

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TONTINE

CHINA TONTINE WINES GROUP LIMITED

中國通天酒業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 389)

**MEMORANDUM OF UNDERSTANDING
REGARDING A POSSIBLE ACQUISITION/INVESTMENT**

This announcement is made by China Tontine Wines Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Proposed Transaction

The board of directors of the Company (the “**Board**”) wishes to announce that, on 7 November 2011 (after trading hours), 通化通天酒業有限公司 (Tonghua Tongtian Winery Co., Ltd.*), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with a party independent of the Company and its connected persons (as defined in the Listing Rules) for the possible acquisition by it (or the Company’s subsidiary or affiliated company) of certain equity interest and/or investment (the “**Proposed Transaction**”) in 煙台白洋河釀酒有限責任公司 (Yantai Baiyanghe Winery Co., Inc*) (the “**Target**”) (with the Target joined in as a party to the MOU to signify its acknowledgement of the terms of the MOU) at the consideration to be mutually agreed. Consummation of the Proposed Transaction may result in the Company ultimately holding approximately 60% equity interest in the Target.

The Target is a limited liability company established in the Shandong Province of The People’s Republic of China (the “**PRC**”). It is principally engaged in the production and sale of alcoholic beverages. Its wine portfolio contains over 80 types of wine products and stretches across, among others, grape wine, brandy and rice wine in many varieties (including premium imported wines from countries overseas, like France, Australia and Chile).

Conditionality of the Proposed Transaction

The Proposed Transaction, if it proceeds, is expected to be subject to, among other things, various conditions to be agreed and the signing of a legally binding definitive agreement (the “**Formal Agreement**”) by the parties to the MOU, the terms and conditions of which are yet to be agreed. Completion of the Proposed Transaction is expected to be conditional on the following principal conditions and such other conditions as may be agreed by the parties to the MOU:

- the obtaining of a legal opinion in form and substance satisfactory to the Group by a firm of lawyers qualified to practise in PRC law confirming, among other things, the due establishment and subsistence of the Target; the legality, validity and enforceability of the Formal Agreement and the transactions contemplated thereunder; that there are no legal impediments for the Group’s proposed acquisition and/or investment as contemplated under the Formal Agreement; that the Target has obtained all approvals and licences necessary for the operation of its business and that the Proposed Transaction shall not cause any of the current arrangements, licenses, rights or entitlements in relation to the Target’s operations to be cancelled, terminated, amended nor render the Target’s operations to become illegal;
- the obtaining of all necessary consents, authorizations, waivers and/or approvals (including without limitation the approval of the relevant PRC approving authority(ies)) under the applicable laws and regulations (including the Listing Rules) for giving effect to the Proposed Transaction;
- (if necessary) approval by the shareholders of the Company at an extraordinary general meeting of the Formal Agreement and the transactions contemplated thereunder;
- none of the warranties given by the counter-party(ies) to the Formal Agreement as contained in the Formal Agreement having been breached in any material respects (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

Under the MOU, the Group has been granted an exclusive right to negotiate with the counter-parties to the MOU (including the Target) the detailed terms and conditions of the Formal Agreement for a period of 180 days from the date of the MOU (or such later date as the parties to the MOU may agree) (the “**Exclusivity Period**”).

The parties to the MOU will negotiate in good faith to agree on the terms of the Formal Agreement governing the Proposed Transaction and endeavour to sign the Formal Agreement before the expiry of the Exclusivity Period.

Binding nature of the MOU

Other than the provisions regulating exclusivity, confidentiality and governing law in the MOU, the MOU does not have legally binding effect on the parties to the MOU.

Reasons for the Proposed Transaction

The Company is an investment holding company and the Group is principally engaged in the production and sales of grape wine in the PRC.

The Board is of the view that the Proposed Transaction, if materialized, would offer a good opportunity for the Group to expand its sales and distribution network in the PRC, enhance its wine products portfolio and strengthen its competitive position in the PRC.

The Board envisages that the implementation of the Proposed Transaction would (i) enlarge both the Group's own premium high-end grape wine and imported wine portfolios, enrich the Group's wine products portfolio and broaden its fine wine offering to its customers on the one hand and (ii) upgrade the Group's wine making technology, enhance the level of product quality, increase production capacity, achieve economies of scale and lower production costs through integration of the production lines of the two enterprises on the other hand. The Group also plans to integrate the sales and distribution channels of the two enterprises so as to expand the sales and distribution network of the Group and effectively reduce marketing and promotion expenses which, in turn, is expected to enhance the Group's profitability in the long-run. All the above factors are expected to offer synergy effects and complementary benefits realization, allow resources-sharing, provide incentive for long-term collaboration and ultimately achieve a win-win situation for the Group and the Target, which are instrumental to the future business development of the Group.

In light of the above, the Board considers that the Proposed Transaction, if consummated, is in the interests of the Company and its shareholders as a whole.

General

Further announcement will be made by the Company when a definitive agreement for the Proposed Transaction is entered into.

There is no assurance that an acquisition and/or investment may result from the signing of the MOU. **Accordingly, shareholders of the Company and potential investors are advised to exercise caution when making any decision relating to dealing in the securities of the Company.**

By order of the Board
China Tontine Wines Group Limited
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 7 November 2011

As at the date of this announcement, the executive Directors are Mr. Wang Guangyuan, Mr. Zhang Hebin and Ms. Wang Lijuan and the independent non-executive Directors are Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

* *For identification purpose only*