Holdings and Dragon Animation, representing 49% of the entire issued share capital of each of Dragon Animation Holdings and Dragon Animation, at a cash consideration of HK$100 and HK$4,899,900 respectively, which shall be settled in full upon Completion. The consideration under the SP Agreement was paid in full by JD Multi-media at Completion pursuant to the SP Agreement. Immediately prior to Completion, each of Dragon Animation Holdings and Dragon Animation was held as to 51% by JD Multi-media and 49% by Upbig.

The consideration of the Acquisition was determined after arm's length negotiations between JD Multi-media and the Vendor with reference to the Directors' estimation of the fair value of the right to produce a Chinese animation series (as mentioned in the paragraph headed "Reasons for and benefits of the Acquisition" below) held by Dragon Animation. As mentioned in the paragraph headed "Reasons for and benefits of the Acquisition" below, Dragon Animation Holdings does not possess any rights for production of animated series and is not engaged in any business operation. The Directors consider that the consideration of the Acquisition is fair and reasonable to the Shareholders and the Company as a whole.

**Completion**

Pursuant to the SP Agreement, Completion took place simultaneously with the signing of the SP Agreement.

**Cancellation of Call Option**

Pursuant to the Call Option Agreement dated 1 November 2006 entered into between the Vendor and JD Multi-media, the Vendor has granted a call option to JD Multi-media in relation to the acquisition of a 49% interest in Dragon Animation Holdings which can be exercised by JD Multi-media in three phases commencing on 1 November 2008 and ending on 31 October 2011. To facilitate the Acquisition, the Vendor and JD Multi-media have agreed under the SP Agreement that the Call Option Agreement shall be terminated and all of the rights and obligations of the parties to the Call Option Agreement shall be terminated with effect from Completion.

**Cancellation of the Shareholders' Agreement**

On 1 November 2006, JD Multi-media, the Vendor, Dragon Animation Holdings and Mr. Cheng had entered into the Shareholders' Agreement in relation to the operation of Dragon Animation Holdings covering various aspects such as board composition, shareholding, contribution of working capital, etc. To facilitate the Acquisition, the parties thereto have agreed under the SP Agreement that the Shareholders' Agreement shall be terminated and all of the rights and obligations of the parties to the Shareholders' Agreement shall be terminated with effect from Completion.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the publication of comic books and multimedia development and (ii) the dealership of luxury vehicles in the PRC. As stated in the Company's announcement dated 26 June 2008, the acquisition of the car dealerships in the PRC has completed. Dragon Animation is principally engaged in the development of animation and related products. Pursuant to an agreement dated 15 June 2006, Dragon Animation Holdings was authorized to produce Chinese animated series using the figure of world-famous movie star Mr. Jackie Chan. The right to produce the aforesaid Chinese animated series was subsequently transferred from Dragon Animation Holdings to Dragon Animation pursuant to an agreement dated 27 April 2007. Subsequent to the aforementioned transfer of right, Dragon Animation Holdings does not possess any rights for production of animated series and is not engaged in any business operation. Furthermore, no supplemental agreement was entered into in respect of the Call Option Agreement after the aforementioned transfer of right. The production of the first 26 series of this animation has commenced in 2008 and it is anticipated that the series would be completed in or about early 2009. To facilitate the future development of this animated series, the Directors are of the view that it is desirous for the Group to purchase the remaining 49% interest in Dragon Animation Holdings and Dragon Animation. The Acquisition would allow the Group to take complete control over Dragon Animation Holdings and Dragon Animation and streamline their operations. The option under the Call Option Agreement was not exercised as it only covers Dragon Animation Holdings which does not possess any rights for production of animated series subsequent to the transfer of rights on 27 April 2007 as mentioned above.

Having taken the above into consideration, the Directors (including the independent non-executive Directors) consider that the Acquisition was entered into on normal commercial terms, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## INFORMATION ON THE COMPANY

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended), the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) the publication of comic books and multimedia development and (ii) the dealership of luxury vehicles in the PRC.

## INFORMATION ON THE VENDOR

Upbig is a company incorporated in the BVI with limited liability. It is owned as to approximately 28%, 62% and 10% by Mr. Cheng, Chang Shu Yee and Leung Chung Poon respectively and is principally engaged in investment holding. It is a connected person of the Company by virtue of it being a substantial shareholder of non wholly-owned subsidiaries of the Company.

## INFORMATION ON DRAGON ANIMATION HOLDINGS

Dragon Animation Holdings is a company incorporated in the BVI with limited liability which was principally engaged in the development of animation and related products without any current operation. Prior to the Completion, it was held as to 51% by JD Multimedia and 49% by Upbig. As at 31 March 2008, Dragon Animation Holdings had unaudited net liabilities of approximately HK$16,029. The injection cost of Upbig in Dragon Animation Holdings was HK$780. Selected financial information of Dragon Animation Holdings is set out below.

| | **Period from 9 January 2006 (date of incorporation) to 31 March 2007** | **Year ended 31 March 2008** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| | *HK$* | *HK$* |
| Loss before/after tax | 9,431 | 7,378 |

## INFORMATION ON DRAGON ANIMATION

Dragon Animation is a company incorporated in Hong Kong with limited liability and is principally engaged in the development of animation and related products. Prior to the Completion, it was held as to 51% by JD Multimedia and 49% by Upbig. As at 31 March 2008, Dragon Animation had unaudited net liabilities of approximately HK$8,995. The injection cost of Upbig in Dragon Animation was HK$49. Selected financial information of Dragon Animation is set out below.

| | **Period from 30 December 2006 (date of incorporation) to 31 March 2007** | **Year ended 31 March 2008** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| | *HK$* | *HK$* |
| Loss before/after tax | 3,895 | 5,200 |

## GENERAL

As the relevant percentage ratios for the Acquisition are less than 2.5%, the Acquisition is a connected transaction subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32(1) of the Listing Rules. As the relevant percentage ratios for the Cancellation of Call Option are less than 0.1%, the Cancellation of Call Option is a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 (2) of the Listing Rules. Appropriate disclosures of the SP Agreement will be made in the Company's annual report for the year ending 31 March 2009.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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|---|---|
| "Acquisition" | the acquisition of the remaining 49% interest in each of Dragon Animation Holdings and Dragon Animation by JD Multi-media from the Vendor pursuant to the terms of the SP Agreement |
| "associate(s)" | has the meaning given to it under the Listing Rules |
| "Board" | the board of Directors |
| "BVI" | the British Virgin Islands |
| "Call Option Agreement" | the agreement dated 1 November 2006 entered into between the Vendor and JD Multi-media for the Vendor's grant of a call option to JD Multi-media in relation to the acquisition of a 49% interest in Dragon Animation Holdings |
| "Cancellation of Call Option" | the cancellation of the Call Option Agreement pursuant to the terms of the SP Agreement |
| "Company" | Jade Dynasty Group Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange |
| "Completion" | completion of the Acquisition pursuant to the SP Agreement |
| "Director(s)" | the director(s) of the Company |
| "Dragon Animation" | Dragon Animation Limited, a company incorporated in Hong Kong and held as to 51% and 49% by JD Multi-media and Upbig respectively immediately prior to Completion |

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|---|---|
| "Dragon Animation Holdings" | Dragon Animation Holdings Limited, a company incorporated in the BVI and held as to 51% and 49% by JD Multi-media and Upbig respectively immediately prior to Completion |
| "Group" | collectively, the Company and its subsidiaries |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "HK$" | the lawful currency of Hong Kong |
| "JD Multi-media" | Jade Dynasty Multi-Media Limited, an indirect wholly-owned subsidiary of the Company |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Mr. Cheng" | Mr. Cheng Hon Yee (鄭漢怡) |
| "PRC" | the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan for the purposes of this announcement |
| "Share(s)" | share(s) of HK$0.002 each in the share capital of the Company |
| "Shareholder(s)" | the shareholder(s) of the Company |
| "Shareholders' Agreement" | the agreement dated 1 November 2006 entered into between JD Multi-media, the Vendor, Dragon Animation Holdings and Mr. Cheng in relation to the operation of Dragon Animation Holdings |
| "SP Agreement" | the sale and purchase agreement dated 22 July 2008 entered into between JD Multi-media, the Vendor, Mr. Cheng and Dragon Animation Holdings in relation to the Acquisition |

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|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Upbig" | Upbig Limited, a company owned as to approximately 28%, 62% and 10% by Mr. Cheng, Chang Shu Yee and Leung Chung Poon respectively |
| "Vendor" | Upbig |

By Order of the Board
**Jade Dynasty Group Limited**
**Tong Kai Lap**
*Chairman*

Hong Kong, 23 July 2008

*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. Zheng Hao Jiang, Mr. Wan Siu Lun, Mr. Wong Chun Keung, and Mr. Kwong Chi Tak. The non-executive Director is Mr. Ko Chi Keung. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Tsui Pui Hung.*