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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: 0863)

**VOLUNTARY ANNOUNCEMENT IN RELATION TO
TERMINATION OF CONTRACTUAL ARRANGEMENT
IN RESPECT OF SMU**

Reference is made to the section “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 17 April 2012, the announcement dated 26 August 2015 in relation to transfer of listing from the GEM to the Main Board and the 2015 and 2016 annual reports in relation to Structured Contracts.

The Board announces that on 23 October 2017 (after trading hours), Century Linker, SMU, Mr. Fang and Shanghai SumZone Enterprise entered into the SMU Termination Agreement whereby the parties thereto agreed that the Structured Contracts in relation to SMU would be terminated.

On 23 October 2017 (after trading hours), Century Linker, Mr. Fang, SMU and SumZone Advertising entered into the Equity Designated Transfer Agreement whereby the parties agreed that Mr. Fang would transfer his equity interest in SMU to SumZone Advertising, an indirect wholly-owned subsidiary of the Company as designated by Century Linker at a total consideration of RMB2,400,000. The consideration was determined based on the Valuation by a qualified appraisal institution. On 23 October 2017 (after trading hours), Mr. Fang and SumZone Advertising entered into the Equity Transfer Agreement whereby the parties agreed the transfer of the entire equity interest in SMU from Mr. Fang to SumZone Advertising in the manner as stipulated under the Equity Designated Transfer Agreement.

Upon execution of the SMU Termination Agreement and the Equity Transfer Agreements, Mr. Fang and Mr. Song agreed to terminate the letter of assignment executed on 24 August 2015, and the rights and obligations thereunder assigned by Mr. Fang to Mr. Song would cease.

LISTING RULES IMPLICATIONS

As Mr. Fang is a controlling shareholder and an executive Director of the Company and therefore a connected person of the Company, the Transaction contemplated under the SMU Termination Agreement and the Equity Transfer Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as all the applicable percentage ratios (as defined under the Listing Rules) are less than 5% and the total consideration is less than HK\$3,000,000, the Transaction is fully exempt from the reporting, announcement, circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transaction does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

This announcement is made by the Company on a voluntary basis.

Reference is made to the section "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 17 April 2012, the announcement dated 26 August 2015 in relation to transfer of listing from the GEM to the Main Board and the 2015 and 2016 annual reports in relation to Structured Contracts.

The summary of the major terms in the VIE Termination Agreements are set out in the following:

(1) The SMU Termination Agreement

Date

23 October 2017

Parties

- (a) Century Linker;
- (b) SMU;
- (c) Mr. Fang; and
- (d) Shanghai SumZone Enterprise.

Pursuant to the SMU Termination Agreement, Century Linker, SMU, Mr. Fang and Shanghai SumZone Enterprise agreed that the Structured Contracts in relation to SMU would be terminated.

Conditions precedent

Completion under the SMU Termination Agreement is subject to the satisfaction of the following conditions:

- (a) the SMU Termination Agreement having been duly executed by the parties thereto; and
- (b) SMU having made and completed necessary registration in relation to the equity transfer contemplated under the Equity Transfer Agreement with relevant competent governmental authorities.

(2) The Equity Designated Transfer Agreement

Date

23 October 2017

Parties

- (a) Century Linker;
- (b) Mr. Fang;
- (c) SMU; and
- (d) SumZone Advertising

Pursuant to the Equity Designated Transfer Agreement, Century Linker, Mr. Fang, SMU and SumZone Advertising agreed that Mr. Fang would transfer his equity interest in SMU to SumZone Advertising, an indirect wholly-owned subsidiary of the Company as designated by Century Linker at a total consideration of RMB2,400,000. The consideration was determined based on the Valuation by a qualified appraisal institution as at the Valuation Date.

(3) The Equity Transfer Agreement

Date

23 October 2017

Parties

- (a) Mr. Fang; and
- (b) SumZone Advertising.

Pursuant to the Equity Designated Transfer Agreement, Mr. Fang and SumZone Advertising executed the Equity Transfer Agreement to effect the transfer of equity interest in SMU from Mr. Fang to SumZone Advertising in the manner as stipulated under the Equity Designated Transfer Agreement.

Conditions precedent

Completion under the Equity Transfer Agreement is subject to the satisfaction of the following conditions:

- (a) the Equity Transfer Agreement having been duly executed by the parties thereto; and
- (b) the approval from the executive director and shareholder of SMU having been obtained in relation to such equity transfer.

Upon execution of the SMU Termination Agreement and the Equity Transfer Agreements, Mr. Fang and Mr. Song agreed to terminate the letter of assignment executed on 24 August 2015, and the rights and obligations thereunder assigned by Mr. Fang to Mr. Song would cease.

INFORMATION ON THE GROUP, CENTURY LINKER, SHANGHAI SUMZONE ENTERPRISE AND SUMZONE ADVERTISING

The Group is an integrated provider focusing on providing entrepreneurship and development services for corporations with an objective to cater the needs of our customers.

Century Linker is an indirect wholly-owned subsidiary of the Company and an investment holding company. It carries out certain administrative functions of the Group.

Shanghai SumZone Enterprise is an indirect wholly-owned subsidiary of the Company, which is principally engaged in corporate and investment management advising services.

SumZone Advertising is an indirect wholly-owned subsidiary of the Company. It is principally engaged in agency for various advertisement.

INFORMATION ON SMU

SMU is principally engaged in the provision for advertising and event market services in the PRC. Immediately prior to the execution of the Equity Transfer Agreements, SMU was directly and wholly owned by Mr. Fang, an executive Director, the chairman of our Company and one of the controlling shareholders of our Company.

REASONS FOR AND BENEFIT OF THE TRANSACTION

In view of the changes in the traditional media market (i.e. the decline of traditional media and the rise of new media), the Group is going through a business model transformation. The Group ceased the production and distribution of the self-operated publications and outsourced the Restricted Business to other PRC service provider(s). The Company considers that there have not been any significant adverse effects on the financial condition and operation of the Group business in connection with the termination of the Contractual Arrangement. By way of terminating the Contractual Arrangement and acquiring the equity interest of SMU, SMU will become a wholly-owned subsidiary of the Company, thus allowing the Group to strengthen the control in SMU.

Based on the above, the Directors (including the independent non-executive Directors but excluding Mr. Fang and Mr. Song who did not attend and had abstain from voting at the relevant Board meeting) consider that the terms of the VIE Termination Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As Mr. Fang is a controlling shareholder and an executive Director of the Company and therefore a connected person of the Company, the Transaction contemplated under the SMU Termination Agreement and the Equity Transfer Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as all the applicable percentage ratios (as defined under the Listing Rules) are less than 5% and the total consideration is less than HK\$3,000,000, the Transaction is fully exempt from the reporting, announcement, circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transaction does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Century Linker”	Century Linker (Hong Kong) Limited (聯合(香港)有限公司), a company incorporated under the laws of Hong Kong on 18 January 2011 and an indirect wholly owned subsidiary of the Company
“Company”	Branding China Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of Stock Exchange (stock code: 863)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Designated Transfer Agreement”	the equity designated transfer agreement dated 23 October 2017 entered into among Century Linker, SMU, Mr. Fang and SumZone Advertising in relation to the transfer of equity interest in SMU between Mr. Fang and SumZone Advertising as designated by Century Linker
“Equity Transfer Agreement”	the equity transfer agreement dated 23 October 2017 entered between Mr. Fang and SumZone Advertising in relation to the transfer of equity interest in SMU
“Equity Transfer Agreements”	Equity Designated Transfer Agreement and Equity Transfer Agreement

“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mr. Fang”	Mr. Fang Bin (方彬), an executive Director, the chairman of our Company and one of the controlling shareholders of our Company
“Mr. Song”	Mr. Song Yijun (宋義俊), the general manager of Shanghai SumZone Enterprise
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Restricted Business(es)”	the business activities of our Group which are subject to prohibition or restriction on foreign investment under the PRC laws, details of which are set out in the sections “History, Reorganisation and Corporate Structure — Structured Contracts” and “Business — Transfer of businesses” in the prospectus of our Company
“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 1 June 2011 and a direct wholly owned subsidiary of Century Linker and one of our subsidiaries in the PRC
“SMU”	上海三眾華納傳媒投資管理有限公司 (Shanghai SumZone Media Investment Management Company Limited), a domestic enterprise established in the PRC with limited liability on 16 July 2003. Immediately prior to the Completion of the Transaction, SMU was directly wholly owned by Mr. Fang and effectively controlled by and consolidated under our Group by the entering into the Structured Contracts
“Structured Contracts” or “Contractual Arrangement”	a series of structured contracts entered into on 1 June 2011 that were designed to provide Shanghai SumZone Enterprise with effective control over the financial and operational policies of SMU and (to the extent permitted by PRC laws and regulations), the right to acquire the equity interests in SMU by Century Linker (or the party designated by Century Linker), i.e. exclusive consulting and service agreement, share pledge agreement, exclusive business operating agreement, exclusive option agreement and irrevocable power of attorney, details of which are set out in the paragraph “Structured Contracts” in the section “History, Reorganisation and Corporate Structure” in the prospectus of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SMU Termination Agreement”	the termination agreement dated 23 October 2017 entered into among Century Linker, SMU, Mr. Fang and Shanghai SumZone Enterprise and in relation to the termination of Structured Contracts in respect of SMU

“Transaction”	transactions contemplated under the SMU Termination Agreement, Equity Designated Transfer Agreement and Equity Transfer Agreement
“Valuation”	the valuation of the fair value of SMU
“Valuation Date”	30 September 2017
“VIE Termination Agreements”	the SMU Termination Agreement, Equity Transfer Agreements together with the agreement between Mr. Fang and Mr. Song to terminate the letter of assignment executed on 24 August 2015
“SumZone Advertising”	上海三眾廣告有限公司 (Shanghai SumZone Advertising Company Limited), a company incorporated in the PRC, the domestic enterprise established in the PRC with limited liability on 26 August 2011 and directly wholly owned by Shanghai SumZone Enterprise and and one of our subsidiaries in the PRC

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

Shanghai, The PRC
23 October 2017

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