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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

Placing Agent

UOBKayHian

UOB KAY HIAN (HONG KONG) LIMITED

Under the Placing Agreement dated 9 May 2006, the Vendor has appointed the Placing Agent as placing agent to unconditionally place, on a best effort basis, up to 50 million existing Shares held by it to not more than six placees who are independent of the Company and are not connected persons of the Company at HK$0.73 per Placing Share during the period commencing from 9 May 2006 to 10 May 2006. Pursuant to the Placing Agreement, the Placing Agent has procured two institutional investors to purchase an aggregate of 40 million existing Shares at HK$0.73 per Placing Share. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, these two institutional investors and their ultimate beneficial owners are independent of the Company and are not connected persons of the Company. Particulars of these institutional investors are set out below under the heading "Placees".

Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for 40 million Subscription Shares (being the number equivalent to the Placing Shares actually placed by the Placing Agent under the Placing) at HK$0.73 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 5.19% to the closing price of HK$0.77 per Share as quoted on the Stock Exchange at 4:00 p.m. on the Last Trading Day; (ii) a premium over approximately 2.82% to the average closing price of approximately HK$0.71 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; (iii) a discount of approximately 5.68% to the average closing price of approximately HK$0.774 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; (iv) a premium of approximately 462% over the audited net asset value per Share of approximately HK$0.13 based on the audited consolidated financial statements of the Group as at 31 March 2005 with net assets of HK$116,255,000 (based on 865,608,584 Shares in issue as at the date of this announcement); and (v) a premium of approximately 421% over the unaudited consolidated net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2005 with net assets of HK$123,876,000 (based on 865,608,584 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 were fair and reasonable so far as the Company and its Shareholders are concerned.

The Placing Shares represent approximately 4.62% of the existing issued share capital of the Company and approximately 4.42% 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 37.4% to approximately 32.7% of the existing issued share capital of the Company.

On the basis that 40 million Placing Shares have been placed and that the Vendor will subscribe for 40 million Subscription Shares under the Subscription, the shareholding of the Vendor and parties acting in concert with it will then be increased to approximately 35.7% 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 22 August 2005.

The net proceeds from the Subscription will amount to approximately HK$28.5 million. The Company intends to use the proceeds as to approximately HK$23.5 million for further development in the animation production business and as to approximately HK$5 million for general working capital of the Group.

Trading in the Shares was suspended at 9:30 a.m. on 10 May 2006 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 11 May 2006.

1. Placing Agreement dated 9 May 2006 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 323,435,100 Shares, representing approximately 37.4% of the existing issued share capital of the Company. Super Empire Investments Limited 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 50 million Shares owned by the Vendor during the period commencing from 9 May 2006 to 10 May 2006. The Placing Agent has agreed to procure placees of the Placing Shares on a best effort basis. Pursuant to the Placing Agreement, the Placing Agent has procured two institutional investors to purchase an aggregate of 40 million existing Shares, representing approximately 4.62% of the existing issued share capital of 865,608,584 Shares as at the date of this announcement or approximately 4.42% 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$0.73 per Placing Share.

Placees:

Not more than six placees to be procured by the Placing Agent. All placees will be independent of the Company and will not be connected persons of the Company. The placees identified by the Placing Agent are Evolution Master Fund Ltd. SPC, Segregated Portfolio M and Gain Asset Management Limited. According to the information provided by the Placing Agent, Evolution Master Fund Ltd. SPC, Segregated Portfolio M is a private equity fund managed by Evolution Capital Management, LLC based in the United States of America. The manager has approximately US$1 billion under its management. Gain Asset Management Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in the investment in securities.

Placing price:

HK$0.73 per Placing Share.

This price was agreed after arm's length negotiations. This price represents (i) a discount of approximately 5.19% to the closing price of HK$0.77 per Share as quoted on the Stock Exchange at 4:00 p.m. on the Last Trading Day; (ii) a premium over approximately 2.82% to the average closing price of approximately HK$0.71 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; (iii) a discount of approximately 5.68% to the average closing price of approximately HK$0.774 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; (iv) a premium of approximately

462% over the audited net asset value per Share of approximately HK$0.13 based on the audited consolidated financial statements of the Group as at 31 March 2005 with net assets of HK$116,255,000 (based on 865,608,584 Shares in issue as at the date of this announcement); and (v) a premium of approximately 421% over the unaudited consolidated net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2005 with net assets of HK$123,876,000 (based on 865,608,584 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 enquiry, the placees identified by the Placing Agent and their ultimate beneficial owners are, and the Placing Agent are, independent of the Company and are not connected persons of the Company and are not acting in concert with the Vendor and its concert parties.

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 1.5% 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 15 May 2006.

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 9 May 2006

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 50 million new Shares. As only 40 million Shares have been placed to the placees under the Placing, the Vendor will subscribe for 40 million Subscription Shares under the Subscription. Such 40 million Subscription Shares represent approximately 4.62% of the existing issued share capital of the Company as at the date of this announcement or approximately 4.42% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Subscription price:

HK$0.73 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 22 August 2005. 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.

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 the conditions referred to above are fulfilled, which is expected to be on or before 23 May 2006, being 14 days after the date of the Subscription Agreement.

If the conditions are not fulfilled within the time specified above, 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 23 May 2006, 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 40 million Placing Shares has been placed and that the Vendor will subscribe for 40 million 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	323,435,100	37.36	283,435,100	32.74	323,435,100	35.71
Directors	19,820,000	2.29	19,820,000	2.29	19,820,000	2.19
Placees	–	–	40,000,000	4.62	40,000,000	4.42
The public	522,353,484	60.35	522,353,484	60.35	522,353,484	57.68
In aggregate	865,608,584	100	865,608,584	100	905,608,584	100

No accounts has been taken in respect of any allotment and issue of Shares pursuant to the exercise of the conversion rights pursuant to the convertible notes issued by the Company in October 2004, and any share options which have been or may be granted by the Company under its share option scheme.

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 were fair and reasonable and they were in the best interests of the Company, as far as the Shareholders are concerned.

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$28.5 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$0.71. The Company intends to use the proceeds as to approximately HK$23.5 million for further development in the animation production business and as to approximately HK$5 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 40 million Placing Shares have been placed, the aggregate shareholdings of the Vendor, its associates and parties acting in concert with them will decrease from approximately 37.4% to approximately 32.7% immediately after the Placing and will increase back to approximately 35.7% immediately after the Subscription. Such change in shareholding will trigger an obligation to make a general offer under 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 9:30 a.m. on 10 May 2006 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 11 May 2006.

Definitions

The following defined terms are used in this announcement:

"associates"	having 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)"	having 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
"Group"	the Company and its subsidiaries.
"Last Trading Day"	9 May 2006, 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 9 May 2006 and entered into between the Vendor and the Placing Agent.
"Placing Shares"	40 million existing Shares, being the aggregated number of Shares actually placed by the Placing Agent under the Placing.
"Subscription Agreement"	the subscription agreement dated 9 May 2006 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 Subscriber 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, 40 million new Shares.

"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, 10 May 2006

As at the date of this announcement, 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. Zhang Lichen 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.