



品牌中国
BRANDING CHINA

BRANDING CHINA GROUP LIMITED

品牌中國集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8219)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2014

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HIGHLIGHTS

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2014, the Group's revenue increased to approximately RMB60,331,060, representing an increase of approximately 95.27% as compared to the corresponding period of last year.
- During the Review Period, the Group's total gross profit increased to approximately RMB13,562,430, representing an increase of approximately 19.41% as compared to the corresponding period of last year, while the gross profit margin decreased to approximately 22.48% during the Review Period from approximately 36.76% for the corresponding period of last year.
- During the Review Period, the Group's net profit increased to approximately RMB6,792,360, representing an increase of approximately 3.14% as compared to the corresponding period of last year.
- The Group's net profit margin for the Review Period decreased to approximately 11.26% from approximately 21.31% for the corresponding period of last year.
- Earnings per share of the Group for the Review Period were approximately RMB2.75 cents (corresponding period in 2013: RMB3.29 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 three months ended 31 March 2014 (the "Review Period"), together with the comparative figures for the corresponding period in 2013 are as follows:

	Notes	Unaudited For the three months ended 31 March	
		2014 RMB'000	2013 RMB'000
Revenue	5	60,331.06	30,896.46
Cost of sales		(46,768.63)	(19,538.29)
Gross profit		13,562.43	11,358.17
Other income and gains, net	5	2,864.09	528.35
Selling and distribution expenses		(1,698.83)	(432.50)
Administrative expenses		(5,366.35)	(2,403.30)
Finance costs		(306.29)	(270.00)
Share of profits of an associate		1.43	–
Profit before income tax expense		9,056.48	8,780.72
Income tax expense	6	(2,264.12)	(2,195.18)
Profit for the period		6,792.36	6,585.54
Other comprehensive income for the period:			
Exchange differences on translation of foreign operations		990.98	381.07
Total comprehensive income for the period		7,783.34	6,966.61
Earnings per share attributable to owners of the Company:			
Basic and diluted	9	RMB2.75 cents	RMB3.29 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital surplus <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total equity <i>RMB'000</i>
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 period	-	-	-	-	-	6,585.54	6,585.54
Exchange differences on translation of foreign operations	-	-	-	381.07	-	-	381.07
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
	Issued capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital surplus <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total equity <i>RMB'000</i>
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 period	-	-	-	-	-	6,792.36	6,792.36
Exchange differences on translation of foreign operations	-	-	-	990.98	-	-	990.98
As at 31 March 2014	1,996.74	203,009.10	2,000.00	(73.32)	4,073.95	151,358.13	362,364.60

NOTES TO THE 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 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 Group was principally engaged in the provision of one-stop integrated marketing communications services to its clients, including advertising communications, public relations ("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 2013.

4. ADOPTION OF NEW AND REVISED IFRSs

During 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, which is also the Group's turnover, represents incomes from advertising, PR communications and event marketing services, net of business tax and surcharges. Other income and gains represent interest income and government subsidy.

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

	Unaudited	
	For the three months	
	ended 31 March	
	2014	2013
	RMB'000	RMB'000
Advertising income	21,000.79	18,103.43
PR communications income	20,380.45	9,230.84
Event marketing services income	20,030.39	4,041.29
Less: business tax and surcharges	1,080.57	479.10
Total	60,331.06	30,896.46
Other income and gains:		
Interest income	351.27	18.35
Government subsidy	2,512.82	510.00
Total	2,864.09	528.35

6. TAXATION

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 assessable profits in Hong Kong. Therefore, income tax expense represented the PRC enterprise income tax expense. Pursuant to the PRC 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%. During the Review Period, the total income tax expense of the Group amounted to RMB2,264,120 (for the three months ended 31 March 2013: RMB2,195,180).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2014 (for the three months ended 31 March 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 (the date of incorporation) to 31 March 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>
As at 31 March 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>
Capitalisation issue credited as fully paid on the share premium account of the Company (<i>note a</i>)	149,999,000	1,213,822
Shares issued under placing (<i>note b</i>)	50,000,000	404,610
New shares issued on 17 June 2013 (<i>note c</i>)	<u>46,810,194</u>	<u>378,297</u>
As at 31 March 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 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 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 attributable to owners of the Group of approximately RMB6,792,360 for the Review Period (for the three months ended 31 March 2013: approximately RMB6,585,540), and the weighted average number of ordinary shares of 246,810,194 (for the three months ended 31 March 2013: 200,000,000 shares).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the three months ended 31 March 2014 and the three months ended 31 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF RESULTS

During the Review Period, the economic development in China continued to slow down. The operating environment of both advertisers and media operators in China has become more challenging. Despite the unfavourable market conditions, the revenue of the Group during the Review Period increased by approximately 95.27% to approximately RMB60,331,060 as compared to the same period of last year. For the Review Period, the total gross profit of the Group grew by approximately 19.41% to approximately RMB13,562,430 and net profit rose by approximately 3.14% to approximately RMB6,792,360 as compared to the same period of last year.

Excluding the revenue of Ju Liu Information relating to the Acquisition (as defined in note 8(c) to the financial statements above) in June 2013, the Group's revenue for the Review Period increased by approximately 70.92% to approximately RMB52,807,550 as compared to the same period of last year. In addition, the digital marketing business of the Group maintained a strong growth momentum of which the total income of the digital marketing business of the Group for the Review Period was approximately RMB26,365,880, representing a growth of approximately 336.28% or RMB20,322,530 as compared to the same period of last year.

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving brands in the high-end consumer goods sector. The Group provides clients with one-stop integrated marketing communications services, including advertising communications, PR communications and event marketing services. Existing clients include brands from the automobile, home fashion and finance 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. For the Review Period, the Group optimized its existing professional teams, further consolidated media resources, strengthened capabilities for diversified services and actively explored business partners, kept diversifying the sectors of clients served by it, and started to develop clients in the travel, financial, commercial property and retail sectors. During the Review Period, the Group had secured 4 new clients, one of which is from the automobile industry, one from the financial industry and two from the fast-moving goods and other sectors.

The Group makes efforts on the development of digital marketing business and continues to expand its digital marketing platform and enhance abilities for digital marketing services while identifying acquisition opportunity which is favourable to the long-term growth of the Group. The Group acquired the entire issued share capital of Grand Rapids Mobile and subsequently the entire equity interests of Ju Liu Information in June 2013. Ju Liu Information mainly provides wireless marketing services for its brand customers based on wireless advertising platform and is primarily engaged in wireless advertisement sales, wireless advertisement production and wireless effect marketing.

ADVERTISING COMMUNICATIONS

As part of the customised branding and marketing services, the Group provides professional and well-targeted advertising communications services to its clients through the SMU Publications referred to below, *CN 汽車網* (www.cnnauto.com), our 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 own media resources are the SMU Publications which include *Auto 007*, *Auto Report*, *I home*, *Shanghai Today*, *Shanghai Scene* and the Group's self-operated website, *CN 汽車網* (www.cnnauto.com). The advertising media in which the Company operates in cooperation with external partners covers the mainstream media of Shanghai and China at large, including outdoor billboards located at prime sites of Shanghai.

The income from the advertising communications business for the Review Period was approximately RMB21,000,790, representing a slight increase of approximately 16.00% or RMB2,897,360 as compared with approximately RMB18,103,430 for the three months ended 31 March 2013. As a result of the completion of the Acquisition in June 2013, the income of Ju Liu Information for the three months ended 31 March 2014 has been consolidated into the advertising communications income of the Group. Without taking into account the contribution from Ju Liu Information for the Review Period, the income derived from the advertising communications business of the Group was approximately RMB13,243,590, representing a drop of approximately 26.84% or RMB4,859,840 as compared with the same period of last year. The drop was due to the adjustment in the plan of annual advertisement spendings of the Group's clients during the Review Period by postponing their advertisement spendings for the first quarter to the second quarter of 2014.

The income of Ju Liu Information for the Review Period was approximately RMB7,757,200. The following table sets forth the breakdown of the income of Ju Liu Information for the Review Period:

Business Segments	For the Review Period
Wireless advertisement sales	2,786.92
Wireless effect marketing	4,147.40
Wireless effect production	<u>822.88</u>
Total	<u><u>7,757.20</u></u>

PR COMMUNICATIONS

PR communications services 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") depending on the type of media channels.

In providing marketing and communications services to 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 extensive and interactive EPR services (portal-based PR communications, online-community-based word-of-mouth communications and social media marketing, etc.).

For the Review Period, the PR communications income was approximately RMB20,380,450, representing an increase of approximately 120.79% or RMB11,149,610 as compared with approximately RMB9,230,840 for the three months ended 31 March 2013. Such an increase was mainly attributable to the Group's continuous development in the digital media resources and the continuous expansion of its digital marketing professional team, together with the increasing popularity of the EPR business among brand owners, resulting in a substantial increase in the income from the EPR business of the Group in the Review Period as compared with the corresponding period of last year, therefore boosting the overall income from the Group's PR communications business. During the Review Period, the income from EPR business was approximately RMB18,467,170, representing an increase of approximately 232.01% or RMB12,904,950 as compared with the same period of last year. During the Review Period, the income from traditional PR business was approximately RMB1,913,280, representing a significant decrease of 47.85% or RMB1,755,340 as compared to the corresponding period of last year, primarily due to the fact that a major client had not released new products during the Review Period, resulting in a decrease in the PR business volume.

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 Group's integrated marketing communications services, the Group organises marketing and promotional campaigns in accordance with the specific requirements of its clients with a goal to enhance the brand's awareness amongst potential users. 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 an aim to increase public awareness of its brands and products, enabling the end users to have direct experience of the products so as to achieve a deeper understanding of such products, or even prompting them to buy the products instantly.

The income from several event marketing projects undertaken by the Group during the Review Period amounted to approximately RMB20,030,390, representing an increase of approximately 395.64% or RMB15,989,100 as compared with approximately RMB4,041,290 during the three months ended 31 March 2013. Such considerable increase was mainly due to the national large-scale BTL promotional campaign organized by the Group for an automobile brand during the Review Period, resulting in a substantial increase in our event marketing income.

OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB528,350 for the three months ended 31 March 2013 to approximately RMB2,864,090 for the Review Period, which mainly represented subsidy income and interest income. The increase of other income and gains was due to an increase in the government grant received by the Group during the Review Period, which mainly comprised the tax support fund granted by Dongjing Town, Songjiang District, Shanghai and the tax support fund granted by Minhang District, Shanghai amounting to RMB2,512,820 in aggregate, representing an increase of RMB2,002,820 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 (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 RMB46,768,630, representing an increase of approximately 139.37% or RMB27,230,340 as compared with approximately RMB19,538,290 for the three months ended 31 March 2013. Such increase was mainly due to the expanding business scale of the Group and the increasing income of all businesses, resulting in an increase in relevant costs.

For the Review Period, the Group achieved a gross profit of approximately RMB13,562,430, representing an increase of approximately 19.41% or approximately RMB2,204,260 as compared with approximately RMB11,358,170 for the three months ended 31 March 2013. Such increase was mainly due to the completion of the Acquisition in June 2013. The gross profit of Ju Liu Information for the Review Period had been included in that of the Group, resulting in an increase in the gross profit of the Group. During the Review Period, the gross profit margin of the Group decreased to approximately 22.48% from approximately 36.76% for the three months ended 31 March 2013. Such decrease was mainly attributable to: (i) the substantial increase in the income of the Group's event marketing business with lower gross margin as compared to the corresponding period of last year, while the income from PR business with higher gross margin decreased as compared to the corresponding period of last year, thus decreasing the overall gross margin of the Group; and (ii) the continuous optimization and expansion of the Group'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 RMB1,698,830, representing an increase of approximately 292.79% as compared with approximately RMB432,500 for the three months ended 30 March 2013. Such increase was due to the completion of the Acquisition in June 2013 and therefore the salary and social insurance of the staff of Ju Liu Information of approximately RMB1,481,020 has been consolidated into the selling and distribution expenses of the Group during the Review Period.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Review Period increased by approximately RMB2,963,050 or approximately 123.29% as compared with the same period of last year. For the Review Period, the Group continuously optimized its professional team, resulting in an increase of human resources costs by approximately 91.15% or RMB1,424,130 as compared to the corresponding period of last year. Besides, as a result of the Acquisition, the administrative expenses of Ju Liu Information were consolidated into that of the Group, resulting in the increase in the total administrative expenses.

CHARGE ON ASSETS

As at 31 March 2014, the Group did not charge any of its assets for bank borrowings or for any other purposes (as at 31 December 2013: Nil).

CONTINGENT LIABILITIES

As at 31 March 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 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.

ABOUT JU LIU INFORMATION

The Group has implemented a set of measures to enhance information reporting and management of Ju Liu Information for the Review Period, so as to ensure that the 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 forms on a monthly basis pursuant to the relevant standards, enabling the Group to exert control over the important information 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.

For the Review Period, Ju Liu Information completed exclusive cooperation with two vertical media application groups which are the largest in the automobile industry by far, further improving its service quality and resource advantage in the automobile industry. Ju Liu Information will continue to explore cooperation opportunities with relevant application groups in respect of news and information, aviation and travelling as well as music. As for the development and marketing of media products, Ju Liu Information will facilitate the establishment of its own media product system, in order to expand coverage in a progressive manner.

UPDATE ON THE ACQUISITION

As provided in the sale and purchase agreement dated 19 April 2013 entered into between the Company (as purchaser), Always Bright Enterprises Limited (永光企業有限公司) (as vendor) and Mr. Huang Wei (as warrantor) in relation to the Acquisition, 上海大頭信息科技有限公司 (Shanghai Da Tou Information Technology Company Limited) (“Shanghai Da Tou”), a former shareholder of Ju Liu Information, and Mr. Huang Wei are entitled to the retained earnings of Ju Liu Information as at 31 December 2012 as audited by the auditors specified by the Company in accordance with the International Financial Reporting Standards. The retained earnings of Ju Liu Information as at 31 December 2012 were RMB10,348,130.

The retained earnings of Ju Liu Information as at 31 December 2012 will be paid in the second quarter of 2014. The payment method will be subject to the unanimous approval by the board of directors of Ju Liu Information and the assessment of the Company in its absolute discretion.

FUTURE PROSPECT

The performance of the Group for the Review Period has not been materially affected despite various challenges. Amid the current economic conditions, the Group has achieved an increase of approximately 95.27% in its revenue with satisfactory results. The Group’s business volume maintained gradual growth. The Directors 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 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.

Going forward, the Group will continue to serve existing clients with a view to generating more revenue. The Group 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

The Company is committed to maintaining a high standard of corporate governance practices. The Directors consider that the Company has complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules during the Review Period, except for the deviation from code provision A.1.8 of the Code as described below.

Under code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. The Company did not have such insurance cover for its Directors for the Review Period. This is deviated from code provision A.1.8 of the Code.

In order to comply with code provision A.1.8 of the Code, the Company has arranged appropriate liability insurance cover in respect of legal action against the Directors. The Company compared the proposals of various insurance companies during the Review Period and made specific arrangement with an insurance company. As at the date of this announcement, the Company has completed the purchase of such insurance.

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in the "Report of the Directors" in the annual report of the Company dated 20 March 2014, 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 31 March 2014 pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

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) 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 Review Period.

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

As at 31 March 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 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			Total	Approximate percentage of the issued share capital
	Personal interest	Family interest	Interest in controlled corporation		
Mr. Fang Bin (note 1)	–	–	112,500,000	112,500,000	45.58%
Mr. Fan Youyuan (note 2)	–	–	14,700,000	14,700,000	5.96%

Notes:

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

Save as disclosed above, as at 31 March 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 (within the meaning 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 any interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 March 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, 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 (<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	14,700,000	5.96%
Taocent International Holding Limited (<i>note 2</i>)	Interest in controlled corporation	14,700,000	5.96%
Ms. Yin Rong (<i>note 2</i>)	Spouse's interest	14,700,000	5.96%
Jolly Win Management Limited (<i>note 3</i>)	Beneficial owner	13,500,000	5.47%
Mr. Lin Kaiwen (<i>note 3</i>)	Interest in controlled corporation	13,500,000	5.47%
Ms. Chen Suzhen (<i>note 3</i>)	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 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 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 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 or taken 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 the SFO, Ms. Chen Suzhen is deemed or taken to be interested in all Shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above, as at 31 March 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 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 of the Company dated 17 April 2012. 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 31 March 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 Review Period.

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 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 Review Period and this announcement, and considered that the results and this announcement have been prepared in accordance with the applicable accounting standards and requirements.

By order of the board of Directors
Fang Bin
Executive Director and Chairman

Shanghai, the PRC, 8 May 2014

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.brandingchinagroup.com.