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品牌中国
BRANDING CHINA

BRANDING CHINA GROUP LIMITED

品牌中國集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8219)

**Memorandum of understanding with
Dafeng (Tianjin) Equity Investment Fund Management Company Limited
in respect of potential investment in a media company in the PRC**

The Board announces that on 30th May, 2012 (after the trading hours), Shanghai SumZone Enterprise entered into the Potential Investment MOU with the Vendor in respect of the Potential Investment. Pursuant to the Potential Investment MOU, Shanghai SumZone Enterprise will explore possible acquisition of part of the shareholdings in the Target Company indirectly held by the Vendor.

The Board wishes to emphasize that the Potential Investment may or may not proceed. In the event that any formal agreement is entered into, the Potential Investment may constitute a notifiable transaction for the Company under the GEM Listing Rules and the Company will make announcement(s) as and when appropriate. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules.

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POTENTIAL INVESTMENT MOU

Date : 30th May, 2012 (after the trading hours)

Parties :

Vendor : Dafeng

Purchaser : Shanghai SumZone Enterprise

Guarantor : 上海紅馬資產管理有限公司 (Shanghai Redhorse Asset Management Company Limited) (the “Guarantor”)

To the best knowledge of the Directors, having made all reasonable enquiries, the Vendor, the Guarantor and their respective ultimate beneficial owners are Independent Third Parties.

Principal terms of the Potential Investment MOU

Possible acquisition of shares

Shanghai SumZone Enterprise intends to acquire part of the shareholdings in the Target Company indirectly held by the Vendor through the Potential Investment:

1. A share transfer transaction for the Vendor to become an indirect shareholder of the Target Company has been entered into.
2. Shanghai SumZone Enterprise intends to strategically invest in the Target Company through the acquisition of the Target Shares.
3. In contemplation of the Potential Investment, the Vendor proposes to, amongst other things, arrange the Target Shares be transferred to Shanghai SumZone Enterprise so that Shanghai SumZone Enterprise will become a direct shareholder of the Target Company.

Consideration

The consideration for the Target Shares will principally be the actual cost incurred for the Vendor to acquire the indirect shareholding in the Target Company. In addition, Shanghai SumZone Enterprise will pay a premium calculated at an annualized rate of return of 10% per annum on the aforesaid actual cost from the time when a share transfer transaction for the Vendor to become an indirect shareholder of the Target Company has been entered into to the time when the transfer of the Target Shares to Shanghai SumZone Enterprise is completed, provided that the total premium amount be not more than 10% of the aforesaid actual cost.

The final number of shares to be transferred

Shanghai SumZone Enterprise is entitled to elect the final number of the Target Shares to be acquired by it from the Vendor.

Earnest Money

Shanghai SumZone Enterprise will, within 3 working days from the date of the Potential Investment MOU, pay the Earnest Money of RMB12.5 million to the Vendor. The Earnest Money is payable as part of the consideration of the Potential Investment and the difference between the final consideration pursuant to any formal agreement to be executed in relation to the Potential Investment and the Earnest Money will be returned to, or paid by, Shanghai SumZone Enterprise (as the case may be).

Exclusivity Period

Shanghai SumZone Enterprise and the Vendor agree to, amongst other things, complete due diligence exercises and all the preparatory works for the transfer of the Target Shares within a period of six months.

Pursuant to the Potential Investment MOU, the Vendor agrees not to contact, discuss or make any arrangement with any third party in relation to the Potential Investment within six months.

In the event that either Shanghai SumZone Enterprise or the Vendor fails to complete the above works during the aforesaid period or Shanghai SumZone Enterprise decides not to proceed with the Potential Investment at any time within the aforesaid period, the Vendor shall refund the Earnest Money in full to Shanghai SumZone Enterprise within 3 working days after the expiry of the aforesaid period or the date when Shanghai SumZone Enterprise terminates the negotiations on the Potential Investment (as the case may be). In addition, the Vendor shall pay compensation to Shanghai SumZone Enterprise calculated at the rate of one per cent. above the one year's term loan interest rate as published by the People's Bank of China from the date of payment of the Earnest Money up to the date of the refund of the Earnest Money.

Guarantee

The Guarantor guarantees to Shanghai SumZone Enterprise the security of the Earnest Money to be held by the Vendor.

Non-legally binding

Other than the terms in relation to the payment and refund of the Earnest Money and the exclusivity period, the Potential Investment MOU does not constitute legally-binding obligations on any possible transactions or investment undertakings. Any possible transactions are subject to the entering into, and completion of any formal agreement in relation to the Potential Investment.

Reasons for entering into the Potential Investment MOU

The Board believes that the Potential Investment, if materialised, will enable the Company to accumulate media resources, enhance its ability to provide one-stop value-added integrated marketing communications and branding services and to expand its markets in the PRC and the client base in the finance and other sectors.

The Board wishes to emphasize that the Potential Investment may or may not proceed. In the event that any formal agreement is entered into, the Potential Investment may constitute a notifiable transaction for the Company under the GEM Listing Rules and the Company will make announcement(s) as and when appropriate. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise requires.

“associates”	has the meaning ascribed under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Branding China Group Limited (品牌中國集團有限公司), a limited company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange
“Directors”	the directors of the Company
“Earnest Money”	an earnest money of RMB12.5 million to be paid by Shanghai SumZone Enterprise to the Vendor under the Potential Investment MOU
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Potential Investment”	the potential investment in the Target Shares by Shanghai SumZone Enterprise from the Vendor, details of which are set out in the Potential Investment MOU
“Potential Investment MOU”	the non-legally binding memorandum of understanding dated 30th May, 2012 entered into between Shanghai SumZone Enterprise as purchaser, the Vendor as vendor and 上海紅馬資產管理有限公司 (Shanghai Redhorse Asset Management Company Limited) as guarantor in relation to the Potential Investment
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai SumZone Enterprise”	上海三眾企業管理諮詢有限公司 (Shanghai SumZone Enterprise Management Consultancy Company Limited), a wholly foreign-owned enterprise established in the PRC with limited liability on 1st June, 2011 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed under the GEM Listing Rules
“Target Company”	a media company established in the PRC

- “Target Shares” such number of shares of the Target Company to be acquired by Shanghai SumZone Enterprise currently contemplated under the Potential Investment MOU
- “Vendor” or “Dafeng” 大豐(天津)股權投資基金管理有限公司 (Dafeng (Tianjin) Equity Investment Fund Management Company Limited), a company established in the PRC

In this announcement, the English names of the PRC entities or enterprises are translation of their Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

By Order of the Board
Branding China Group Limited
Fang Bin
Chairman

PRC, 30th May, 2012

As at the date of this announcement, the executive Directors are Mr. Fang Bin, Ms. He Weiqi and Mr. Song Yijun; the non-executive Directors are Mr. Lin Kaiwen and Mr. Fan Youyuan; and the independent non-executive Directors are Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.brandingchinagroup.com.