



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 Third Quarterly Report

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report, for which the directors (the “Directors”) of Branding China Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any content herein or this report misleading.

Highlights

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2013, the Group's revenue increased to RMB149,932,150, representing an increase of approximately 52.29% as compared to the corresponding period of last year.
- During the Review Period, the Group's total gross profit increased to RMB50,529,000, representing an increase of approximately 18.00% as compared to the corresponding period of last year, while the gross profit margin decreased to approximately 33.70% from 43.39% for the corresponding period of last year.
- During the Review Period, the Group recorded an increase in net profit to RMB27,520,010, representing an increase of approximately 15.60% as compared to the corresponding period of last year.
- The Group's net profit margin for the nine months ended 30 September 2013 decreased to approximately 18.35% from approximately 24.18% for the corresponding period of last year.
- Earnings per share of the Group for the nine months ended 30 September 2013 were approximately RMB12.61 cents (corresponding period in 2012: approximately RMB13.39 cents).

Condensed Consolidated Statement of Comprehensive Income

The unaudited condensed consolidated results of Branding China Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2013 (the “Review Period”) and the three months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012 are as follows:

	Notes	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	5	149,932.15	98,448.90	78,039.15	31,483.04
Cost of sales		(99,403.15)	(55,628.59)	(49,097.67)	(19,649.90)
Gross profit		50,529.00	42,820.31	28,941.48	11,833.14
Other income and gains/(losses), net	5	712.17	408.32	182.87	186.87
Investment income/(loss)		—	56.17	—	(18.81)
Selling and distribution expenses		(3,891.34)	(1,081.69)	(2,397.11)	(326.94)
Administrative expense		(9,813.96)	(10,462.67)	(4,459.97)	(1,703.50)
Finance cost		(1,418.52)	—	(806.33)	—
Impairment of trade receivables		576.00	—	75.00	—
Profit before income tax		36,693.35	31,740.44	21,535.94	9,970.76
Income tax expense	6	(9,173.34)	(7,935.11)	(5,383.99)	(2,492.69)
Profit for the period		27,520.01	23,805.33	16,151.95	7,478.07
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operations		860.45	5.90	91.95	(442.27)
Total comprehensive income for the period		28,380.46	23,811.23	16,243.90	7,035.80
Earnings per share attributable to owners of the Company:					
Basic and diluted	9	RMB12.61 cents	RMB13.39 cents	RMB6.45 cents	RMB3.52 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 2012	0.00832	19,890.02	2,000.00	(492.06)	3,316.07	62,101.76	86,815.80
Profit and total comprehensive income for the year/period	—	—	—	—	—	23,805.33	23,805.33
Exchange differences arising from translation of foreign operations	—	—	—	5.90	—	—	5.90
Issue of ordinary shares	1,633.45	64,607.14	—	—	—	—	66,240.59
As at 30 September 2012	1,633.46	84,497.16	2,000.00	(486.16)	3,316.07	85,907.09	176,867.62
	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)	3,852.86	93,921.37	187,499.11
Profit and total comprehensive income for the year/period	—	—	—	—	—	27,520.01	27,520.01
Exchange differences arising from 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)	3,852.86	121,441.38	328,358.19

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 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 “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 to its clients, including advertising communications, PR communications and event marketing.

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 “GEM Listing Rules”), 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 when otherwise indicated.

The condensed consolidated financial statements are unaudited but have been 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 Review Period 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 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 Review Period and prior periods/years.

The Group has not adopted in advance 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, i.e. the Group's turnover, represents incomes from advertising, public relation services and event marketing services, net of business tax and surcharges. Other income and gains represent interest income, issue and distribution income of the Group's publications and government subsidy. Government subsidy mainly represents the tax support fund granted by Dongjing Town, Songjiang District, Shanghai.

The analysis of revenue, other income and gains are as follows:

	Unaudited For the nine months ended 30 September		Unaudited For the three months ended 30 September	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Advertising income	99,182.94	62,298.86	53,679.80	18,485.19
Public relation services income	36,015.76	16,725.49	17,098.24	5,456.60
Event marketing services income	17,031.47	21,301.62	8,245.46	8,056.12
Less: business tax and surcharges	2,298.02	1,877.07	984.35	514.87
Total	149,932.15	98,448.90	78,039.15	31,483.04
Other income and gain:				
Interest income	194.49	81.30	121.58	19.44
Issue and distribution income of the Group's publications	61.64	96.59	52.25	—
Government subsidy	456.04	303.00	9.04	240.00
Net profit or loss on disposal of fixed assets	—	(72.57)	—	(72.57)
Total	712.17	408.32	182.87	186.87

6. TAXATION

	As at 30 September 2013 RMB'000 (unaudited)	As at 30 September 2012 RMB'000 (unaudited)
Current income tax	—	—
Overseas enterprises income tax expense	—	—
PRC enterprises income tax expense	<u>(9,173.34)</u>	<u>(7,935.11)</u>
Income tax expense	<u><u>(9,173.34)</u></u>	<u><u>(7,935.11)</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. 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 subsidiaries in the PRC is 25%.

7. DIVIDENDS

The Directors did not recommend payment of any dividend for the nine months ended 30 September 2013 (for the nine months ended 30 September 2012: 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 2013:

	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>
31 December 2012	<u>2,000,000,000</u>	<u>16,632,421</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 on 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 2013	<u>246,810,194</u>	<u>1,996,737</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 appearing on the register of members of the Company at the close of business on 5 April 2012.
- (b) Pursuant to the listing and placing of the Company on 27 April 2012, 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 and Mr. Huang Wei, the warrantor, on 19 April 2013, the Company agreed to acquire the entire issued share capital in Grand Rapids Mobile International Holdings Ltd. ("Grand Rapids Mobile") and subsequently the entire equity interests of 上海巨流信息科技有限公司 (Shanghai Ju Liu Information Technology Company Limited) ("Ju Liu Information") by cash and by issue and allotment of 46,810,194 ordinary shares of HK0.01 each of the Company at the issue 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 attributable to owners of the Group of approximately RMB27,520,010 for the Review Period (for the nine months ended 30 September 2012: approximately RMB23,811,230), and the weighted average number of ordinary shares of 218,175,387 shares.

In determining the average number of ordinary shares in issue, the Company has taken into account the 200,000,000 ordinary shares in issue as at 1 January 2013 and the 46,810,194 ordinary shares issued on 17 June 2013 referred to in note 8 above.



Management Discussion and Analysis

SUMMARY OF RESULTS

During the first three quarters of 2013, the economic development in China continued to slow down. The growth in gross domestic productivity (GDP) was only approximately 7.7%. The operation of various industries in China was negatively affected during the Review Period and the operating environment of both advertisers and media operators in China has become more challenging.

During the Review Period, despite the unfavourable market conditions, the revenue of the Group increased by approximately 52.29% to RMB149,932,150 as compared to the same period of last year. For the Review Period, the total gross profit of the Group grew by approximately 18.00% to RMB50,529,000 and net profit rose approximately 15.60% to RMB27,520,010 as compared to the same period of last year, highlighting the Group's diversified branding services and the strong competitiveness of its integrated marketing communications services.

Excluding the revenue of Ju Liu Information relating to the Acquisition (as defined in note 8(c) to the financial statements above) in June this year, the Group's revenue for the Review Period increased by approximately 22.72% to RMB120,815,730 as compared to the same period of last year (for comparison purpose, the revenue slightly increased by approximately 1.82% to RMB68,183,080 for the six months ended June 2013 as compared to the same period of last year). Excluding the gross profit of Ju Liu Information relating to the Acquisition in June this year, the Group's gross profit for the Review Period decreased by approximately 19.56% to RMB34,446,390 as compared to the same period of last year (for comparison purpose, the gross profit decreased by approximately 34.95% to RMB20,158,020 for the six months ended June 2013 as compared to the same period of last year). Excluding the profit of Ju Liu Information relating to the Acquisition in June this year, the profit of the Group during the Review Period decreased by approximately 20.52% to RMB 18,921,260 as compared to the same of last year (for comparison purpose, the profit for the six months ended June 2013 decreased by approximately 30.74% to RMB11,307,920 as compared to the same period of last year).

In addition, the digital marketing business of the Group maintained a strong growth momentum. For the nine months ended 30 September 2013, the total income of the EPR business was RMB24,410,640, representing a growth of approximately 232.87% or RMB17,077,240 as compared to the same period of last year.

The Group achieved a significant breakthrough which has milestone meaning by completing the Acquisition during the Review Period. It realized a series of progress and breakthroughs in terms of business development through the Acquisition. These included (i) maximizing quality media resources through its professional customer services and refining operational capability to provide strong support for delivering more effective marketing services by the Group to its clients; (ii) while laying foundation and support for the improvement and optimization of the mobile marketing platform of the Company, penetrating into the marketing services system of advertisers and exploring the sophisticated marketing demand and setting a business model based on mobile marketing service providers to strengthen the core competitiveness of the Company in the industry; and (iii) jointly executing several highly effective and good quality projects that set precedents in the related industries by way of a selection of effective sources of media and cooperations with major media companies.

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 high value consumer goods sector. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, public relations (“PR”) communications and event marketing. Currently, clients include 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 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 optimized its existing professional teams, further consolidated media resources, strengthened capabilities for diversified services and actively explored business partners. During the Review Period, the Group continued to optimize the variety of its clients by industry, and continue to develop clients in the travel and financial sectors. During the Review Period, 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. Excluding the revenue of Ju Liu Information, for the nine months ended 30 September 2013, income from the digital marketing business increased by approximately 126.17% or RMB14,342,230 from the corresponding period of last year to RMB25,709,660.

During the Review Period, the Group acquired the entire equity interests of Grand Rapids Mobile and Ju Liu Information through the Acquisition. Grand Rapids Mobile is an investment holding company while Ju Liu Information mainly provides wireless marketing services for its brand customers based on wireless advertising platform and is primarily engaged in wireless advertising sales, wireless advertising production and wireless effect marketing. The customers of Ju Liu Information are mainly domestic and international reputable brands and well-known advertising agencies for famous brands. Its existing clients include numerous brands ranging from the automobile, finance, fast moving consumer goods, baby products, hospitality, e-commerce to digital products sector across different regions including Shanghai, Nanjing, Chengdu, Changchun, Qingdao and Xinjiang.

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



ADVERTISING COMMUNICATIONS

As part of the customized branding and marketing services to its clients, the Group provides professional and well-targeted advertising communications services through its own publications, namely *Auto 007*, *Auto Report*, *I home*, *Shanghai Today*, *Shanghai Scene* (collectively, the “SMU Publications”), www.cnnauto.com, its self-operated website, and other media. The Group provides various forms of media for clients to place advertisements, ranging from newspapers, magazines, internet to mobile phones and outdoor media. The Group’s special media resources are the SMU Publications and CN 汽車網 (www.cnnauto.com). The advertising media in which the Company operates in cooperation with external partners cover the mainstream media of Shanghai and China at large, including outdoor billboards located at the prime sites of Shanghai.

In recent years, along with advertisers’ increasing attention to wireless advertising, the performance of the wireless business of Ju Liu Information grew remarkably and achieved a total income of approximately RMB68,108,200 in 2012 and approximately RMB50,016,680 during the Review Period. In order to further enhance the development and expansion scale in the area of mobile marketing and establish its influence, Ju Liu Information continues to focus on the analysis on the effectiveness and the pros and cons of this media so as to lay the foundation for improving and optimizing its mobile media platform. The Group also gains deeper understanding of the sales and marketing systems of its advertising clients to explore the increasingly sophisticated demand for advertising related services to enhance their sales performance. In this regard, the Group offers a mobile marketing service oriented business model based on mobile marketing services with a view to continually strengthen the core competitiveness of Ju Liu Information in the field. Leveraging on its professional customer services and meticulous operational capability, Ju Liu Information proactively explores new clients based on a business model which is aimed at retaining long-term clients. Ju Liu Information obtained seven new clients during the Review Period, of which one client was from fast consumption sector, one from the automobile sector, three from the finance sector and two from other sectors.

The Group’s income from the advertising communications business for the Review Period was approximately RMB99,182,940, representing an increase of approximately 59.21% or approximately RMB36,884,080 as compared with approximately RMB62,298,860 for the nine months ended 30 September 2012. Such growth was primarily due to: (i) the Group’s enhanced efforts in securing more spendings by its major clients in traditional media during the Review Period, leading to a significant growth in advertising communications business of the Group as compared with the corresponding period of last year; (ii) the inclusion of the income for the four months ended 30 September 2013 (the “Relevant Period”) of Ju Liu Information in the total advertising communications income of the Group for the nine months ended 30 September 2013 as a result of the Acquisition in June 2013. The total income of Ju Liu Information during the Relevant Period was approximately RMB29,576,210. Without taking into account the contribution from Ju Liu Information for the Relevant Period, the income derived from the advertising communications business of the Group was approximately RMB69,606,730, representing a growth of approximately 11.73% or approximately RMB7,307,870 as compared to the same period of last year.

For the nine months ended 30 September 2013, the income of Ju Liu Information was RMB50,016,680, of which RMB20,440,470 represented the total income of Ju Liu Information from January to May 2013. During the Relevant Period, the total income of Ju Liu Information was RMB29,576,210. The table below sets forth the breakdown of the income of Ju Liu Information during the Relevant Period:

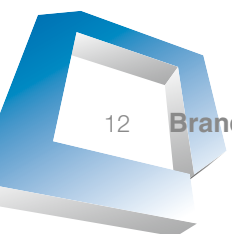
Type of Business	The Relevant Period (RMB)
Wireless advertising sale	14,486,871.21
Wireless advertising marketing	981,599.06
Wireless effect production	14,107,744.39
Total	<u>29,576,214.66</u>

PR COMMUNICATIONS

PR communications are an integral part of the Group's one-stop branding services, which focus 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 electronic public relations ("EPR") services 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, which allows the Group to offer brand owners faster, more far-reaching and interactive EPR services (including portal-based PR communications, Internet-community-based word-of-mouth communications and the emerging Weibo marketing and Weixin marketing, etc.). With its rapid expansion, the EPR business has become a main source of income in the Group's PR communications services, accounting for 67.78% of the total income from PR communications services of the Group.

For the Review Period, the PR communications income was approximately RMB36,015,760, representing an increase of approximately 115.33% or RMB19,290,270 as compared with approximately RMB16,725,490 for the nine months ended 30 September 2012. Such an increase was mainly attributable to the Group's expanding digital marketing team and increasing popularity of the EPR business among brand owners, thus maintaining a strong growth momentum in the EPR business. For the nine months ended 30 September 2013, the total income of the Group's EPR business amounted to approximately RMB24,410,640, representing an increase of approximately 232.87% or RMB17,077,240 as compared to that of the corresponding period last year.



EVENT MARKETING

The Group organizes and undertakes event marketing projects for clients from time to time, which usually includes press conferences, road shows for new products, conventions, exhibitions, forums and celebration activities. As an important part of the Company'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 customers. Below-the-line (BTL) marketing has become an indispensable part of brand marketing. The Company's event marketing division plans and undertakes customized 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 Group also possesses multi-channel resources for organizing physical marketing activities. In addition to traditional venues for event marketing such as convention and exhibition centers, hotels and shopping malls, the Group provides event marketing services to brand owners in other venues (including various well-known exhibitions in Shanghai) in order to facilitate the carrying out of its tailor-made event marketing services.

The event marketing income for the Review Period was approximately RMB17,031,470 while that for the nine months ended 30 September 2012 was approximately RMB21,301,620, representing a decrease of approximately 20.05% or RMB4,270,150 as compared with the corresponding period of last year. Such decrease was mainly due to the adjustment to brand marketing strategies of certain clients of the Group from the event marketing services to EPR communication services.

OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB408,320 for the nine months ended 30 September 2012 to RMB712,170 for the Review Period, which mainly represented subsidy income and interest income. The increase of other income and gains was due to (i) the government grant of RMB456,040 received by the Group in aggregate during the Review Period, representing an increase of RMB153,040 as compared to the same period of last year; and (ii) the interest income of the Group's bank deposits of RMB194,490 during the Review Period, representing an increase of RMB113,190 as compared to the same period of last year.

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 (namely, *Auto 007*, *Auto Report*, *I home*, *Shanghai Today* and *Shanghai Scene*), operating costs of CN汽車網, 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 RMB99,403,150, representing an increase of approximately 78.69% or RMB43,774,560 as compared with approximately RMB55,628,590 for the nine months ended 30 September 2012. Such increase was mainly due to (i) the increase in advertising communications business of the Group, resulting in an increase in relevant costs; and (ii) the consolidation of the financial results of Ju Liu Information during the Relevant Period into the financial statements of the Group for the Relevant Period and the inclusion of the cost of sales of Ju Liu Information during the Relevant Period into that of the Group, leading to a significant increase in the cost of sales during the Review Period as compared to the nine months ended 30 September 2012.

For the Review Period, the Group achieved a gross profit of approximately RMB50,529,000, representing an increase of approximately 18.00% or approximately RMB7,708,690 as compared with approximately RMB42,820,310 for the nine months ended 30 September 2012. Such increase was mainly due to the Acquisition during the Review Period. The gross profit of Ju Liu Information for the Relevant Period had been included in that of the Group for the Review Period, resulting in an increase in the gross profit of the Group. During the Review Period, the gross profit margin of the Group slightly decreased to approximately 33.70% from 43.39% for the nine months ended 30 September 2012. Such decrease was mainly attributable to: (i) a drop in overall gross profit margin despite the increase in the traditional media which generated lower profit than digital marketing business during the Review Period; (ii) the economic slowdown in China, causing relatively more prudent marketing expenses by major clients of the Group during the Review Period and decreasing spendings by them on the Group's services with higher gross profit margin, such as traditional PR business; and (iii) the continuous optimization and expansion of the Company's professional teams, thus leading to an increase in labour cost.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Review Period amounted to approximately RMB3,891,340, representing an increase of approximately 259.75% as compared with approximately RMB1,081,690 for the nine months ended 30 September 2012. Such increase was due to the fact that the selling and distribution expenses for the nine months ended 30 September 2012 primarily represented items such as travelling expenses, while the selling and distribution expenses for the Review Period also included the salaries of certain sales staff and service fees and property management fees as a result of the Acquisition, and thus resulting in a significant increase in selling and distribution expenses.

ADMINISTRATIVE EXPENSES

For the Review Period, although the salaries and benefits of staff increased as a result of the Acquisition, the total administrative expenses decreased by approximately RMB648,710 or approximately 6.20% as compared with the corresponding period of last year. Such decrease was primarily due to the fact that certain listing expenses of the Group were expensed in the condensed consolidated statement of comprehensive income and classified as administrative expenses for the nine months ended 30 September 2012, and no listing expenses of the Group were expensed in the Review Period.

CHARGE ON ASSETS

As at 30 September 2013, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2012: Nil).

CONTINGENT LIABILITIES

As at 30 September 2013, 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 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.

MATERIAL ACQUISITION AND DISPOSAL

On 19 April 2013, the Company entered into a sale and purchase agreement in respect of the Acquisition. The Company acquired Grand Rapids Mobile and indirectly held the entire equity interest in Ju Liu Information. Grand Rapids Mobile is a company established in the British Virgin Islands with limited liability holding the entire equity interest in Ju Liu Information through Grand Rapids Holdings (HK) Limited and Shanghai You Xiong Enterprises Management Consultancy Company Limited. For details, please refer to the announcement and circular of the Company dated 19 April 2013 and 20 May 2013, respectively.

ABOUT JU LIU INFORMATION

The Group has implemented a set of measures to enhance information reporting and management of Ju Liu Information since the completion of the Acquisition, so as to ensure that the daily financial management, internal control and information disclosure of Ju Liu Information are in compliance with the requirements set out in the GEM Listing Rules and relevant regulations. Ju Liu Information closely adheres to such measures and completes the reporting information forms on a monthly basis pursuant to the relevant standards, enabling the Group to exert control over the important and financial matters of Ju Liu Information.

The Group and Ju Liu Information share client resources and provide related services to the clients of each other to generate more business synergies. The Group fully capitalizes on the professional advantages of Ju Liu Information, such as marketing services, media integration and creative planning in mobile advertising, so as to enhance its capabilities in digital marketing services. The Group achieves the diversification of clientele through the Acquisition and gains direct access to the service hubs of Ju Liu Information in Beijing, Guangzhou and Chengdu, thus speeding up the development of a national network for the Group's integrated marketing communication services.

FUTURE PROSPECT

According to the statistics published by the National Statistic Bureau of the People's Republic of China and *The Advertising Expenditure Report of First Half of 2013* issued by Meihua Information (梅花信息), the actual growth of total retail sales of consumer goods in the PRC for the first three quarters of 2013 was only 11.3%, representing a year-on-year decrease of 0.3% and a quarter-on-quarter decrease of 0.1%. The slower growth was primarily the result of a sluggish economic environment, particularly the weaker sentiment in domestic consumption and the unfavourable market conditions of the advertising industry. According to the Advertising Expenditure Report of First Half of 2013 issued by Meihua Information (梅花信息), for the first half of 2013, the overall advertising market in relation to magazines and newspapers recorded a significant decrease of approximately 7.9%. The downtrend in advertising market continued in the third quarter of 2013.

The performance of the Group for the Review Period has not been materially affected despite under various challenges. Amid the current economic conditions, the Company has achieved an increase of approximately 52% in its revenue with satisfactory results. The Group's business volume showed a significant increase as compared with the corresponding period of last year. Particularly, the Company has laid a solid foundation for rapid business development by acquiring Ju Liu Information, a company engaging in digital media business. We are confident about the prospect of the Group's business development.

The Acquisition facilitated the growth of the Group in terms of the scale of the Group's digital marketing business and further led the Group to become a leading integrated branding service player in the PRC. The Group and Ju Liu Information will share client resources and provide related services to the clients of each other to generate more business synergies. The Group will fully capitalize on the professional platform of Ju Liu Information, such as marketing services, media integration and creative planning in mobile advertising, so as to enhance its capabilities in digital marketing services. The Group will have direct access to Ju Liu Information's service hubs in Beijing, Guangzhou and Chengdu, thus speeding up the development of a national network. The Acquisition will facilitate the diversification of clientele of the Group, so as to reduce its exposure to market risks resulting from changes in seasonality of the clients' industries.

Going forward, the Group will continue to serve existing clients with a view to generating more revenue. It will further expand and optimize its clients in the automobile and home fashion sectors and significantly capture more clients in the finance and travel sectors. Digital marketing business is one of the key businesses developed by the Group. The Group will continue to increase investments, expand its professional team, enhance the professionalism of its services and provide quality digital marketing services to its clients. In addition, the Group will continue to expand its digital media branding marketing business and explore acquisition opportunities in the interest of the long term development of the Group.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") contained 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.

INTEREST 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 30 September 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.



COMPETING BUSINESS

Save as disclosed in the Prospectus, for the nine months ended 30 September 2013, 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 competes or may compete, directly or indirectly, with the business of the Group or 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 Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company for the nine months ended 30 September 2013.

THE 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 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 any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including any interests or short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance) or required to be entered in the register of the Company pursuant to section 352 of the Securities and Futures Ordinance, or which were 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		Interest in controlled corporation	Total	Percentage of the issued share capital
	Personal interest	Family interest			
Mr. Fang Bin (<i>note 1</i>)	—	—	112,500,000	112,500,000	45.58%
Mr. Fan Youyuan (<i>note 2</i>)	—	—	19,500,000	19,500,000	7.90%

Notes:

- These shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang Bin. Accordingly, under the Securities and Futures Ordinance, Mr. Fang Bin is deemed or taken to be interested in the 112,500,000 shares held by Lapta International Limited.
- 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 Securities and Futures Ordinance, Mr. Fan Youyuan is deemed or taken to be interested in the 19,500,000 shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at 30 September 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 (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required to be entered in the register of the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which were 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 IN THE SHARES AND UNDERLYING SHARES AND THE INTERESTS AND SHORT POSITIONS OF OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2013 and so far as the Directors are aware, excluding 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 were required to be notified to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or which were required to be recorded in the register of the Company under section 336 of the Securities and Futures Ordinance were as follows:

Long positions in the shares of the Company

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 (<i>note 1</i>)	Beneficial owner	46,810,194	18.97%
Mr. Huang Wei (<i>note 1</i>)	Interest in controlled corporation	46,810,194	18.97%
Ms. Yuan Yuan (<i>note 1</i>)	Spouse's interest	46,810,194	18.97%
Whales Capital Holdings Limited (<i>note 2</i>)	Beneficial owner	19,500,000	7.90%
Taocent International Holding Limited (<i>note 2</i>)	Interest in controlled corporation	19,500,000	7.90%
Ms. Yin Rong (<i>note 2</i>)	Spouse's interest	19,500,000	7.90%
Jolly Win Management Limited (<i>note 3</i>)	Beneficial owner	18,000,000	7.29%
Mr. Lin Kaiwen (<i>note 3</i>)	Interest in controlled corporation	18,000,000	7.29%
Ms. Chen Suzhen (<i>note 3</i>)	Spouse's interest	18,000,000	7.29%

Notes:

1. Mr. Huang Wei beneficially owns the entire issued share capital of the Always Bright Enterprises Limited which holds 46,810,194 shares. For the purposes of the Securities and Futures Ordinance, Mr. Huang Wei is deemed to be interested in all shares held by Always Bright Enterprises Limited. Ms. Yuan Yuan is the spouse of Mr. Huang Wei. For the purposes of the Securities and Futures Ordinance, Ms. Yuan Yuan is deemed or taken to be interested in all shares in which Mr. Huang Wei is interested.
2. Mr. Fan Youyuan beneficially owns the entire issued share capital of Taocent International Holding Limited which wholly owns Whales Capital Holdings Limited which in turn holds 19,500,000 shares of the Company. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. For the purposes of the Securities and Futures Ordinance, Ms. Yin Rong is deemed or taken to be interested in all shares in which Mr. Fan Youyuan is interested.
3. Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited which holds 18,000,000 shares. For the purposes of the Securities and Futures Ordinance, Mr. Lin Kaiwen is deemed to be interested in all shares held by Jolly Win Management Limited. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. For the purposes of Securities and Futures Ordinance, Ms. Chen Suzhen is deemed to or taken to be interested in all shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above and as at 30 September 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 were required to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or which were required to be recorded in the register of the Company under section 336 of the Securities and Futures Ordinance.

SHARE OPTION SCHEME

The Company 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. The Company did not grant, exercise or cancel any options during the Review Period, and there were no outstanding options under the Share Option Scheme as at 30 September 2013.

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 2013.

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 Code on Corporate Governance on 10 April 2012. 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 ended 30 September 2013 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 of
Branding China Group Limited
Fang Bin
Executive Director and Chairman

Shanghai, the PRC, 12 November 2013

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; 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.

