



品牌中国  
BRANDING CHINA

# 品牌中國集團有限公司

## BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8219



### First Quarterly Report 2012

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT

For the three months ended 31st March, 2012

### FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of Branding China Group Limited (the “Company”) and its subsidiaries (together, the “Group”) for the three months ended 31st March, 2012 together with the comparative figures for the corresponding period in 2011 are as follows:

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31st March,</b>	
	Notes	<b>2012</b>	2011
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	5	<b>32,762.14</b>	21,163.07
Cost of sales		<b>(18,906.85)</b>	(12,111.43)
Gross profit		<b>13,855.29</b>	9,051.64
Other income and gains, net		<b>51.71</b>	41.62
Selling and distribution expenses		<b>(266.25)</b>	(281.41)
Administrative expenses	6	<b>(3,422.52)</b>	(1,847.05)
<b>Profit before income tax</b>		<b>10,218.23</b>	6,964.80
Income tax expense	7	<b>(2,959.33)</b>	(2,104.43)
<b>Profit for the period</b>		<b>7,258.90</b>	4,860.37
<b>Other comprehensive income for the period</b>			
Exchange differences on translating foreign operations		<b>(1.18)</b>	—
<b>Total comprehensive income for the period</b>		<b>7,257.72</b>	4,860.37
Earnings per share attributable to owners of the Company			
Basic and diluted	10	<b>RMB4.84 cents</b>	RMB3.24 cents

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31st March, 2012

	Attributable to owners of the Company						
	Issued capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital surplus <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 31st December, 2010	—	—	2,000.00	—	1,000.00	29,964.52	32,964.52
Profit and total comprehensive income for the year/period	—	—	—	—	—	4,860.37	4,860.37
At 31st March, 2011	—	—	2,000.00	—	1,000.00	34,824.89	37,824.89
At 31st December, 2011	<b>0.00832</b>	<b>19,890.02</b>	<b>2,000.00</b>	<b>(492.06)</b>	<b>3,316.07</b>	<b>62,101.76</b>	<b>86,815.79</b>
Profit and total comprehensive income for the year/period	—	—	—	—	—	<b>7,258.90</b>	<b>7,258.90</b>
Exchange differences on translating foreign operations	—	—	—	<b>(1.18)</b>	—	—	<b>(1.18)</b>
At 31st March, 2012	<b>0.00832</b>	<b>19,890.02</b>	<b>2,000.00</b>	<b>(493.24)</b>	<b>3,316.07</b>	<b>69,360.65</b>	<b>94,073.51</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. CORPORATE INFORMATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15th March, 2011. Pursuant to the reorganisation (the "Reorganisation") of the Company and its subsidiaries (the "Group"), the Company became the holding company of the Group on 26th August, 2011. Details of the Reorganisation are set out in the prospectus dated 17th April, 2012. The shares of the Company were listed on the Stock Exchange on 27th April, 2012. During the period, the Group was principally engaged in providing one-stop integrated marketing communications services including advertising communications, PR communications and event marketing to its clients.

**2. BASIS OF PRESENTATION AND PREPARATION**

- (a) Since the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using the merger accounting method. The financial statements have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group.

The condensed consolidated comprehensive income statement and the condensed consolidated statement of changes in equity of the Group for the three months ended 31st March, 2012 include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the three months ended 31st March, 2012, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period.

In the opinion of the directors, the condensed consolidated financial statements prepared on the above basis present more fairly the results and trading position of the Group as a whole.

(b) The condensed consolidated financial statements for the three months ended 31st March, 2012 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 31st March, 2012 are consistent with those applied in the Group's audited financial statements for the year ended 31st December, 2011.

### 4. ADOPTION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted a number of new and revised IFRSs, amendments to IASs and Interpretations (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1st January, 2012. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not early adopted the new and revised IFRSs that have been issued but are not yet effective. The directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

### 5. REVENUE

Revenue, which is also the Group's turnover, represents advertising income, public relation services income and event marketing income after deduction of business tax and surcharges.

The following table sets out a breakdown of revenue:

	Notes	Unaudited	
		Three months ended 31st March,	
		2012	2011
		RMB'000	RMB'000
Advertising income		21,624.15	17,008.95
Public relation services income		3,871.01	4,547.96
Event marketing service income		7,824.87	610.50
Less: business surtax and cultural business development charge	7	557.89	1,004.34
<b>Total Revenue</b>		<b>32,762.14</b>	21,163.07

### 6. ADMINISTRATIVE EXPENSES

The administrative expenses for the current period increased by RMB 1,575,470, representing an increase of 85.30%. This increase was mainly due to the expenses related to the listing of the Company which were expensed in the condensed consolidated statement of comprehensive income statement and classified as administrative expenses. During the current period, since the listing expenses which were expensed were RMB 990,130, the administrative expenses for the current period increased significantly as compared to the corresponding period last year.

**7. TAXATION**

- (1) The Company is subject to value added tax instead of business tax since 1st January, 2012. Since the value-added tax was classified under "tax payable" instead of "business tax and cultural business development charges" in the balance sheet, "business surtax and cultural business development charges" for this year decreased by RMB446,450 as compared to the last year. As at 31st March, 2012, the amount of value-added tax incurred by the Company was RMB741,440.
- (2) Our Group did not operate in the Cayman Islands during the Track Record Period. We were not exposed to any profits tax or income tax liabilities pursuant to the relevant laws of the Cayman Islands. Our Group did not generate any profits assessable in Hong Kong and thus no provision for Hong Kong profits tax was made.

Pursuant to the Enterprise Income Tax Law which became effective on 1st January, 2008, the PRC enterprise income tax rate of all the PRC subsidiaries is 25%.

**8. DIVIDENDS**

The directors did not recommend the payment of any interim dividend for the three months ended 31st March, 2012 (three months ended 31st March, 2011: Nil).

**9. SHARE CAPITAL**

	Number of ordinary shares	Nominal value of ordinary shares <i>RMB'000</i>
Authorised:		
Authorised capital	1000	0.00832
	1000	0.00832

**10. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB7,258,900 (three months ended 31st March, 2011: RMB4,860,370), and the average number of 150,000,000 ordinary shares in issue (three months ended 31st March, 2011: 150,000,000 shares). In determining the average number of ordinary shares in issue, 150,000,000 ordinary shares in total issued by the Company pursuant to the capitalization issue were deemed to have been issued since 1st January, 2011.

No dilutive adjustment has been made to the basic earnings per share presented for the periods ended 31st March, 2012 and 2011 as the Company had no potentially dilutive ordinary shares in issue during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

We are a provider of value-added branding services with a one-stop business model, focusing on serving brands in the high value consumer goods sector. We provide one-stop integrated marketing communications services to clients, including advertising communications, PR communications and event marketing. Currently, our clients include a number of well-known brands in the automobile, home fashion and financial service sectors. The Group focuses on serving clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, internet, mobile phones and outdoor billboards as well as event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, which adds value to its branding services. For the three months ended 31st March, 2012, the total revenue of the Group was RMB 32,762,140, representing an increase of approximately 54.81% as compared with RMB 21,163,070 for the three months ended 31st March, 2011. The profit of the Group was RMB 7,258,900 during the period of three months ended 31st March, 2012, representing an increase of RMB 2,398,530 or approximately 49.35% as compared with RMB 4,860,370 for the same period last year, which was mainly attributable to the increase in operating income.

### Advertising Communications

Advertising communications income contributed a significant portion of our revenue during the period under review, which increased from RMB 17,008,950 for the period ended 31st March, 2011 to RMB 21,624,150 for the period ended 31st March, 2012. The increase in advertising communications income was attributable to the fact the Group's one-stop branding services model was increasingly recognised by our branding clients. This contributed to more advertising orders obtained by the Group as some of its clients have allocated more budgets to advertising in promoting their brands during the period under review.

### PR Communications

PR communications are integral part of our one-stop branding services, which usually include PR consultation, PR communications and media coverage and monitoring. For the three months ended 31st March, 2012, the PR communications income was RMB 3,871,010, a decrease of RMB 676,950 as compared with RMB 4,547,960 for the three months ended 31st March, 2011. The decrease in PR communications income was mainly attributable to the fact that some clients of the Company revised their brand promotion strategies and reallocated part of their PR budgets to event marketing budgets.

### Event Marketing

We organise and implement event marketing projects for clients on a regular basis, which usually includes press conferences, new products road shows, conventions, exhibitions, forums and celebration activities. Event marketing income increased from RMB 610,510 for the three months ended 31st March, 2011 to RMB 7,824,870 for the three months ended 31st March, 2012, which was mainly attributable to the fact that clients were increasingly putting emphasis on communications effects and below-the-line marketing, and thus they increased their budgets on event marketing. The Group successfully organised marketing activities for its branding clients in the first quarter of 2012, such as launch ceremonies of new brands of automobile and trial driving activities, which brought considerable revenue to the Group.

## FUTURE PROSPECTS

With the development of domestic economy and the continuous progress of urbanization, the Group will benefit from the rapid development of the domestic consumer market in China as well as the government's policy support to new service industries and cultural industries. The Group is optimistic about the future development prospects of its existing businesses. Through taking advantage of the general trend of consumption upgrading in China and adhering to its client-centric corporate philosophy, the Group intends to tap business opportunities by providing more one-stop value-added branding services to clients.

Going forward, the Group will continue to serve its existing clients and generate more revenues to develop its core business rapidly. The Group will further expand its professional teams and develop new clients in the automobile, home fashion and travel sectors. Digital marketing business is one of the key driving forces for the Group's business expansion in the current year. The Group plans to further expand the digital marketing platform, and introduce digital marketing services to clients in the automobile, home fashion and travel sectors, while the Group will update and revamp CN 汽車網 ([www.cnnauto.com](http://www.cnnauto.com)) in order to continue to enhance its influence.

The Group will improve its cross-regional service capacities by expanding its regional coverage and establishing offices in different cities in China to expand its sales network, as well as by expanding its sales and service teams in different locations to expand its existing businesses.

Depending on the market conditions, the Group will acquire a company that will complement its existing businesses and allow the Group to further expand its core businesses.

## THE INTERESTS AND SHORT POSITIONS OF OUR DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

The shares of the Company were listed on GEM on 27th April, 2012. As at 31st March, 2012, none of the directors and/or Chief Executive of our Company has any interest or short position in the shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will have to be disclosed to our Company under Divisions 7 and 8 of Part XV of the SFO.

As at the date of this report, the interests and short positions of the directors and Chief Executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules required to be notified to our Company and the Stock Exchange, are as follows:



## Long positions in the Shares of the Company

Name of director	Number of ordinary shares			Total	Percentage of the issued share capital
	Personal interest	Family interest	Interest in controlled corporation		
Mr. Fang Bin	—	—	112,500,000 <sup>(1)</sup>	112,500,000	56.25%
Mr. Lin Kaiwen	—	—	18,000,000 <sup>(2)</sup>	18,000,000	9%
Mr. Fan Youyuan	—	—	19,500,000 <sup>(3)</sup>	19,500,000	9.75%

*Note:*

1. These shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang Bin. Accordingly, under the SFC, Mr. Fang Bin is deemed to be interested in the 112,500,000 shares held by Lapta International Limited.
2. These shares are owned by Jolly Win Management Limited whose entire interests are beneficially owned by Mr. Lin Kaiwen. Accordingly, under the SFC, Mr. Lin Kaiwen is deemed to be interested in the 18,000,000 shares held by Jolly Win Management Limited.
3. These shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited whose entire interests are beneficially owned by Mr. Fan Youyuan. Accordingly, under the SFC, Mr. Fan Youyuan is deemed to be interested in the 19,500,000 shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at the date of this report, none of the directors and Chief Executive of our Company had any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange.

## THE INTERESTS OF OUR SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES AND THE INTERESTS AND SHORT POSITIONS OF OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES

The shares of the Company were listed on GEM on 27th April, 2012. As at 31st March, 2012, there was no interest or short position in the shares or underlying shares of our Company required to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO.

As at the date of this report, so far as the directors are aware, taking no account of any shares of our Company which will be issued pursuant to the options which may be granted under the Share Option Scheme as defined below, the interests or short positions owned by the following persons (other than the directors or Chief Executive of our Company) in the shares or underlying shares of our Company which are required to be notified to our Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of our Company required to be kept under section 336 of the SFO are as follows:

**Long positions in the Shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage of the issued share capital</b>
Lapta International Limited	Beneficial owner	112,500,000	56.25%
Jolly Win Management Limited	Beneficial owner	18,000,000	9%
Whales Capital Holdings Limited	Beneficial owner	19,500,000	9.75%
Taocent International Holding Limited	Interest in controlled corporation	19,500,000	9.75%
Ms. Chen Suzhen (陳素珍)	Spouse's interest	18,000,000 <sup>(1)</sup>	9%
Ms. Yin Rong (殷蓉)	Spouse's interest	19,500,000 <sup>(2)</sup>	9.75%

*Note:*

1. Mr. Lin Kaiwen beneficially owns 100% interests in Jolly Win Management Limited which holds 18,000,000 shares in the Company. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. Accordingly, Ms. Chen Suzhen is deemed to be interested in all shares in the Company held by Mr. Lin Kaiwen.
2. Mr. Fan Youyuan beneficially owns 100% interests in Taocent International Holding Limited which wholly owned Whales Capital Holdings Limited which holds 19,500,000 shares in the Company. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. Accordingly, Ms. Yin Rong is deemed to be interested in all shares in the Company held by Mr. Fan Youyuan.

Save as disclosed above and as at the date of this report, our directors are not aware of any interests or short positions owned by any persons (other than the directors or Chief Executive of our Company) in the shares or underlying shares of our Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of our Company required to be kept under section 336 of the SFO.

**DIVIDEND**

Our directors does not recommend the payment of an interim dividend for the three months ended 31st March, 2012 (2011: Nil) and therefore no closure of register is required.

**SHARE OPTION SCHEME**

The Company adopted a Share Option Scheme ("Share Option Scheme") on 10th April, 2012. The major terms and conditions of the Share Option Scheme are set out in the section "Share Option Scheme" in Appendix V of the prospectus of the Company. Since the Share Option Scheme came into effect after the Company was listed on GEM, the Company did not grant, exercise or cancel any options during the period under review and there are no outstanding options under the Share Option Scheme as at 31st March 2012.

**PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Since the shares of our Company were listed on GEM on 27th April 2012, our Company and its subsidiaries have not purchased, sold or redeemed any listed shares of our Company.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code on Corporate Governance Practices”) as set out in Appendix 15 to the GEM Listing Rules since its shares were traded on GEM.

## COMPETITION AND CONFLICTS OF INTEREST

Save as disclosed in the prospectus of the Company, for the three months ended 31st March, 2012, none of the directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules) are engaged in any business that compete or may compete, directly or indirectly, with the business of the Group and have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Company.

## AUDIT COMMITTEE

The Audit Committee was established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Paragraph C.3.3 of the Code on Corporate Governance on 10th April, 2012. The primary duties of the Audit Committee are mainly to review the financial systems of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Company. The Audit Committee consists of three members, namely Ms. Hsu Wai Man, Helen (Chairlady), Mr. Zhou Ruijin and Mr. Lin Zhiming. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the three months ended 31st March, 2012 and considers the results have been prepared in accordance with the applicable accounting standards and requirements and have been fully disclosed.

## INTERESTS OF THE COMPLIANCE ADVISER

As updated and notified by the Company’s compliance adviser, Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”), except for Anglo Chinese’s role as the sponsor of the Company’s listing, none of Anglo Chinese or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31st March, 2012 pursuant to Rule 6A.32 of the GEM Listing Rules. Pursuant to the compliance adviser agreement entered into between the Company and Anglo Chinese, subject to the terms and conditions of the compliance adviser agreement, Anglo Chinese has been appointed compliance adviser of the Company. The term of appointment shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealing as set out in Rule 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the directors of our Company in respect of the shares of the Company. Having made specific enquiries of all directors, all directors of our Company have confirmed they have complied with the required standard of dealing and the Code of Conduct for Securities Transactions by Directors since the shares of the Company were listed on GEM on 27th April, 2012.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31st March, 2012.

**By order of the board of directors of  
Branding China Group Limited  
Fang Bin  
Executive Director and Chairman**

**Shanghai, the PRC, 11th May, 2012**

*As at the date of this report, the board of directors of the Company comprises three executive directors, namely Mr. Fang Bin (Chairman), Ms. He Weiqi and Mr. Song Yijun; two non-executive directors, namely Mr. Lin Kaiwen and Mr. Fan Youyuan; and three independent non-executive directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.*