



品牌中国
BRANDING CHINA



2014 Third Quarterly Report

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

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Highlights

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2014 (the "Review Period"), the Group's revenue for the Review Period increased to approximately RMB240,252,780, representing an increase of approximately 60.24% as compared to approximately RMB149,932,150 for the corresponding period of last year.
- During the Review Period, the Group's total gross profit increased to approximately RMB65,770,610, representing an increase of approximately 30.16% as compared to approximately RMB50,529,000 for the corresponding period of last year, while the gross profit margin decreased to approximately 27.38% during the period from approximately 33.70% for the corresponding period of last year.
- During the Review Period, the Group's net profit increased to approximately RMB33,155,910, representing an increase of approximately 20.48% as compared to approximately RMB27,520,010 for the corresponding period of last year.
- During the Review Period, the Group's net profit margin decreased to 13.80% from 18.35% for the corresponding period of last year.
- During the Review Period, earnings per share of the Company were approximately RMB13.43 cents (corresponding period in 2013: approximately RMB12.61 cents).

Condensed Consolidated Statement of Comprehensive Income

The unaudited condensed consolidated results of Group for the nine months ended 30 September 2014 (the "Review Period") and three months, together with the comparative figures for the corresponding period in 2013 are as follows:

	Notes	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	5	240,252.78	149,932.15	94,772.34	78,039.15
Cost of sales		(174,482.17)	(99,403.15)	(59,247.26)	(49,097.67)
Gross profit		65,770.61	50,529.00	35,525.08	28,941.48
Other income and gains/(losses), net	5	5,005.12	712.17	1,029.98	182.87
Share of profit of associates		3.57	—	—	—
Selling and distribution expenses		(4,558.13)	(3,891.34)	(1,351.24)	(2,397.11)
Administrative expenses		(20,923.62)	(9,813.96)	(10,190.21)	(4,459.97)
Finance costs		(1,189.67)	(1,418.52)	(331.20)	(806.33)
Reverse of trade receivable impairment		100.00	576.00	—	75.00
Profit before income tax expense		44,207.88	36,693.35	24,682.41	21,535.94
Income tax expense	6	(11,051.97)	(9,173.34)	(6,170.60)	(5,383.99)
Profit for the period		33,155.91	27,520.01	18,511.81	16,151.95
Other comprehensive income for the period:					
Exchange differences on translation of foreign operations		572.19	860.45	(235.86)	91.95
Total comprehensive income for the period		33,728.10	28,380.46	18,275.95	16,243.90
Earnings per share attributable to owners of the Company:					
Basic and diluted	9	RMB13.43 cents	RMB12.61 cents	RMB7.50 cents	RMB6.45 cents

Condensed Consolidated Statement of Changes in Equity

	Issued share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profit RMB'000	Total equity RMB'000
As at 1 January 2013	1,618.44	87,125.09	2,000.00	(1,018.64)	3,852.85	93,921.37	187,499.11
Profit and total comprehensive income for the year/period	—	—	—	—	—	27,520.01	27,520.01
Exchange differences on translation of foreign operations	—	—	—	860.45	—	—	860.45
Issue of ordinary shares	378.30	112,100.32	—	—	—	—	112,478.62
As at 30 September 2013	1,996.74	199,225.41	2,000.00	(158.19)	3,852.85	121,441.38	328,358.19
	Issued share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profit RMB'000	Total equity RMB'000
As at 1 January 2014	1,996.74	203,009.10	2,000.00	(1,064.30)	4,073.95	144,565.77	354,581.26
Profit and total comprehensive income for the year/period	—	—	—	—	—	33,155.91	33,155.91
Exchange differences on translation of foreign operations	—	—	—	572.19	—	—	572.19
Issue of ordinary shares	—	—	—	—	—	—	—
As at 30 September 2014	1,996.74	203,009.10	2,000.00	(492.11)	4,073.95	177,721.68	388,309.36

Notes to the Condensed Consolidated Third Quarterly Financial Statements

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated financial statements for the Review Period 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 International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), the International Accounting Standards and Standing Interpretations Committee’s interpretations approved by the International Accounting Standards Committee, and the disclosure requirements 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 otherwise indicated.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

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 Review Period are consistent with those applied in the Group’s audited financial statements for the year ended 31 December 2013.

4. ADOPTION OF NEW AND REVISED IFRSs

In the Review Period, the Group has adopted a number of new and revised IFRSs, amendments to International Accounting Standards and Interpretations (hereinafter collectively referred to as the “new and revised IFRSs”) issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. 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 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 income from advertising, PR and event marketing services, net of business tax and surcharges.

The following table sets forth the breakdown of revenue, other income and gains:

	For the nine months ended 30 September		For the three months ended 30 September	
	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Revenue:				
Advertising income	149,121.77	99,182.94	62,526.99	53,679.80
PR services income	62,147.77	36,015.76	27,132.38	17,098.24
Event marketing services income	32,001.82	17,031.47	6,137.53	8,245.46
Less: business tax and surcharges	(3,018.58)	(2,298.02)	(1,024.56)	(984.35)
Total revenue	240,252.78	149,932.15	94,772.34	78,039.15
Other income and gains:				
Interest income	825.98	194.49	156.30	121.58
Income from issue and distribution of the Group's publications	63.90	61.64	63.90	52.25
Government subsidies	4,115.24	456.04	809.78	9.04
Total other income and gains	5,005.12	712.17	1,029.98	182.87

6. TAXATION

	For the nine months ended 30 September	
	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Current income tax		
PRC enterprises income tax expense	<u>11,051.97</u>	<u>9,173.34</u>
Income tax expense	<u><u>11,051.97</u></u>	<u><u>9,173.34</u></u>

The Group did not carry out any operation in the Cayman Islands during the Review Period, thus the Group was not subject to any profits tax or income tax liabilities pursuant to the relevant laws of the Cayman Islands. During the Review Period, no provision for Hong Kong profits tax was made since the Group did not generate any profits assessable in Hong Kong.

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

7. DIVIDENDS

The Directors did not recommend payment of any dividend for the nine months ended 30 September 2014 (for the nine months ended 30 September 2013: Nil).

8. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 15 March 2011 (date of incorporation) to 30 September 2014:

	Number of shares	RMB
Authorised:		
Upon incorporation (38,000,000 shares of HK\$0.01 each)	38,000,000	316,016
Increase in authorised share capital on 10 April 2012	<u>1,962,000,000</u>	<u>16,316,405</u>
30 September 2014	<u><u>2,000,000,000</u></u>	<u><u>16,632,421</u></u>
Issued and fully paid:		
Upon incorporation (1 issued and fully paid share of HK\$0.01)	1	—
879 and 120 fully paid shares issued on 18 April 2011 and 25 May 2011, respectively	<u>999</u>	<u>8</u>
31 December 2011	1,000	8
Capitalisation issue credited as fully paid to the share premium account of the Company (note a)	149,999,000	1,213,822
Shares issued under placing (note b)	50,000,000	404,610
New shares issued on 17 June 2013 (note c)	<u>46,810,194</u>	<u>378,297</u>
30 September 2014	<u><u>246,810,194</u></u>	<u><u>1,996,737</u></u>

Notes:

- (a) Pursuant to the resolution passed on 10 April 2012, 149,999,000 shares of HK\$0.01 each were allotted and issued in proportion to the holders of shares whose names appeared on the register of members of the Company at the close of business on 5 April 2012.
- (b) Pursuant to the Placing (as defined in the Prospectus), 50,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.98 per share. Accordingly, the share capital of the Company was increased by RMB404,610 and the balance of the proceeds of RMB79,162,977, after deducting the listing expenses of RMB10,714,085, was credited to the share premium account.
- (c) Pursuant to an agreement entered into among the Company, Always Bright Enterprises Limited ("Always Bright") and Mr. Huang Wei, the warrantor, on 19 April 2013, the Company agreed to acquire the entire issued share capital of Grand Rapids Mobile International Holdings Ltd. ("Grand Rapids Mobile") and the entire equity interests of Shanghai Ju Liu Information Technology Company Limited ("Ju Liu Information") by cash and by issue and allotment of 46,810,194 ordinary shares of HK\$0.01 each of the Company at the price of HK\$3.084 per share (the "Acquisition").

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Review Period attributable to owners of the Group of approximately RMB33,155,910 (for the nine months ended 30 September 2013: approximately RMB27,520,010), and the weighted average number of ordinary shares of 246,810,194 shares (for the nine months ended 30 September 2013: 218,175,387 shares).

Diluted earnings per share is equal to basic earnings per share, as there was no potential dilutive ordinary share issued during the nine months ended 30 September 2014.

Management Discussion and Analysis

FINANCIAL OVERVIEW

For the nine months ended 30 September 2014, the revenue of the Group was approximately RMB240,252,780 representing an increase of approximately 60.24% or approximately RMB90,320,630 as compared with approximately RMB149,932,150 for the nine months ended 30 September 2013. The gross profit of the Group increased from approximately RMB50,529,000 for the corresponding period of last year to approximately RMB65,770,610 for the Review Period, representing an increase of approximately 30.16% or RMB15,241,610. During the Review Period, the gross profit margin dropped to approximately 27.38% from 33.70% for the corresponding period of last year. For the Review Period, the net profit of the Group increased by approximately 20.48% to RMB33,155,910 as compared with the corresponding period of last year. The net profit rate for the Review Period decreased to 13.80% from 18.35% for the corresponding period of last year. For the nine months ended 30 September 2014, earnings per share of the Group were RMB13.43 cents (the corresponding period of 2013: RMB12.61 cents).

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving renowned brands. The Group provides one-stop integrated marketing communications services to clients, primarily including advertising communications, PR communications and event marketing. The existing clients primarily include brands from automobile, home fashion, finance, TV, tourism and fast-moving consumer goods sectors. The Group is committed to satisfying clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, Internet, mobile phones and outdoor media as well as various event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model. While continuing to optimize its existing professional teams to enhance the service standards, the Group further consolidated media resources, strengthened capabilities for diversified services and actively explored business partners.

As the new media in China and overseas has developed rapidly during recent years, the performance of traditional media continued to decline. Therefore, the Group has coped with the trend of rapid growth to significantly expand the digital marketing business during the Review Period, and undergone consolidation and upgrade on the basis of the existing digital marketing platform and the capabilities to provide professional services in this aspect. For the nine months ended 30 September 2014, income from the digital marketing business of the Group was approximately RMB59,054,660, representing a significant increase of approximately 129.70% or RMB33,345,000 as compared with the corresponding period of last year.

With the rapid development of the Group's digital marketing business during the Review Period, the Group continued to recruit various high-caliber personnel in the field of digital marketing (including customer services, media, strategies and writers) according to the needs of the teams, replenish and optimize the existing professional teams of the Group's digital marketing business. During the Review Period, the Group explored its media resources and enhanced its capability of the integrated marketing services, commenced business cooperation with a well-known video website on the Internet, increased its influence in the auto industry and has achieved satisfactory growth in business volume.

ADVERTISING COMMUNICATIONS

As part of the branding and marketing services customized for its clients, the Group provides professional and well-targeted advertising communications services through the SMU Publications, its self-operated website *CN 汽車網* (www.cnnauto.com), and other media. The Group is capable of providing various forms of media, including newspapers, magazines, the Internet, televisions, mobile phones and outdoor media to satisfy the different needs from different customers, to place advertisement for them.

The Group's own media resources are the SMU Publications, which include *Auto 007 Weekly Journal*, *Auto Report Magazine*, *I home Magazine*, *Shanghai Today Magazine*, *Shanghai Scene Magazine* and *CN 汽車網* (www.cnnauto.com). In addition, the Group maintains good cooperation relationships with the main stream advertising media in Shanghai and nation-wide and has extensive resources, including outdoor billboards located at prime sites of Shanghai.

Through Shanghai Ju Liu Information Technology Company Limited ("Ju Liu Information"), which was acquired by the Group in the first half of 2013, the Group has stepped up the development in the wireless advertising business which covers wireless advertising agency, wireless effect marketing and wireless advertising production. With the booming growth on the utilization rate of smart phones, coupled with the diversified development in terms of the broadcast format and mode brought by the popularity of 3G and the technical advancement of 4G technology, wireless advertising is getting more and more attention and popularity among advertisers, resulting in a brilliant performance in the business development of wireless advertising of Ju Liu Information.

During the Review Period, the income from the advertising communications business was approximately RMB149,121,770, representing an increase of approximately 50.35% or approximately RMB49,938,830 as compared with approximately RMB99,182,940 for the corresponding period of last year. The increase in the income from the advertising communications business was mainly due to the acquisition of Ju Liu Information by the Group in June 2013, which led to the consolidation of the entire business income for the Review Period into the income from advertising communications of the Group. The total income of Ju Liu Information for the nine months ended 30 September 2014 amounted to approximately RMB69,703,440, representing an increase of approximately 135.67% or RMB40,127,230 as compared with the income of RMB29,576,210 included in the consolidated financial statements for the corresponding period of last year.

PR COMMUNICATIONS

The Group's public services focus on providing the clients with tailored PR strategies as well as well-targeted and effective communications solutions, which is an integral part of the Group's one-stop branding services. Such services usually include PR consultation, PR communications and media coverage and monitoring. This business can also be divided into traditional PR and Electronic Public Relations (EPR) depending on the type of media channels involved.

In providing marketing and communications services for brand owners via digital media, the Group has accumulated extensive digital media resources, including mainstream websites and leading wireless media in China. The Group is committed to providing EPR services for brand owners, which are faster, with broader coverage and stronger interaction, including portal-based PR communications, Internet-community-based word-of-mouth communications and the emerging marketing channels like Weibo and Weixin.

For the Review Period, the Group's PR communications income was approximately RMB62,147,770, representing an increase of approximately 72.56% or approximately RMB26,132,010 as compared with approximately RMB36,015,760 for the corresponding period of last year. The increase in the income of PR communications business was mainly attributable to the substantial increase in the income from the EPR business. For the nine months ended 30 September 2014, the total income of the Group's EPR business amounted to approximately RMB56,338,270, representing an increase of approximately 130.79% or approximately RMB31,927,630 as compared to that of the corresponding period of last year. With its rapid expansion, the EPR business has become a main source of income in the Group's PR communications services, accounting for approximately 90.65% of the total income of the PR communications.

EVENT MARKETING

Event marketing forms an integral part of the consolidated marketing and communications business of the Group. The Group from time to time plans and organizes event marketing projects according to the needs of clients and to enhance the awareness of the clients' brands to the potential consumers. Such events and projects usually include press conferences, road shows for new products, conventions, exhibitions, forums and celebration activities. As an important part of the Group's integrated marketing communications services, the Group organizes marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst potential consumers. At present, below-the-line (BTL) marketing is an indispensable part of brand marketing. The Group's event marketing division provides planning and undertakes various below-the-line marketing events which are customized for its clients with a view to increasing public awareness of their brands and products and enabling the end users to have a direct experience so as to gain a deeper understanding of such products, resulting in completing the sales.

In addition, the Group also possesses multi-channel resources for organizing physical marketing activities. Apart from the traditional venues for event marketing such as convention and exhibition centers, hotels and shopping malls, the Group also provides various well-known exhibition venues in Shanghai to facilitate particular event marketing services.

The event marketing income for the Review Period was approximately RMB32,001,820, representing an increase of approximately 87.90% or approximately RMB14,970,350, as compared with that of approximately RMB17,031,470 for the corresponding period of last year. The increase in the income of event marketing was mainly due to the organization of a nation-wide, large-scale BTL promotional campaign for a well-known automobile brand by the Group during the Review Period, which helped boost the Group's income from the event marketing business.

OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB712,170 for the nine months ended 30 September 2013 to approximately RMB5,005,120 for the Review Period, which mainly represented subsidy income and interest income. The significant increase in other income and gains was due to the receipt by the Group of the government subsidies, which included the support fund for enterprises from the government and tax subsidy during the Review Period.

COST OF SALES AND GROSS PROFIT

For the Review Period, the Group's cost of sales comprised content production, printing and distribution costs of the SMU Publications (namely, *Auto 007 Weekly Journal*, *Auto Report Magazine*, *I home Magazine*, *Shanghai Today Magazine* and *Shanghai Scene Magazine*), operating costs of *www.cnnauto.com*, expenses for procuring advertising and/or text advertisements spaces as well as event organizing and production costs. The Group's cost of sales for the Review Period amounted to approximately RMB174,482,170, representing an increase of approximately 75.53% or approximately RMB75,079,020 as compared with approximately RMB99,403,150 for the nine months ended 30 September 2013. The increase in cost of sales was mainly due to the growth of business volume, the constant increase in the business income of the Group and the rapid increase in the costs of procuring advertising and event marketing in the market.

For the Review Period, the Group achieved a gross profit of approximately RMB65,770,610, representing an increase of approximately 30.16% or approximately RMB15,241,610 as compared with approximately RMB50,529,000 for the nine months ended 30 September 2013. The increase in the gross profit of the Group was primarily attributable to the rapid development of all business sectors of the Group during the Review Period. In order to assure the service quality, the Group obtained more high quality media resources at higher cost, leading to a significant increase in the cost of sales. Although cost of sales for the Review Period increased as compared with the corresponding period, the increase in sales revenue far exceeded the increase in cost of sales. As a result, gross profit of the Group increased.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Review Period amounted to approximately RMB4,558,130, representing an increase of approximately 17.14% as compared with approximately RMB3,891,340 for the corresponding period of last year. The increase was caused by the inclusion of selling and distribution expenses of Ju Liu Information in the consolidated financial statements of the Group in the Review Period due to the completion of the acquisition of Ju Liu Information in June 2013.

ADMINISTRATIVE EXPENSES

During the Review Period, the administrative expenses of the Group was approximately RMB20,923,620, representing an increase of approximately 113.20% or approximately RMB11,109,660 as compared with approximately RMB9,813,960 for the corresponding period of last year. The increase was primarily due to (i) the inclusion of the administrative expenses of Ju Liu Information in the consolidated financial statements of the Group after the completion of the acquisition of Ju Liu Information in June 2013 by the Group; (ii) the continuous expansion and improvement of the professional team by the Group to cope with the Group's business development, which resulted in a large increase in labour costs as compared with the corresponding period of last year; and (iii) the lease of new venue by the Group for the use of commercial conference and office during the Review Period, resulting in an increase of administrative expenses.

NET PROFIT AND NET PROFIT MARGIN

During the Review Period, net profit of the Group was approximately RMB33,155,910, representing an increase of approximately 20.48% or RMB5,635,900 as compared with approximately RMB27,520,010 for the corresponding period of last year. Net profit margin dropped to 13.80% from 18.35% for the corresponding period of last year, which was primarily attributable to: (i) the fact that the business of event marketing and the ratio of income from event marketing to the Group's total income increased, and the gross profit margin of such segment was relatively lower as compared with other business segments of the Group, which had resulted in an overall decrease in gross profit margin of the Group; (ii) the fact that the Group obtained more high quality media resources at higher cost in view of the market conditions so as to provide quality service to the client in the business operation. Therefore, the overall purchasing cost of each business sector increased during the Review Period.

CHARGE ON ASSETS

As at 30 September 2014, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2013: Nil).

CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group's main operations are in the PRC with most of its transactions settled in RMB. Some of the Group's bank deposits are denominated in Hong Kong dollars. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the Review Period, the Group did not hedge any exposure to foreign exchange risk.

MATERIAL ACQUISITION AND DISPOSAL

During the Review Period, there was no acquisition and disposal of subsidiaries and associated companies by the Group.

ABOUT JU LIU INFORMATION

In June 2013, the acquisition of Ju Liu Information was completed, through which, the Group significantly develops its operations in digital marketing services. Ju Liu Information primarily engages in wireless advertising agency, wireless effect marketing and wireless advertising production. For the business of wireless advertising agency, Ju Liu Information purchases advertising spaces in wireless media from media suppliers for clients to place wireless advertisements. As regards wireless effect marketing, Ju Liu Information accurately disseminates marketing information for advertisers through wireless advertising platform, MediaPower, collects useful data regarding feedbacks and behaviours of target end consumers in order to boost product sales. With its professional planning team and external production suppliers, Ju Liu Information possesses outstanding advertising design capabilities, which enable them to precisely capture the needs of clients and to provide wireless advertising design services to clients.

During the Review Period, while developing new clients, Ju Liu Information also continued to improve and build up a comprehensive vertical media layout in the auto industry through its self-established and operated automobile wemedia. It will effectively strengthen the edges of Ju Liu Information on the depth of its services and its resources in the industries, especially the automobile industry.

The Group shares client resources with Ju Liu Information, and fully capitalizes on the professional advantages of Ju Liu Information in marketing services, media integration and creative planning in the area of mobile advertising, the Group was able to enhance its capabilities in digital marketing services.

Since the acquisition of Ju Liu Information, in order to ensure its compliance with the GEM Listing Rules and the relevant laws and regulations in terms of the daily financial management, internal controls and information disclosure, the Group has implemented a series of measures to ensure the Group's full control of significant matters and financial position of Ju Liu Information.

UPDATE ON THE ACQUISITION

Pursuant to the sale and purchase agreement dated 19 April 2013 (the "S&P Agreement") entered into between the Company (as purchaser), Always Bright (as vendor) and Mr. Huang Wei (as warrantor) in relation to the Acquisition, Mr. Huang Wei and Shanghai Da Tou Information Technology Company Limited ("Shanghai Da Tou"), which is a former shareholder of Ju Liu Information and wholly owned by Mr. Huang Wei, are entitled to the retained earnings of RMB10,348,130 of Ju Liu Information as at 31 December 2012 as audited by the auditors designated by the Company in accordance with the IFRSs. Such payment of retained earnings was completed during the Review Period.

FUTURE PROSPECT

Under the influence of the nation's favourable policies that promote new media development, the Group expects that through the consolidation and active pursuit of its own business and favourable government policies, a solid result is believed to be delivered in the fourth quarter of 2014.

Upon entering into the fourth quarter, the Group will as always regard the three existing primary business segments, namely advertising communications, PR communications and event marketing as the core business of the Group and continue to enhance the synergy and competitiveness. The business focus will still be continuing to enhance the efforts in exploring the emerging media and digital marketing business, consolidating the conventional media and pursuing the expansion of the scope of existing clients (industry brands such as auto, household, finance and fast-moving consumer goods). In addition, the Group is considering to develop other cultural and media industries on the basis of steady development of the existing business, so as to expand the horizon of the Group.

In addition, the digital marketing business is a component of the Group with outstanding development. Through the advantages and resources in such area, Ju Liu Information is able to further accelerate the development of the digital marketing business of the Group, becoming a joint force to develop the businesses as a whole.

Looking forward, the Group firmly believes that through continuous optimization of the cultural and media environment and continuous increase of competitiveness, the Group can provide professional and precise brand marketing services to the customers. Capitalizing on the existing media resource, operations model and professional team, the Group will develop steadily in the rapidly-evolving cultural media industry to achieve the maximum synergies of the three primary businesses and become a new integrated brand service provider which owns a strong power of broadcast, competition and influence, so as to strive for the best interests for shareholders.

CORPORATE GOVERNANCE CODE

The Company strives to maintain a high standard of corporate governance practices. Save for the deviation below, the Directors consider that the Company has complied with all applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules during the Review Period. The Company will continue to review its corporate governance practices from time to time in order to enhance its corporate governance standards, comply with increasingly stringent regulatory requirements and meet the growing expectations of shareholders and investors.

Under code provision A1.8. of the Code, an issuer should arrange appropriate liability insurance cover in respect of any legal action against its directors. The Company has taken out such insurance cover for its Directors on 4 May 2014. During the Review Period, the Group has also organized internal training and discussion sessions. In addition, in accordance with the relevant code provisions of the Code, the Group conducted regular review of its internal control systems and conducted follow-up examinations by its Internal Audit Department.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in the "Report of the Directors" in the 2013 Annual Report of the Company, during the Review Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Group's compliance adviser, Anglo Chinese Corporate Finance, Limited, or its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in the share capital of the Group as at 30 September 2014 pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

For the nine months ended 30 September 2014, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), had engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or has 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 Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the nine months ended 30 September 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE GROUP AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name of director	Number of ordinary shares			Total	Approximate percentage of the issued share capital
	Personal interest	Family interest	Interests of controlled corporation		
Mr. Fang Bin (<i>Note 1</i>)	—	—	112,500,000 ⁽¹⁾	112,500,000	45.58%
Mr. Fan Youyuan (<i>Note 2</i>)	—	—	14,700,000 ⁽²⁾	14,700,000	5.96%

Notes:

- These Shares are owned by Lapta International Limited which is beneficially owned as to 100% by Mr. Fang Bin. Accordingly, Mr. Fang is taken or deemed to be interested in the 112,500,000 Shares held by Lapta International Limited by virtue of the SFO.
- These Shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited, the 100% interests of which is in turn beneficially owned by Mr. Fan Youyuan. Accordingly, Mr. Fan Youyuan is taken or deemed to be interested in the 14,700,000 Shares held by Whales Capital Holdings Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2014, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND THE INTERESTS AND SHORT POSITION OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2014, so far as the Directors are aware, without taking into account any Shares 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 the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	45.58%
Always Bright Enterprises Limited (Note 1)	Beneficial owner	46,810,194	18.97%
Mr. Huang Wei (Note 1)	Interest in controlled corporation	46,810,194	18.97%
Ms. Yuan Yuan (Note 1)	Spouse's interest	46,810,194	18.97%
Whales Capital Holdings Limited (Note 2)	Beneficial owner	14,700,000	5.96%
Taocent International Holding Limited (Note 2)	Interest in controlled corporation	14,700,000	5.96%
Ms. Yin Rong (Note 2)	Spouse's interest	14,700,000	5.96%
Jolly Win Management Limited (Note 3)	Beneficial owner	13,500,000	5.47%
Mr. Lin Kaiwen (Note 3)	Interest in controlled corporation	13,500,000	5.47%
Ms. Chen Suzhen (Note 3)	Spouse's interest	13,500,000	5.47%

Notes:

- Mr. Huang Wei beneficially owns the entire issued share capital of Always Bright Enterprises Limited, which in turn holds 46,810,194 Shares. For the purposes of the SFO, Mr. Huang Wei is deemed to be interested in all the Shares held by Always Bright Enterprises Limited. Ms. Yuan Yuan is the spouse of Mr. Huang Wei. For the purposes of the SFO, Ms. Yuan Yuan is deemed or taken to be interested in all the Shares in which Mr. Huang Wei is interested.
- Mr. Fan Youyuan beneficially owns the entire issued share capital of Taocent International Holding Limited which in turn wholly owns Whales Capital Holdings Limited which held 14,700,000 Shares. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. For the purposes of the SFO, Ms. Yin Rong is deemed or taken to be interested in all the Shares in which Mr. Fan Youyuan is interested.
- Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited which in turn held 13,500,000 Shares. For the purposes of the SFO, Mr. Lin Kaiwen is deemed to be interested in all the Shares held by Jolly Win Management Limited. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. For the purposes of the SFO, Ms. Chen Suzhen is deemed or taken to be interested in all the Shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above, as at 30 September 2014, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Group adopted a share option scheme (the “Share Option Scheme”) on 10 April 2012. The summary of the major terms and conditions of the Share Option Scheme is set out in the section “Share Option Scheme” in Appendix V to the prospectus of the Company dated 17 April 2012. The Company did not grant, exercise or cancel any options under the Share Option Scheme during the Review Period, and there were no outstanding options under the Share Option Scheme as at 30 September 2014.

EMPLOYEES’ SHARE AWARD SCHEME

On 29 September 2014, the Company has adopted an employees’ share award scheme (the “Share Award Scheme”). The Share Award Scheme is to recognize the contributions by certain selected employees and to give incentives thereto in order to retain them for the continual operations and development of the Group and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules and is a discretionary award scheme of the Company. For details of the Share Award Scheme, please refer to the announcement of the Company dated 29 September 2014.

No Share was awarded under the Share Award Scheme during the Review Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors for the nine months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee was established by the Company on 10 April 2012 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 Corporate Governance Code. The primary duties of the Audit Committee are to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The members of the Audit Committee include 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 nine months end 30 September 2014 and this report, and considered that the results and this report have been prepared in accordance with the applicable accounting standards and requirements.

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

Shanghai, the PRC, 10 November 2014

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