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

2013
First Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Highlights

- Based on the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to the "Group"), for the three months ended 31 March 2013, the Group's revenue decreased to approximately RMB30,896,450, representing a decrease of approximately 5.69% as compared to the corresponding period last year.

- During the Review Period, the Group's total gross profit decreased to approximately RMB11,358,160, representing a decrease of approximately 18.02% as compared to the corresponding period last year. The gross profit margin decreased to approximately 36.76% during the period from approximately 42.29% for the corresponding period last year.

- The Group's net profit for the three months ended 31 March 2013 decreased to approximately RMB6,585,540, representing a decrease of approximately 9.28% as compared to the corresponding period last year.

- The Group's net profit margin (excluding listing expenses) for the three months ended 31 March 2013 decreased to approximately 21.31% from approximately 22.16% for the corresponding period last year.

- Earnings per share of the Group for the three months ended 31 March 2013 were RMB3.48 cents (corresponding period in 2012: RMB4.84 cents).

Condensed Consolidated Statement of Comprehensive Income

The unaudited condensed consolidated results of Branding China Group Limited (the "Company") and its subsidiaries (together, the "Group") for the three months ended 31 March 2013 (the "Review Period") together with the comparative figures for the corresponding periods in 2012 are as follows:

		Unaudited	
		Three months ended 31 March	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	5	**30,896.46**	32,762.14
Cost of sales		**(19,538.29)**	(18,906.85)
Gross profit		**11,358.17**	13,855.29
Other income and gain/(loss), net		**528.35**	51.71
Selling and distribution expenses		**(432.50)**	(266.25)
Administrative and other expenses		**(2,403.30)**	(3,422.52)
Financing cost		**(270)**	—
Profit before income tax		**8,780.72**	10,218.23
Income tax expense	6	**(2,195.18)**	(2,959.33)
Profit for the period		**6,585.54**	7,258.90
Other comprehensive income for the period:			
Exchange differences on translating foreign operations		**381.07**	(1.18)
Total comprehensive income for the period		**6,966.61**	7,257.72
Earnings per share attributable to owners of the Company:			
Basic and diluted	9	**RMB3.48 cents**	RMB4.84 cents

Condensed Consolidated Statement of Changes in Equity

	Issued 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 2012	0.0083	19,890.02	2,000.00	(492.06)	3,316.07	62,101.76	86,815.79
Profit and total comprehensive income for the year/period	—	—	—	—	—	7,258.90	7,258.90
Ordinary shares in issue	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	—	(1.18)	—	—	(1.18)
As at 31 March 2012	0.0083	19,890.02	2,000.00	(493.24)	3,316.07	69,360.65	94,073.51

	Issued 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)**	**3,852.86**	**93,921.37**	**187,499.12**
Profit and total comprehensive income for the year/period	**—**	**—**	**—**	**—**	**—**	**6,585.54**	**6,585.46**
Exchange differences on translating foreign operations	**—**	**—**	**—**	**381.07**	**—**	**—**	**381.07**
Ordinary shares in issue	**—**	**—**	**—**	**—**	**—**	**—**	**—**
As at 31 March 2013	**1,618.44**	**87,125.09**	**2,000.00**	**(637.57)**	**3,852.86**	**100,506.91**	**194,465.73**

Notes to Condensed Consolidated First 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 of the Group (the "Reorganisation"), 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 Group dated 17 April 2012. 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 providing one- stop integrated marketing communications services including advertising communications, PR communications and event marketing to its clients.

2. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of 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 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 when otherwise indicated.

The condensed consolidated financial statements were unaudited but were reviewed by the audit committee of the Company.

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 31 March 2013 are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2012.

4. ADOPTION OF NEW AND REVISED IFRSs

In the Review 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 1 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 Review 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, PR services income and event marketing services income after deduction of business tax and surcharges.

The following table sets out a breakdown of revenue:

	Unaudited For the three months ended 31 March	
	2013	2012
	RMB'000	*RMB'000*
Advertising income	**18,103.43**	21,624.15
PR services income	**9,230.84**	3,871.01
Event marketing services income	**4,041.29**	7,824.87
Less: business tax and surcharges and cultural business development charge	**479.10**	557.89
Total revenue	**30,896.46**	32,762.14

6. TAXATION

The Group did not operate in the Cayman Islands during the Review Period. The Group was not exposed to any profits tax or income tax liabilities pursuant to the relevant laws of the Cayman Islands. The 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 1 January 2008, the PRC enterprise income tax of all the PRC subsidiaries is 25%.

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2013 (for the three months ended 31 March 2012: Nil).

8. SHARE CAPITAL

As at 31 March 2013, the share capital was approximately RMB1,618,440. The Company was listed on the GEM of the Stock Exchange on 27 April 2012, and there were 50,000,000 shares issued pursuant to the placing.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the total comprehensive income for the period attributable to owners of the Group of approximately RMB6,966,610 (for the three months ended 31 March 2012 : approximately RMB7,257,720), and 200,000,000 shares were in issue as of 31 March 2013 (for the three months ended 31 March 2012: 150,000,000 shares). In determining the average number of ordinary shares in issue, 150,000,000 ordinary shares in total issued by the Group pursuant to the capitalisation issue were deemed to have been issued since 1 January 2011. On 27 April 2012, the Company allotted 50,000,000 shares by way of placing.

Management Discussion and Analysis

FINANCIAL REVIEW

For the Review Period, the revenue of the Group was approximately RMB30,896,460, representing a decrease of approximately 5.69% or RMB1,865,680 as compared with approximately RMB32,762,140 for the three months ended 31 March 2012. The total gross profit of the Group was approximately RMB11,358,170 for the Review Period, representing a decrease of approximately 18.02% or RMB2,497,120 as compared with approximately RMB13,855,290 for the three months ended 31 March 2012. The gross profit margin fell to approximately 36.76% for the period from approximately 42.29% for the same period last year. The net profit of the Group for the Review Period decreased by approximately 9.28% from the same period last year to approximately RMB6,585,540. The net profit margin of the Group for the Review Period registered a decrease to approximately 21.31% from approximately 22.16% for the same period last year. Earnings per share of the Group for the Review Period were RMB3.48 cents (corresponding period in 2012: RMB4.84 cents).

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving well-known brands in the consumer goods sector. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, PR communications and event marketing. Currently, the Group's clients include brands in the automobile, home fashion, financial service sectors and luxury consumer goods sectors and/or their advertising or PR agencies. 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 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. During the Review Period, the Group further consolidated media resources, enhanced the team's professional expertise and strengthened its capabilities for its integrated marketing communications services. The Group has also continued to optimize the composition of the industries of its clients and has set about developing clients in the travel, financial and retail sectors and proactively explored strategic partners.

The Group attached great importance to the development of digital marketing business and continued to expand its digital marketing platform and enhance professional capabilities for its digital marketing services. During the Review Period, brand owners were increasingly in pursuit of the integration of digital marketing communications services of the Group with the emerging instant communication tools and the development of Wechat communications marketing services. In addition, the Group emphasized on integrating its self-operated traditional media with digital media. By capitalising on the advantages of traditional media in terms of contents and closer collaboration with digital marketing media, it provided the clients with a new form of integrated marketing communications services. Hence, it continuously improved the professionalism of the Group's digital marketing communications services and an increasing number of brand owners began to use the digital media services of the Group.

The Group's principal business activities include advertising communications, PR communications and event marketing.

ADVERTISING COMMUNICATION

As part of the customised branding and marketing services to its clients, the Group provides professional and well-targeted advertising communications services through the SMU Publications (including *Auto Report, I home, Shanghai Today, Shanghai Scene and Auto 007*), CN 汽車網 (*www.cnnauto.com*), its self-operated website, and other media.

The income from the advertising communications business of the Group for the Review Period was RMB18,103,430, representing a decrease of approximately 16.28% or RMB3,520,720 as compared with RMB21,624,150 for the three months ended 31 March 2012. The decrease was mainly attributable to fact that the 15th Shanghai International Auto Show was held in late April 2013. To accommodate their own promotional needs during the event, certain brand owner clients of our Group in the automobile industry adjusted their brand marketing strategies and allocated part of their budgets for advertising communications from the first quarter of 2013 to the second quarter of 2013.

PR COMMUNICATIONS

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

For the Review Period, the PR communications income was approximately RMB9,230,840, representing a significant increase of approximately 138.46% or RMB5,359,830 as compared with approximately RMB3,871,010 for the three months ended 31 March 2012. The traditional PR communications business and EPR business saw significant growth because (i) during the Review Period, the income from the Group's traditional PR communications service grew significantly by 46.27% to RMB3,668,620 as compared with the same period last year, which was mainly attributable to adjustment of brand marketing communication strategies of certain automobile clients of the Group, resulting in an increase in the budgets for traditional PR communications; (ii) during the Review Period, the EPR income was approximately RMB5,562,220, representing a substantial increase of approximately 308.11% or RMB4,199,310 as compared to the same period last year, and accounting for approximately 60.26% of the Group's communications income during the Review Period. The large increase in the income from PR communications business was mainly due to the significant growth of EPR business of the Group, gradual expansion of the service team, stable client base and continuous efforts in seeking greater market share.

EVENT MARKETING

The Group organises and implements event marketing projects for clients from time to time, which usually includes press conferences, new products road shows, conventions, exhibitions, forums and celebration activities. As an important part of the Company's integrated marketing communications services, the Group organises marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst potential clients. Below-the-line (BTL) marketing has become an indispensable part of brand marketing. The Group's event marketing division plans and implements customised marketing events 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, or even prompting them to buy the products instantly.

The event marketing income for the Review Period was approximately RMB4,041,290, representing a decrease of approximately 48.35% or RMB3,783,580 as compared with approximately RMB7,824,870 for the three months ended 31 March 2012. Such decrease was mainly due to the facts that (i) during the Review Period, an important client of the Group suspended the launch of new car models, resulting in a lower budget for advertising communications for the first quarter and in turn an increase in the budget allocated to the second quarter; (ii) the Shanghai International Auto Show was held in late April of 2013 and as a result, certain brand owner clients of the Group in the automobile industry put more efforts in brand promotion during the auto show in the second quarter of 2013, contributing to reduction in the budget allocated to brand promotion for the first quarter of 2013.

OTHER INCOME AND GAINS

Other income and gains increased notably from approximately RMB51,710 for the three months ended 31 March 2012 to approximately RMB528,350 for the Review Period, which mainly represented interest income and subsidy income. The substantial increase of such income was mainly attributable to the subsidy income representing subsidies granted by the government to enterprises which have to pay more taxes due to the tax reform under which sales tax was reclassified into value-added tax in 2012. Therefore, subsidy income increased significantly in the first quarter of 2013.

COST OF SALES AND GROSS PROFIT

For the Review Period, the key components of the Group's cost of sales comprised content production, printing and distribution costs of the SMU Publications, operating costs of CN 汽車網 (*www.cnnauto.com*), expenses for procuring advertising and/or text advertisements space as well as event organising and production costs. The Group's cost of sales for the Review Period amounted to approximately RMB19,538,290, representing an increase of approximately 3.34% or RMB631,440 as compared with RMB 18,906,850 for the three months ended 31 March 2012. Such increase was mainly due to the expansion of the business team of the Group which led to higher labour costs.

For the Review Period, the Group achieved a gross profit of approximately RMB11,358,170, representing a decrease of approximately 18.02% or RMB2,497,120 as compared with RMB13,855,290 for the three months ended 31 March 2012. The Group's gross profit margin decreased from approximately 42.29% for the three months ended 31 March 2012 to approximately 36.76% for the Review Period. The decrease in gross profit margin was mainly attributable to the expansion of the Company's professional team, which led to an increase in labour costs and hence higher cost of sales in the Review Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Review Period amounted to approximately RMB432,500, representing an increase of approximately 62.44% as compared with approximately RMB266,250 for the three months ended 31 March 2012. The increase was due to the fact that the Group's selling and distribution expenses for the three months ended 31 March 2012 primarily represented travelling expenses and administration expenses only, while the selling and distribution expenses during the Review Period also included entertainment expenses as a result of the reclassification of salaries by the Company during the Review Period.

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES

During the Review Period, administrative expenses and other expenses for the period amounted to approximately RMB2,403,300, representing a decrease of approximately 29.78% or RMB1,019,210 as compared with approximately RMB3,422,510 for the three months ended 31 March 2012. Such decrease was primarily due to the fact that the listing expenses were approximately RMB990,130 for the three months ended 31 March 2012, while the Group did not incur any such expense for the Review Period.

FOREIGN EXCHANGE RISK

The Group's main operations are in the PRC with most of its transactions settled in Renminbi. 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.

PLEDGE OF ASSETS

As at 31 March 2013, the Group had no assets pledged for bank borrowings or for other purposes.

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any significant contingent liabilities.

ACQUISITION OF A WIRELESS MARKETING SERVICES COMPANY

On 21 March 2013, the Company entered into a non-legally binding memorandum of understanding ("Potential Investment MOU") with an independent third party in respect of the potential acquisition ("Potential Acquisition"). Pursuant to the Potential Investment MOU, the Company would acquire 100% equity interest of a wireless marketing services company through the Potential Acquisition. The proposed consideration would be paid in Hong Kong dollar, equivalent to RMB 150 million. For details of the Potential Acquisition, please refer to the announcement of the Company dated 21 March 2013.

On 19 April 2013, the Company (as purchaser) entered into an agreement (the "Agreement") with Always Bright Enterprises Limited (as vendor) (the "Vendor") and Mr. Huang Wei, (as warrantor), pursuant to which the Company shall acquire the entire issued share capital of Grand Rapids Mobile International Holdings Ltd. (the "Target Company") and subsequently the entire equity interests of Shanghai Ju Liu Information Technology Company Limited* (上海巨流信息科技有限公司) ("Ju Liu Information") at the total consideration of HK$200,045,371 (equivalent to RMB161,666,667), comprising cash consideration in the total amount of HK$55,682,732 (equivalent to RMB45,000,000) and the issue and allotment of the consideration shares (the "Consideration Shares") of 46,810,194 new shares of the Company (the "Shares") to the Vendor. Upon completion of the transactions contemplated under the Agreement (the "Acquisition"), the Company will indirectly hold 100% equity interests in Ju Liu Information through the Target Company and its subsidiaries (together, the "Target Group") and all members of the Target Group (including Ju Liu Information) will become the wholly owned subsidiaries of the Company and their accounts will be consolidated in the financial statements of the Group. Ju Liu Information is mainly engaged in wireless marketing businesses, including wireless advertising agency, wireless effect marketing and wireless advertising production, in the PRC.

As the relevant percentage ratios for the Acquisition calculated under Rule 19.07 of the GEM Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. The Consideration Shares will be allotted and issued under specific mandate to be sought at an extraordinary general meeting (the "EGM") to be convened by the Company. A circular containing further details of, among others, the Acquisition and the EGM will be despatched to the shareholders of the Company (the "Shareholders") in due course.

For further details, please refer to the announcement of the Company dated 19 April 2013.

RESIGNATION OF NON-EXECUTIVE DIRECTOR

In order to ensure that the shareholding percentage held by public (as defined under the GEM Listing Rules) (the "Public Float") in the Company will be no less than the prescribed percentage under the GEM Listing Rules upon the issue and allotment of the Consideration Shares, on 22 April 2013, after deliberations amongst members of the Board, Mr. Lin Kaiwen ("Mr. Lin"), a non-executive Director and a connected person (as defined under the GEM Listing Rules) of the Company, had decided to tender, and the Board had accepted, his resignation as a non-executive Director with effect from 22 April 2013 (the "Resignation"). As a result, the Shares held by Mr. Lin through Jolly Win Management Limited shall be regarded as held by public (as defined under the GEM Listing Rules), and hence the Public Float in the Company will be no less than the prescribed percentage under the GEM Listing Rules. In addition to ensuring that the Public Float is maintained at no less than 25% before and after the issue and allotment of the Consideration Shares, Mr. Lin tendered his Resignation as a non-executive Director to focus on his other personal and business pursuits.

Mr. Lin had confirmed that (i) he had no claim against the Company in respect of his Resignation; (ii) he had no disagreement with the Board; and (iii) there is no matter in relation to his Resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders.

For further details, please refer to the announcement of the Company dated 22 April 2013.

FUTURE PROSPECTS

Looking ahead, the Group is expected to benefit from the rapid development of the domestic consumer market in China as well as the government's policy to support new service industries and cultural industries. The Group is optimistic about the future development prospects of the existing businesses.

The Group will continue to expand its media resources. Leveraging on the strategy of "providing low-cost and differentiated services", the Group will introduce innovative measures in developing the media and event marketing resources in the secondary and tertiary markets, in a bid to reproduce the established one-stop integrated marketing communication services across regions. It is a historic opportunity for the Group to achieve sustainable and rapid development with a firm grip on the marketing channels of brand owners which have been extended to other secondary and tertiary markets.

In 2013, the production and sale of Chinese automobiles are expected to reach a record high. According to China Association of Automobile Manufacturers, the market demand for automobiles for the year 2013 will reach approximately 20,800,000, and the sale of Chinese automobiles will amount to 20,650,000 for the year. Capitalising on its core advantages, the Group will further expand and optimise its clientele in the automobile industry. It will take opportunity of the growing trend of domestic consumption in China and provide professional one-stop value-added branding services to clients. The Group will proactively develop new clients in other sectors in order to tap more business opportunities.

Digital marketing business is one of the key driving forces for the Group's business expansion. During the Review Period, the self-operated digital media website of the Group, CN 汽車網 (*www.cnnauto.com*) recorded an income of RMB481,130 and EPR business achieved an income of RMB5,562,220. The two businesses of the Group recorded an overall income of RMB6,043,350, representing an increase of approximately 200% as compared with the same period of last year. With continuous increase in the variety of resources available for digital media, ongoing optimization of the professional team and further expansion of communication platforms, digital marketing services of the Group are expected to see rapid growth and contribute to the Group's revenue growth. In addition, the Group will continue to improve its existing digital marketing tools, increased its research and development efforts on new digital media platforms and products, and introduce digital marketing services to clients in the automobile, home fashion and travel sectors.

In order to further enhance its business model and expand its business scale, the Group will continuously explore new opportunities to acquire companies that can complement its existing businesses under favorable market conditions.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Review Period, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 under the GEM Listing Rules) had any interest in the share capital of the Group as at 31 March 2013, pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESSES

Save as disclosed in the Prospectus, for the Review Period, 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) were engaged in any business that competed 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 other conflicts of interest which any such person(s) had or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the shares of the Company were listed on GEM on 27 April 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the SFO) which will have to be notified to the 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 of the Company as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the ordinary shares of the Company

Name of director	Number of ordinary shares: Personal interest *RMB*	Number of ordinary shares: Family interest *RMB*	Interest in controlled corporation *RMB*	Total	Percentage of the issued share capital *RMB*
Mr. Fang Bin	—	—	112,500,000[1]	112,500,000	56.25%
Mr. Lin Kaiwen	—	—	18,000,000[2]	18,000,000	9%
Mr. Fan Youyuan	—	—	19,500,000[3]	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 SFO, 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, a non-executive Director as at 31 March 2013. Accordingly, under the SFO, Mr. Lin Kaiwen is deemed to be interested in the 18,000,000 shares held by Jolly Win Management Limited. Mr. Lin Kaiwen had resigned as a non-executive Director on 22 April 2013. For further details, please refer to the announcement of the Company dated 22 April 2013.

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 SFO, 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 31 March 2013, none of the Directors and Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 the Company and the Stock Exchange.

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

As at 31 March 2013, so far as the Directors are aware, taking no account of any shares of the 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 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 of the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital
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[(1)]	9%
Ms. Yin Rong (殷蓉)	Spouse's interest	19,500,000[(2)]	9.75%

Notes:

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. Mr. Lin Kaiwen was a non-executive Director as at 31 March 2013 and had resigned as a non-executive Director on 22 April 2013. For further details, please refer to the announcement of the Company dated 22 April 2013.

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 31 March 2013, 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 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 the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme ("Share Option Scheme") on 10 April 2012. The major terms and conditions of the Share Option Scheme are set out in the section "Share Option Scheme" in Appendix V to the prospectus of the Company. The Company did not grant, exercise or cancel any options during the Review Period, and there are no outstanding options under the Share Option Scheme as at 31 March 2013.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing as set out in Rule 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 enquiries of each of the Directors, all of the Directors have confirmed they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the Review Period.

AUDIT COMMITTEE

An audit Committee (the "Audit Committee") was established by the Group 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 on 10 April 2012. The primary duties of the Audit Committee are mainly 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 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 Review Period and considered that the results have been prepared in accordance with the applicable accounting standards and requirements.

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

Shanghai, the PRC,
13 May 2013

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.