



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2012**

**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.

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Highlights

- Based on the unaudited condensed consolidated results of the Group, for the nine months ended 30th September, 2012, the Group's revenue increased to RMB98,448,900, representing an increase of approximately 13.15% as compared to the corresponding period last year
- During the Review Period, the Group's total gross profit increased to RMB42,820,310, representing an increase of approximately 18.91% as compared to the corresponding period last year. The gross profit margin increased to approximately 43.49% during the period from 41.39% for the corresponding period last year
- During the Review Period, the Group's net profit (excluding listing expenses) increased to RMB28,348,270, representing an increase of approximately 16.36% as compared to the corresponding period last year. After including listing expenses, the net profit for the nine months ended 30th September, 2012 increased to RMB23,805,330, representing an increase of approximately 15.23% as compared to that for the nine months ended 30th September, 2011
- The Group's net profit margin (excluding listing expenses) for the nine months ended 30th September, 2012 increased slightly to 28.79% from 28.00% for the corresponding period last year. After including listing expenses, the net profit margin for the nine months ended 30th September, 2012 increased slightly to 24.18% from 23.74% for the corresponding period last year
- Earnings per share of the Group for the nine months ended 30th September, 2012 were approximately RMB13.39 cents (corresponding period in 2011: RMB13.77 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 nine months (the “Review Period”) and the three months ended 30th September, 2012 together with the comparative figures for the corresponding periods in 2011 are as follows:

	Notes	Unaudited Nine months ended 30 th September		Unaudited Three months ended 30 th September	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	5	98,448.90	87,010.85	31,483.04	26,487.13
Cost of sales		(55,628.59)	(51,001.39)	(19,649.90)	(14,658.28)
Gross profit		42,820.31	36,009.46	11,833.14	11,828.85
Other income and gain/(loss), net		408.32	199.33	186.87	(15.75)
Investment income/(loss)		56.17	215.08	(18.81)	139.60
Selling and distribution expenses		(1,081.69)	(1,269.74)	(326.94)	(420.36)
Administrative expenses		(10,462.67)	(7,608.24)	(1,703.50)	(5,647.59)
Profit before income tax		31,740.44	27,545.89	9,970.76	5,884.75
Income tax expense	6	(7,935.11)	(6,886.47)	(2,492.69)	(1,303.60)
Profit for the period		23,805.33	20,659.42	7,478.07	4,581.15
Other comprehensive income for the period:					
Exchange differences on translating foreign operations		5.90	—	(442.27)	—
Total comprehensive income for the period		23,811.23	20,659.42	7,035.80	4,581.15
Earnings per share attributable to owners of the Company		RMB13.39	RMB13.77	RMB3.52	RMB3.05
Basic and diluted	9	cents	cents	cents	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 st January, 2011	—	—	2,000.00	—	1,000.00	29,964.52	32,964.52
Profit and total comprehensive income for the year/period	—	—	—	—	—	20,659.42	20,659.42
Ordinary shares in issue	<u>0.00832</u>	<u>19,859.65</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,859.66</u>
As at 30th September, 2011	<u>0.00832</u>	<u>19,859.65</u>	<u>2,000.00</u>	<u>—</u>	<u>1,000.00</u>	<u>50,623.94</u>	<u>73,483.60</u>
	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 st 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 on translating foreign operations	—	—	—	5.90	—	—	5.90
Ordinary shares in issue	<u>1,633.45</u>	<u>64,607.14</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>66,240.59</u>
As at 30th September, 2012	<u>1,633.46</u>	<u>84,497.16</u>	<u>2,000.00</u>	<u>(486.16)</u>	<u>3,316.07</u>	<u>85,907.09</u>	<u>176,867.62</u>

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 15th March, 2011. Pursuant to the reorganisation of the Group (the “Reorganisation”), the Company became the holding company of the Group on 26th August, 2011. Details of the Reorganisation are set out in the prospectus of the Group dated 17th April, 2012. The shares of the Company were listed on the Stock Exchange on 27th 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

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

The condensed consolidated comprehensive income statement and the condensed consolidated statement of changes in equity of the Group for the nine months ended 30th September, 2012 include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the nine months ended 30th September, 2012, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period.

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

- (b) The condensed consolidated financial statements for the nine months ended 30th September, 2012 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 nine months ended 30th September, 2012 are consistent with those applied in the Group’s audited financial statements for the year ended 31st December, 2011.

4. ADOPTION OF NEW AND REVISED IFRSs

In the 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 1st January, 2012. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the 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		Unaudited	
	For the nine months ended 30 th September,		For the three months ended 30 th September,	
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advertising income	62,298.86	55,921.66	18,485.19	16,560.97
PR services income	16,725.49	17,570.27	5,456.60	6,081.04
Event marketing services income	21,301.62	17,766.00	8,056.12	5,200.64
Less: business tax and surcharges and cultural business development charge	1,877.07	4,247.08	514.87	1,355.52
Total revenue	98,448.90	87,010.85	31,483.04	26,487.13

6. TAXATION

- 1) According to the relevant regulation, the Company is subject to value added tax instead of business tax since 1st January, 2012. Since the value added tax was classified under "tax payable" in the balance sheet instead of "business tax and surcharges and cultural business development charges" in the consolidated statement of comprehensive income, the total amount of "business tax and surcharges and cultural business development charge" for the nine months ended 30th September, 2012 decreased by RMB2,370,010 as compared to the same period last year. For the nine months ended 30th September, 2012, the amount of business tax classified under "business tax and surcharges and cultural business development charge" incurred by the Company was nil, while the amount of business tax classified under "business tax and surcharges and cultural business development charge" was RMB4,006,680 for the nine months ended 30th September, 2011.

- 2) 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 1st 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 nine months ended 30th September, 2012 (nine months ended 30th September, 2011: Nil).

8. SHARE CAPITAL

At 30th September, 2012, the share capital was approximately RMB1,633,460. The Company was listed on the GEM of the Stock Exchange on 27th 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 profit for the period attributable to owners of the Group of RMB23,811,230 (for the nine months ended 30th September, 2011: RMB20,659,420), and the average number of ordinary shares in issue (being 177,777,778 shares) of the 200,000,000 ordinary shares in issue as of 30th September, 2012 (for the nine months ended 30th September, 2011: 150,000,000 shares). In determining the average number of ordinary shares in issue, 150,000,000 ordinary shares in total issued by the Group pursuant to the capitalisation issue were deemed to have been issued since 1st January, 2011. On 27th April 2012, the Company allotted 50,000,000 shares by way of placing.

Management Discussion and Analysis

FINANCIAL REVIEW

For the nine months ended 30th September, 2012, the revenue of the Group was RMB98,448,900, representing an increase of approximately 13.15% or RMB11,438,050 as compared with RMB87,010,850 for the nine months ended 30th September, 2011. The total gross profit of the Group was RMB42,820,310 for the nine months ended 30th September, 2012, representing an increase of approximately 18.91% or RMB6,810,850 as compared with RMB36,009,460 for the nine months ended 30th September, 2011. The gross profit margin rose to approximately 43.49% for the period from 41.39% for the same period last year. The net profit (excluding listing expenses) of the Group for the nine months ended 30th September, 2012 increased by approximately 16.36% from the same period last year to RMB28,348,270. Taking into account the listing expenses, the net profit for the nine months ended 30th September, 2012 grew by approximately 15.23% from the nine months ended 30th September, 2011 to RMB23,805,330. The net profit margin (excluding listing expenses) of the Group for the nine months ended 30th September, 2012 registered a slight increase to 28.79% from 28.00% for the same period last year. Taking into account the listing expenses, the net profit margin for the nine months ended 30th September, 2012 increased slightly to 24.18% from 23.74% for the same period last year. Earnings per share of the Group for the nine months ended 30th September, 2012 were RMB13.39 cents (corresponding period in 2011: RMB13.77 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 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 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 optimisation of the sectors 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, continued to expand its digital marketing platform and enhance professional capabilities for its digital marketing services.

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

ADVERTISING COMMUNICATIONS

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 for the nine months ended 30th September, 2012 was RMB62,298,860, representing an increase of approximately 11.40% or RMB6,377,200 as compared with RMB55,921,660 for the nine months ended 30th September, 2011. The increase was mainly attributable to: (i) the wide recognition of the Group's one-stop model of integrated marketing communications services from brand owners and the customised communications strategy which continuously promoted the clients' reliance and loyalty on the Group and continuously increased their budget investment in the Group; and (ii) increasing appeal to the clients as a result of the Group's abundant self-operated media resources which were continuously upgraded and optimised and the effectiveness of brand communications.

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 nine months ended 30th September, 2012, the PR communications income was RMB16,725,490, representing a decrease of 4.81% or RMB844,780 as compared with RMB17,570,270 for the nine months ended 30th September, 2011. During the Review Period, the EPR income was RMB7,333,400, representing an increase of approximately 24.90% or RMB1,461,910 as compared to the same period last year.

The decrease in PR communications business was mainly due to the fact that certain clients of the Group adjusted their branding strategy and reallocated part of the PR budget to the budget for event marketing and digital marketing. The increase in EPR business was mainly attributable to the fact that the Group attached great importance to the digital marketing business. It gathered pace in building a professional team of digital marketing and kept accumulating digital media resources, thus providing the clients with EPR services which are higher in communication speed, wider in communication scope, more accurate in identification of communication targets and more aggressive in interactions, which helped the Group to seize more market shares amidst fierce market competitions.

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 the potential consumers. 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 achieve a deeper understanding of such products, or even prompting them to buy the products instantly.

The event marketing income for the nine months ended 30th September, 2012 was RMB21,301,620, representing an increase of approximately 19.90% or RMB3,535,620 as compared with RMB17,766,000 for the nine months ended 30th September, 2011. Such increase was mainly due to the fact that the Group strengthened the team building of its event marketing division, the promotion of its event marketing business and enhancement of the capability to provide professional event marketing services. With emphasis on the innovation of service models and the strategy of optimising the event marketing business, leveraging on its professional, dedicated and innovative services, the Group won the recognition from clients and achieved growth in its business.

OTHER INCOME AND GAINS

Other income and gains increased from RMB199,330 for the nine months ended 30th September, 2011 to RMB408,320 for the period, which mainly represented distribution income, interest income and subsidy income. The subsidy income came from subsidies granted by the government to enterprises which have to pay more taxes due to the reclassification of sales tax to value-added tax in the tax reform.

COST OF SALES AND GROSS PROFIT

For the nine months ended 30th September, 2012, 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 nine months ended 30th September, 2012 amounted to RMB55,628,590, representing an increase of approximately 9.07% or RMB4,627,200 as compared with RMB51,001,390 for the nine months ended 30th September, 2011. Such increase was mainly due to the increased business volume of advertising communications of the Group which drove up relevant costs.

For the nine months ended 30th September, 2012, the Group achieved a gross profit of RMB42,820,310, representing an increase of approximately 18.91% or RMB6,810,850 as compared with RMB36,009,460 for the nine months ended 30th September, 2011. The Group's gross profit margin increased from 41.39% for the nine months ended 30th September, 2011 to 43.49% for the nine months ended 30th September, 2012. The increase in the Group's gross profit was primarily attributable to the increase in the income from digital marketing businesses including income from database marketing and *CN 汽車網* (www.cnnauto.com).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period amounted to RMB1,081,690, representing a decrease of approximately 14.81% as compared with RMB1,269,740 for the nine months ended 30th September, 2011. The decrease was due to the fact that the Group's selling and distribution expenses for the nine months ended 30th September, 2011 primarily represented travelling expenses, entertainment expenses and salaries of certain sales staff, while the selling and distribution expenses in 2012 primarily represented travelling expenses and entertainment expenses as the salaries of certain sales staff were included in cost of sales as a result of reclassification of salaries by the Company during the Review Period.

ADMINISTRATIVE EXPENSES

During the Review Period, administrative expenses for the period amounted to RMB10,462,670, representing an increase of approximately 37.52% or RMB2,854,430 as compared with RMB7,608,240 for the nine months ended 30th September, 2011. Such increase was primarily due to the following: (i) part of the listing expenses of RMB4,542,940 of the Group were expensed in the condensed consolidated statement of comprehensive income during the Review Period; (ii) the labour costs for the Review Period increased over the same period last year, which was due to the fact that the Group reclassified certain sales and administrative staff costs into administrative expenses by reference to job nature during the Review Period; and (iii) the Group optimised its professional teams and set up new departments, which led to higher labor costs.

Depreciation and amortisation expenses of the Group for the nine months ended 30th September, 2012 amounted to RMB128,160 (corresponding period in 2011: RMB114,260).

PLEDGE OF ASSETS

As at 30th September, 2012, the Group had no assets pledged for bank borrowings or for other purposes.

CONTINGENT LIABILITIES

As at 30th September, 2012, 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 30th May, 2012, the Group entered into a memorandum of understanding in respect of potential investment ("Investment MOU") with Dafeng (Tianjin) Equity Investment Fund Management Company Limited ("Dafeng"), pursuant to which the Group would explore possible acquisition of part of the shareholdings in a media company established in the PRC. Such media company is indirectly held by Dafeng. Please refer to the announcement of the Company dated 30th May, 2012 for details of the Investment MOU.

Save as the aforesaid in the Investment MOU, no material acquisition or disposal of subsidiaries and affiliated companies was entered into by the Group during the nine months ended 30th September, 2012.

FUTURE PROSPECTS

Due to the deteriorating long-term sovereign debt crisis in the euro zone and the global economic downturn, the domestic economic growth began to cool down in 2012. In face of the current economic conditions, brand owners in automobile and home fashion sectors place increasing emphasis on the accuracy, effectiveness and measurability of brand promotion services. The Group offers its clients one-stop integrated marketing communication services including advertising communications, PR communications and event marketing, which not only satisfy the requirements of current brand owners for brand promotion, but also bring about opportunities for the Group to achieve rapid development. With the unfaltering progress in urbanisation in China, the Group will continue to benefit from the long-term development of the domestic consumer market in China as well as the government's policy support to new service industries and cultural industries. The Group is optimistic about the future development prospects.

Going forward, the Group will capitalise on the general trend of growing domestic consumption in China, adhere to its client-centric service philosophy, further expand and optimise its clients in the automobile and home fashion sectors and proactively develop client bases in other sectors. The Group will also continue to expand 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 sustained and rapid development with a firm grip on the marketing channels of brand owners which have been driven down to the secondary and tertiary markets.

Digital marketing business is one of the key driving forces for the Group's business expansion. The Group will increase the investments in this regard, with a view to introducing high-quality digital marketing services to clients in the automobile, home fashion, financial and travel sectors. In order to further expand its business scale, the Group will acquire companies that can complement its existing businesses under favorable market conditions.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since the shares of the Company were traded on GEM on 27th April, 2012, the Group has complied with the code provisions of the Code on Corporate Governance Practices (“Code on Corporate Governance Practices”) as set out in Appendix 15 to the amended GEM Listing Rules, which came into effect on 1st April, 2012.

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 30th September, 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESSES

Save as disclosed in the Prospectus, for the nine months ended 30th September, 2012, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules) 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 were other conflicts of interest which any such person(s) had or may had with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the shares of the Company were listed on GEM on 27th 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 the date of this announcement, 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		Interest in controlled corporation	Total	Percentage of the issued share capital
	Personal interest	Family interest			
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:

- 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.
- These shares are owned by Jolly Win Management Limited whose entire interests are beneficially owned by Mr. Lin Kaiwen. Accordingly, under the SFO, Mr. Lin Kaiwen is deemed to be interested in the 18,000,000 shares held by Jolly Win Management 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 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 the date of this announcement, 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 the date of this announcement, 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.
2. Mr. Fan Youyuan beneficially owns 100% interests in Taocent International Holding Limited which wholly owned Whales Capital Holdings Limited which holds 19,500,000 shares in the Company. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. Accordingly, Ms. Yin Rong is deemed to be interested in all shares in the Company held by Mr. Fan Youyuan.

Save as disclosed above and as at the date of this announcement, 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 10th April, 2012. The major terms and conditions of the Share Option Scheme are set out in the section “Share Option Scheme” in Appendix V 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 30th September, 2012.

MODEL CODE FOR 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 since the commencement of trading in shares of the Company on the GEM on 27th April, 2012.

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 Practices on 10th 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 nine months ended 30th September, 2012 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, 6th November, 2012

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; two non-executive Directors, namely Mr. Lin Kaiwen and Mr. Fan Youyuan; and three independent non-executive Directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.

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.