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**中國東方文化集團有限公司**  
**China Oriental Culture Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2371)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**THE EQUITY TRANSFER AGREEMENT**

The Board wishes to announce that on 16 May 2012, the Purchaser, an indirect non-wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire the entire equity interest of the Target Company for a total cash consideration of RMB3,000,000 (equivalent to approximately HK\$3,658,537).

**LISTING RULES IMPLICATIONS**

Mr. Yan, being a Director and a director of the Purchaser, is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement exceed 5% but are less than 25% under Rule 14.07 of the Listing Rules and the Consideration is less than HK\$10 million, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Due to misunderstanding on the part of Mr. Yan of the reporting requirements applicable to the Equity Transfer Agreement under Chapter 14 and Chapter 14A of the Listing Rules, the entering into of the Equity Transfer Agreement was not reported to the Board immediately after its execution. As a result, the Company failed to notify the Stock Exchange and make an announcement in relation to the Equity Transfer Agreement as required under Chapter 14 and Chapter 14A of the Listing Rules, which constitutes non-compliance with Rules 14.34 and 14A.47 of the Listing Rules. Regarding preventive measures for any potential breaches in the future, the Board recommended the Company to implement reporting and monitoring procedures for any possible transactions which may constitute notifiable transactions, connected transactions and/or other transactions required to be disclosed under the Listing Rules.

## INTRODUCTION

The Board wishes to announce that on 16 May 2012, the Purchaser, an indirect non-wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire the entire equity interest in the Target Company for a total cash consideration of RMB3,000,000 (equivalent to approximately HK\$3,658,537).

## EQUITY TRANSFER AGREEMENT

<b>Date</b>	16 May 2012
<b>Parties</b>	(i) Mr. Yan; Vendor 1; Vendor 2; Vendor 3; and  (ii) 北京柯瑞環宇傳媒文化有限公司(Beijing Kery Media Culture Limited*), an indirect non-wholly-owned subsidiary of the Company as Purchaser

<b>Subject of the Equity Transfer Agreement</b>	100% equity interest in the Target Company
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<b>Consideration</b>	RMB3,000,000 (equivalent to approximately HK\$3,658,537)
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The Consideration was arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement with reference to the registered capital of the Target Company of RMB3,000,000 which had been fully paid up by the Vendors and the potential development prospect of the Group after the Acquisition.

### Completion of the Equity Transfer Agreement

Completion of the Equity Transfer Agreement took place on 4 June 2012. As at the date of this announcement, the Purchaser owned 100% equity interest of the Target Company and the Target Company became an indirect non-wholly-owned subsidiary of the Company. As a result, the assets and financial results of the Target Company have been consolidated into the accounts of the Group with effect from the date of Completion.

## INFORMATION ON THE PARTIES

### *The Group*

The Group is principally engaged in the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies.

The Purchaser was a limited liability company established in the PRC on 12 May 2006 and was subsequently changed to a sino-foreign joint venture on 20 July 2009. It is indirectly owned as to 98% by the Company upon the completion of the acquisition of 100% equity interest in Bold Champion on 25 March 2011. Reference is made to the announcements dated 24 February 2010, 30 July 2010, 29 October 2010, 31 January 2011, 3 March 2011 and 25 March 2011 issued by the Company in respect of the acquisition of 100% equity interest in Bold Champion. The Purchaser is principally engaged in the provision of management and consultancy services to media enterprises in the PRC.

### ***The Vendors***

Mr. Yan is an executive Director and a director of the Purchaser and was a substantial shareholder of the Target Company prior to Completion. Vendor 3, being one of the senior management of the Group and is employed as 後期製作總監 (post-production director\*) of the Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor 1, Vendor 2 and Vendor 3 are the Independent Third Parties.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is a limited liability company established in the PRC on 16 June 2009 and is principally engaged in event organisation, event management and the provision of media related consultancy services in the PRC. Prior to Completion, the Target Company was owned as to 55% by Mr. Yan, 25% by Vendor 1, 15% by Vendor 2 and 5% by Vendor 3.

According to the unaudited accounts of the Target Company prepared in accordance with accounting principles general accepted in the PRC, the unaudited turnover of the Target Group for each of the two years ended 31 December 2011 were approximately RMB12,917,000 and RMB5,880,000 respectively. The unaudited net profit of the Target Company (before taxation and extraordinary items) for each of the two years ended 31 December 2011 were approximately RMB8,286,000 and RMB3,893,000 respectively. The unaudited net profit of the Target Company (after taxation and extraordinary items) for each of the two years ended 31 December 2011 were approximately RMB7,963,000 and RMB3,746,000 respectively. The unaudited net asset value and total asset value of the Target Company as at 31 May 2012 were approximately RMB3,012,000 and RMB26,503,000 respectively.

### **REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

As mentioned in the Group's annual report for the financial year ended 31 December 2011, the Group is optimistic about expanding other media resources and will take an active approach to seek opportunities to expand the Group's cross-media services. The Board has from time to time reviewed the business opportunities to achieving the best interests of the Company and the Shareholders. The current corporate strategy of the Group is intended to employ an active, steady and prudent manner in its development of cross-media platform. The Directors are of the opinion that the Acquisition provides an opportunity for the Company to diversify its culture businesses and is in line with the business strategy of the Company.

Given the aforesaid, the Directors (including the independent non-executive Directors) consider that the Acquisition is in the interest of the Company and the Shareholders as whole and the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable. As Mr. Yan had a material interest in the Acquisition, he has abstained from voting on the board resolution approving the Equity Transfer Agreement and the transaction contemplated thereunder.

## LISTING RULES IMPLICATIONS

Mr. Yan, being a Director and a director of the Purchaser, is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement exceed 5% but are less than 25% under Rule 14.07 of the Listing Rules and the Consideration is less than HK\$10 million, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Due to misunderstanding on the part of Mr. Yan of the reporting requirements applicable to the Equity Transfer Agreement under Chapter 14 and Chapter 14A of the Listing Rules, the entering into of the Equity Transfer Agreement was not reported to the Board immediately after its execution. As a result, the Company failed to notify the Stock Exchange and make an announcement in relation to the Equity Transfer Agreement as required under Chapter 14 and Chapter 14A of the Listing Rules, which constitutes non-compliance with Rules 14.34 and 14A.47 of the Listing Rules. Regarding preventive measure for any potential breaches in the future, the Board recommended the Company to implement reporting and monitoring procedures for any possible transactions which may constitute notifiable transactions, connected transactions and/or other transactions required to be disclosed under the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the 100% equity interest in the Target Company by the Purchaser from the Vendors pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Bold Champion”	Bold Champion International Limited, a company incorporated in the British Virgin Islands and indirectly wholly-owned by the Company
“Company”	China Oriental Culture Group Limited (中國東方文化集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendors for the purchase of the entire equity interest in the Target Company pursuant to the Equity Transfer Agreement

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an individual or a company who or which is not connected with (within the meaning of the Listing Rules) the Company and its connected person or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Yan”	Mr. Yan Dake, an executive Director, a director of the Purchaser and a substantial shareholder of the Target Company prior to Completion
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	北京柯瑞環宇傳媒文化有限公司(Beijing Kery Media Culture Limited*), an indirect non-wholly-owned subsidiary of the Company and a member of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海美視文化傳播有限公司, a limited liability company established in the PRC, the equity interest of which was owned as to 55% by Mr. Yan, 25% by Vendor 1, 15% by Vendor 2 and 5% by Vendor 3
“Vendor 1”	Ms. Wang Hongyun
“Vendor 2”	Mr. Zhou Kui
“Vendor 3”	Mr. Wang Xiaoping
“Vendors”	collectively, Mr. Yan, Vendor 1, Vendor 2 and Vendor 3
“%”	per cent.

*For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.82 to HK\$1.*

By order of the Board  
**China Oriental Culture Group Limited**  
**Li Qing**  
*Executive Director*

Hong Kong, 12 July 2012

\* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

*As at the date of this announcement, the Board comprises Mr. Chen Fu Ju, Mr. Li Qing and Mr. Yan Dake as executive Directors; Ms Ng Siu Lai as non-executive Director and Mr. Leung Siu Kee, Mr. Zhao Yong and Mr. Li Zhong as independent non-executive Directors.*