



品牌中国  
BRANDING CHINA



# 2014 Interim Report

## 品牌中國集團有限公司 BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 8219

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# Highlights

- Based on the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (the “Review Period”), the Group’s revenue during the Review Period increased to approximately RMB145,480,440, representing an increase of approximately 102.36% as compared to the corresponding period of last year.
- During the Review Period, the Group’s total gross profit increased to approximately RMB30,245,530, representing an increase of approximately 40.11% as compared to the corresponding period of last year.
- During the Review Period, the Group’s net profit increased to approximately RMB14,644,100, representing an increase of approximately 28.82% as compared to the corresponding period of last year.
- Net assets of the Group for the Review Period increased to approximately RMB370,033,410, representing an increase of approximately 4.36% as compared to the corresponding period of last year.
- Earnings per share of the Company for the Review Period were approximately RMB5.93 cents (the corresponding period in 2013: RMB5.58 cents).

# Condensed Consolidated Statement of Comprehensive Income

The unaudited condensed consolidated results of Group for the six months ended 30 June 2014 and three months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, are as follows:

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Revenue</b>	6	<b>145,480.44</b>	71,893.00	<b>85,149.38</b>	40,996.54
Cost of Sales		<b>(115,234.91)</b>	(50,305.48)	<b>(68,466.28)</b>	(30,767.19)
<b>Gross profit</b>		<b>30,245.53</b>	21,587.52	<b>16,683.10</b>	10,229.35
Other income and gains, net	6	<b>3,975.14</b>	529.30	<b>1,111.05</b>	0.95
Share of profits of an associate		<b>3.57</b>	–	<b>2.14</b>	–
Selling and distribution expenses		<b>(3,206.89)</b>	(1,494.23)	<b>(1,508.06)</b>	(1,061.73)
Administrative expenses		<b>(10,733.41)</b>	(5,353.99)	<b>(5,367.06)</b>	(2,950.69)
Finance costs		<b>(858.47)</b>	(612.19)	<b>(552.18)</b>	(342.19)
Reversals of impairment of trade receivable		<b>100.00</b>	501.00	<b>100.00</b>	501.00
Profit before income tax		<b>19,525.47</b>	15,157.41	<b>10,468.99</b>	6,376.69
Income tax expense	7	<b>(4,881.37)</b>	(3,789.35)	<b>(2,617.25)</b>	(1,594.17)
<b>Profit for the period</b>		<b>14,644.10</b>	11,368.06	<b>7,851.74</b>	4,782.52
Other comprehensive income for the period:					
Exchange differences on translation of foreign operations		<b>808.05</b>	768.50	<b>(182.93)</b>	387.43
<b>Total comprehensive income for the period</b>		<b>15,452.15</b>	12,136.56	<b>7,668.81</b>	5,169.95
Earnings per share attributable to owners of the Company:					
Basic and diluted	12	<b>RMB5.93 cents</b>	RMB5.58 cents	<b>RMB3.18 cents</b>	RMB2.31 cents

# Condensed Consolidated Statements of Comprehensive Financial Position

	Notes	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,206.77	1,564.39
Goodwill	15	156,293.20	156,293.20
Intangible assets	16	4,272.06	4,677.16
Interests in associates		1,209.04	1,205.47
Total non-current assets		<u>163,981.07</u>	<u>163,740.22</u>
<b>Current assets</b>			
Trade and bills receivables	13	163,895.92	147,584.34
Prepayments, deposits and other receivables		64,799.14	34,101.52
Other current assets	17	30,000.00	–
Cash and cash equivalents		67,590.33	116,719.31
Total current assets		<u>326,285.39</u>	<u>298,405.17</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	14	57,366.34	38,635.22
Other payables and accruals		37,538.38	29,855.51
Bank borrowings	9	20,000.00	15,000.00
Current tax liabilities		4,291.41	11,925.63
Total current liabilities		<u>119,196.13</u>	<u>95,416.36</u>
<b>Non-current liabilities</b>			
Other payables and accruals		–	10,978.48
Deferred tax liabilities		1,036.92	1,169.29
Total non-current liabilities		<u>1,036.92</u>	<u>12,147.77</u>
<b>Net current assets</b>		<u>207,089.26</u>	<u>202,988.81</u>
Total assets less current liabilities		<u>371,070.33</u>	<u>366,729.03</u>
<b>Net assets</b>		<u>370,033.41</u>	<u>354,581.26</u>
<b>Equity attributable to owners of the Company</b>			
Issued share capital	11	1,996.74	1,996.74
Reserves		368,036.67	352,584.52
<b>TOTAL EQUITY</b>		<u>370,033.41</u>	<u>354,581.26</u>

## Condensed Consolidated Statement of Changes in Equity

	Issued share 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)	3,852.85	93,921.37	187,499.11
Profit and total comprehensive income for the year/period	–	–	–	–	–	11,368.06	11,368.06
Exchange differences on translation of foreign operations	–	–	–	768.50	–	–	768.50
Issue of ordinary shares	378.30	112,100.32	–	–	–	–	112,478.62
As at 30 June 2013	<u>1,996.74</u>	<u>199,225.41</u>	<u>2,000.00</u>	<u>(250.14)</u>	<u>3,852.85</u>	<u>105,289.43</u>	<u>312,114.29</u>
	Issued share 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	<b>1,996.74</b>	<b>203,009.10</b>	<b>2,000.00</b>	<b>(1,064.30)</b>	<b>4,073.95</b>	<b>144,565.77</b>	<b>354,581.26</b>
Profit and total comprehensive income for the year/period	–	–	–	–	–	<b>14,644.10</b>	<b>14,644.10</b>
Exchange differences on translation of foreign operations	–	–	–	<b>808.05</b>	–	–	<b>808.05</b>
As at 30 June 2014	<u><b>1,996.74</b></u>	<u><b>203,009.10</b></u>	<u><b>2,000.00</b></u>	<u><b>(256.25)</b></u>	<u><b>4,073.95</b></u>	<u><b>159,209.87</b></u>	<u><b>370,033.41</b></u>

# Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Profit before income tax expense</b>	<b>19,525.47</b>	15,157.41
Adjustments for:		
Interest expense	<b>858.47</b>	1,384.73
Interest income	<b>(669.68)</b>	(72.91)
Amortisation of intangible assets	<b>531.60</b>	–
Depreciation of property, plant and equipment	<b>194.30</b>	135.97
Share of profits of associates	<b>(3.57)</b>	–
Impairment of trade receivables	<b>(100.00)</b>	(501.00)
Increase in deferred income tax liabilities	<b>(132.37)</b>	1,323.73
Decrease/(increase) in trade and bills receivables	<b>(16,211.59)</b>	1,192.48
Decrease/(increase) in prepayments, deposits and other receivables	<b>(30,697.63)</b>	(39,160.47)
Increase/(decrease) in trade payables	<b>18,731.12</b>	(205.31)
Increase/(decrease) in other payables and accruals	<b>8,728.35</b>	2,257.42
<b>Cash flows from operating activities</b>	<b>754.47</b>	(18,487.95)
Income taxes paid	<b>(12,515.59)</b>	(7,189.56)
<b>Net cash from operating activities</b>	<b>(11,761.12)</b>	(25,677.51)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(965.31)</b>	(56.01)
Disposal of property, plant and equipment	<b>2.13</b>	–
Fixed investment management	<b>(30,000.00)</b>	(25,000.00)
Acquisition of subsidiaries	<b>(11,215.89)</b>	(14,321.47)
Interest received	<b>669.68</b>	72.91
<b>Net cash from/(used in) investing activities</b>	<b>(41,509.39)</b>	(39,304.57)

## Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Cash flows from financing activities</b>		
New bank borrowings	25,000.00	20,000.00
Repayment of bank borrowings	(20,000.00)	–
Interest paid	(858.47)	(612.19)
<b>Net cash (used in)/from financing activities</b>	<b>4,141.53</b>	19,387.81
<b>Net increase in cash and cash equivalents</b>	<b>(49,128.98)</b>	(45,594.27)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	–	(772.54)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>116,719.31</b>	96,215.28
<b>Cash and cash equivalents at the end of the period</b>	<b>67,590.33</b>	49,848.47
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>67,590.33</b>	49,848.47



# Notes to the Condensed Consolidated Interim Financial Statements

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. Pursuant to the reorganisation (the “Reorganisation”) of the Group, the Company became the holding company of the Group on 26 August 2011. Details of the Reorganisation are set out in the prospectus of the 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, including advertising communications, public relations (“PR”) communications and event marketing, to its clients.

## 2. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated financial statements for the Review Period have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules of the Stock Exchange, the International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), the International Accounting Standards and Standing Interpretations Committee’s interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except otherwise indicated.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Review Period are consistent with those applied in the Group’s audited financial statements for the year ended 31 December 2013.

## 4. ADOPTION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted a number of new and revised IFRSs, amendments to International Accounting Standards and Interpretations (hereinafter collectively referred to as the “new and revised IFRSs”) issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods/years.

The Group has not adopted the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

### 5. SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive Directors of the Company. The executive Directors regularly review revenue and operating results derived from provision of advertising services, PR services and event marketing services on an aggregate basis and consider them as one single operating segment.

No geographical information is presented as the Group's operations are located in the PRC.

#### Information about major clients

Turnover from clients contributing over 10% of total revenue of the Group for the reporting periods is as follows:

	For the six months ended 30 June				2013			
	2014		Event marketing income RMB'000	Total RMB'000	2013		Event marketing income RMB'000	Total RMB'000
Advertising income RMB'000	PR services income RMB'000	Advertising income RMB'000			PR services income RMB'000			
Client A	-	-	-	-	-	5,988.98	3,750.69	9,739.67
Client B	15,143.63	-	-	15,143.63	11,569.18	-	-	11,569.18
Client C	7,062.45	16,234.34	-	23,296.79	-	-	-	-
Client D	-	-	-	-	-	8,546.72	-	8,546.72

### 6. REVENUE

Revenue, which is also the Group's turnover, represents incomes from advertising, PR and event marketing services, net of business tax and surcharges.

The analysis of revenue for the reporting periods is as follows:

	For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Revenue:</b>		
Advertising income	86,594.78	45,503.14
PR services income	35,015.39	18,917.52
Event marketing services income	25,864.29	8,786.01
Less: business tax and surcharges	(1,994.02)	(1,313.67)
Total revenue	<b>145,480.44</b>	71,893.00
<b>Other income and gain:</b>		
Interest income	669.68	72.91
Income from issue and distribution of the Group's publications	-	9.39
Government subsidies	3,305.46	447.00
Total other income and gain	<b>3,975.14</b>	529.30

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Current income tax		
PRC enterprises income tax expense	<b>4,881.37</b>	3,789.35
Income tax expense	<b>4,881.37</b>	3,789.35

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

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%.

## 8. DIVIDENDS

The Directors did not recommend payment of any interim dividend for the Review Period (six months ended 30 June 2013: Nil).

## 9. BANK BORROWINGS

	As at 30 June 2014	As at 31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(audited)
Unsecured interest-bearing loans	<b>20,000.00</b>	15,000.00

The unsecured interest-bearing loans of the Group were guaranteed by Shanghai SumZone Enterprise Management Consultancy Company Limited (上海三眾企業管理諮詢有限公司) ("Shanghai SumZone Enterprise"), a subsidiary of the Group. The amount is repayable within one year and no asset is pledged for the bank borrowings. The annual interest rate for the loan is 6.48%.

### 10. DEPRECIATION AND AMORTISATION

	For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Amortisation of intangible assets	531.60	–
Depreciation of property, plant and equipment	194.30	135.95

### 11. 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 June 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	1,962,000,000	16,316,405
As at 30 June 2014	2,000,000,000	16,632,421
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	999	8
As at 31 December 2011	1,000	8
Capitalisation issue credited as fully paid to the share premium account of the Company (note a)	149,999,000	1,213,822
Shares issued under placing (note b)	50,000,000	404,610
New shares issued on 17 June 2013 (note c)	46,810,194	378,297
As at 30 June 2014	246,810,194	1,996,737

Notes:

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

### 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Review Period attributable to owners of the Company of approximately RMB14,644,100 (six months ended 30 June 2013: approximately RMB11,368,060), and the weighted average number of ordinary shares in issue of 246,810,194 shares (six months ended 30 June 2013: 203,620,678 shares).

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

### 13. TRADE AND BILL RECEIVABLES

In respect of the trade receivables of the Group, different credit periods are extended to its customers, ranging from 30 days to 360 days, depending on the types of products sold or services provided to customers in the transactions.

The breakdown of trade and bill receivables as at the end of the reporting periods is as follows:

	<b>As at 30 June 2014 RMB'000 (unaudited)</b>	<b>As at 31 December 2013 RMB'000 (audited)</b>
Trade receivables	<b>164,841.15</b>	145,784.23
Bills receivables	–	2,845.34
Less: provisions made	<b>(945.23)</b>	(1,045.23)
	<b><u>163,895.92</u></b>	<b><u>147,584.34</u></b>

## Notes to the Condensed Consolidated Interim Financial Statements

An ageing analysis of the trade receivables at the end of the reporting periods is as follows:

	<b>As at 30 June 2014 RMB'000 (unaudited)</b>	<b>As at 31 December 2013 RMB'000 (audited)</b>
Within 1 month	58,410.55	59,390.35
More than 1 month but within 3 months	47,491.28	39,354.36
More than 3 months but within 6 months	37,128.78	28,883.05
More than 6 months but within 1 year	18,234.51	14,571.71
Over 1 year	2,630.80	2,539.53
	<b>163,895.92</b>	<b>144,739.00</b>

### 14. TRADE PAYABLES

The breakdown of trade payables as at the end of the reporting periods is as follows:

	<b>As at 30 June 2014 RMB'000 (unaudited)</b>	<b>As at 31 December 2013 RMB'000 (audited)</b>
Trade payables	<b>57,366.34</b>	<b>38,635.22</b>

An ageing analysis of the trade payables at the end of the reporting periods is as follows:

	<b>As at 30 June 2014 RMB'000 (unaudited)</b>	<b>As at 31 December 2013 RMB'000 (audited)</b>
Within 1 month	11,473.27	10,484.06
More than 1 month but within 3 months	11,732.61	12,417.10
More than 3 months but within 6 months	28,149.04	9,238.78
More than 6 months but within 1 year	4,589.31	5,440.07
Over 1 year	1,422.11	1,055.21
	<b>57,366.34</b>	<b>38,635.22</b>

**15. GOODWILL**

Goodwill represents the value of the entire equity interests of the shareholders of Ju Liu Information less the fair value of all identifiable assets and liabilities on the date of acquisition of the equity interests.

**16. INTANGIBLE ASSETS**

	<b>Customer relationship RMB'000</b>	<b>Computer software RMB'000</b>	<b>Total RMB'000</b>
Cost:			
As at 1 January 2014	4,351.60	943.30	5,294.90
Addition	—	126.50	126.50
As at 30 June 2014	<u>4,351.60</u>	<u>1,069.80</u>	<u>5,421.40</u>
Accumulated amortization:			
As at 1 January 2014	507.69	110.05	617.74
Charge for the period	435.16	96.44	531.60
As at 30 June 2014	<u>942.85</u>	<u>206.49</u>	<u>1,149.34</u>
Net book value			
As at 30 June 2014	<u>3,408.75</u>	<u>863.31</u>	<u>4,272.06</u>

**17. OTHER CURRENT ASSETS**

As at 30 June 2014, other current assets of the Group include fixed income assets held under a fixed income investment plan, with a yield of approximately 7.5% per annum.

# Management Discussion and Analysis

## FINANCIAL OVERVIEW

According to the statistics issued by the National Bureau of Statistics of China, the gross domestic product (GDP) of China in the first half of 2014 increased by 7.4%. The economic development in China continued to slow down and accordingly, the operating environment for both advertisers and media operators in China has become more challenging, and the Group also faced the pressure from the external environment. In the first half of 2014, as the Group continued to explore media resources and enhance the professionalism of its digital marketing teams, the capability of the Group's integrated marketing services has accordingly been strengthened. The business of each business sector has been growing constantly. For the Review Period, the revenue of the Group was approximately RMB145,480,440, representing a significant growth of approximately 102.36% or RMB73,587,440 as compared with the corresponding period of last year. Excluding the income of Ju Liu Information in relation to the Acquisition in June 2013, the revenue of the Group for the Review Period was approximately RMB109,203,240, representing an increase of approximately 60.16% as compared with the corresponding period of last year. The total gross profit of the Group was approximately RMB30,245,530 for the Review Period, representing an increase of approximately 40.11% or RMB8,658,010 as compared with the corresponding period of last year. The net profit of the Group was approximately RMB14,644,100, representing a growth of approximately 28.82% or RMB3,276,040 as compared with the corresponding period of last year.

## BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving renowned brands. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, PR communications and event marketing. Existing clients include brands from automobile, home fashion, finance and fast-moving consumer goods sectors. The Group is committed to satisfying clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, Internet, mobile phones and outdoor media as well as various event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model. The Group attached great importance to the development of digital marketing business and continued to expand its digital marketing platform and enhance its capabilities to provide professional services in this aspect. During the Review Period, income from the digital marketing business increased by approximately 123.63% or approximately RMB18,380,690 from the corresponding period of last year to approximately RMB33,248,310.

With the rapid development of the Group's the digital marketing business during the Review Period, the Group continued to recruit high-calibre staff from the field of digital marketing to rapidly optimize its professional teams. Meanwhile, as the business volume of digital marketing experienced significant growth, the Group's digital marketing communications services team has been expanding. As at 30 June 2014, the Group has formed three divisions with regard to its digital communications business. The Group has also started to develop digital marketing communications service products, which led to successful development of plug-in (運營插件) and interactive gaming webpages (互動遊戲頁面) in Weixin (微信) and improvement in the professional standards of the Group's digital marketing services. The Group also further consolidated media resources and strengthened its capabilities for the provision of diversified integrated marketing services. In the Review Period, the Group vigorously developed television media resources, and commenced cooperation with a well-known TV media. At the same time, the cross-sector integrated marketing communications services of the Group received positive feedbacks from its clients. With the inauguration of the World Cup in Brazil in June 2014, the Group successfully organised nation-wide, large-scaled event marketing projects by creatively adding interesting topics on football to the marketing projects of clients from automobile industry.

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



## ADVERTISING COMMUNICATIONS

As part of the branding and marketing services customized for its clients, the Group provides professional and well-targeted advertising communications services through the SMU Publications, CN 汽車網 ([www.cnnauto.com](http://www.cnnauto.com)), its self-operated website, and other media. The Group provides various forms of media for clients to place advertisements, including newspapers, magazines, Internet, mobile phones and outdoor media. The Group's own media resources, the SMU Publications, which include *Auto 007 Weekly Journal*, *Auto Report Magazine*, *I home Magazine*, *Shanghai Today Magazine*, *Shanghai Scene Magazine* and CN 汽車網 ([www.cnnauto.com](http://www.cnnauto.com)). The advertising media in which the Group 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.

During the first half of 2013, the Company acquired Ju Liu Information which is primarily engaged in wireless advertising agency, wireless effect marketing and wireless advertising production. Wireless advertising agency refers to the purchase of advertising spaces in wireless media from media suppliers and selling the same to clients. As regards wireless effect marketing, which will become the key business area to be developed by the Group, Ju Liu Information accurately disseminates marketing information for advertisers through its self-developed wireless advertising platform, *MediaPower*, collects useful data regarding feedbacks and behaviours (including clicking, sending SMS, making calls, participating in events, etc.) of target end consumers in order to boost product sales and enhances the strategic effectiveness of the branding of its clients. Relying on its own design capacity, strategic planning team and external production suppliers, Ju Liu Information provides its clients with wireless advertising design and production services as part of its wireless advertising production business. The clients of Ju Liu Information are mainly reputable domestic and international brands and well-known advertising agencies for famous brands. Its existing clients include numerous brands from various sectors including automobile, finance, fast-moving consumer goods, baby products, hospitality, e-commerce and digital products, across different regions, such as Shanghai, Nanjing, Chengdu, Changchun, Qingdao and Xinjiang, in the PRC.

Wireless media is part of the Group's digital media business and is also the key business driver of the Group. As mobile phone usage rate in the PRC grows dramatically, coupled with the diversification of the forms and means of communications brought about by the popularity of 3G and the development of 4G technology, wireless advertising is drawing more and more attention of advertisers. Therefore, the performance of Ju Liu Information improved substantially. Meanwhile, Ju Liu Information's competitive advantages in providing professional wireless advertising services in the mobile advertising sector will help enhance the advertising communications and marketing services capabilities of the Group, and thus increasing the popularity of the Group's advertising communications services among brand owners. In addition, the Group and Ju Liu Information own abundant client resources, such that the Acquisition would facilitate the provision of a wider variety of advertising communications services to the brand owners, and thereby increasing the Group's income from the advertising communications business.

The income from the advertising communications business for the Review Period was approximately RMB86,594,780, representing an increase of approximately 90.31% or approximately RMB41,091,640 as compared with approximately RMB45,503,140 for the corresponding period of last year. The increase was mainly due to (i) the Acquisition which led to the inclusion of the entire income of Ju Liu Information in the income from advertising communications of the Group. The total income of Ju Liu Information from January to June 2014 amounted to approximately RMB36,632,880, representing an increase of approximately RMB32,842,600 as compared with the income of Ju Liu Information included in the consolidated financial statements for the corresponding period of last year which was the income of Ju Liu Information as at June 2013; and (ii) the Group's newly-started television advertising business during the Review Period, generating an income of approximately RMB6,840,000.

### 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) 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, and this 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 approximately 87.20% of the total income of the PR communications.

For the Review Period, the PR communications income was approximately RMB35,015,390, representing an increase of approximately 85.10% or approximately RMB16,097,870 as compared with approximately RMB18,917,520 for the six months ended 30 June 2013. Such an increase was mainly attributable to the Group's continuous expansion of its digital marketing business and the improvement of its digital marketing professional team. EPR business has been recognized by more clients, resulting in a substantial increase in the income from the EPR business. During the Review Period, the total income of the Group's EPR business amounted to approximately RMB30,531,920, representing an increase of approximately 129.02% or approximately RMB17,200,450 as compared to that of corresponding period of last year.

### EVENT MARKETING

The Group organizes and undertakes event marketing projects for clients from time to time, which usually include press conferences, road shows for new products, conventions, exhibitions, forums and celebration activities. As an important part of the Group's integrated marketing communications services, the Group organizes marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst potential consumers. Below-the-line (BTL) marketing is an indispensable part of brand marketing. The Group'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 facilitating instant purchase of the products. 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 its tailor-made event marketing services.

The event marketing income for the Review Period was approximately RMB25,864,290, representing an increase of approximately 194.38% or approximately RMB17,078,280, as compared with approximately RMB8,786,010 for the corresponding period of last year. Such a large increase was mainly due to the organisation of a nation-wide, large-scaled BTL promotional campaign for a well-known automobile brand by the Group during the Review Period, which helped boost the Group's income from the event marketing business.

### ABOUT JU LIU INFORMATION

During the Review Period, Ju Liu Information secured 15 new clients, of which nine clients were from the automobile sector, two from the finance sector, four from the fast-moving consumer goods and other sectors. In the first half of 2014, with the introduction of enhanced service models and business strategies to improve Ju Liu Information's profitability in the finance sector, there was a steady growth in the income from the auto insurance sector. Ju Liu Information achieved satisfactory results in brand development and customer services for its clients in the automobile sector. Thus, clients from the automobile sector commenced cooperation with Ju Liu Information in respect of automobile marketing. To cope with the special requirements of key clients, Ju Liu Information introduced a specialized service model aimed at providing customised marketing services and strategies to key clients. Ju Liu Information completed the formation of vertical media structure tailored for the automobile sector, and, through exclusive cooperation with two vertical application vendors, it became the automobile application media which is targeted at two hundred million prospective or existing car owners. At the same time, the automobile *wemedia* integrated by Ju Liu Information has commenced full operation. The *wemedia* includes over 20 public automobile accounts in Weixin, with a content covering every part in the automobile consumption value chain. Therefore, the integration of the automobile media is formed by Ju Liu Information, and it will effectively strengthen the professionalism of services and the competitive advantages in resources of Ju Liu in the industry, especially in the automobile sector.

During the Review Period, the Group has implemented a series of measures to ensure that the financial management, internal monitoring and information disclosure procedures of Ju Liu Information comply with the GEM Listing Rules and relevant laws and regulations. The Group has established an information reporting and management system. Ju Liu Information has closely adhered to such information reporting and management system, and completed 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. Meanwhile, the Group also set up an internal review department to conduct regular on-site inspection of Ju Liu Information and undertake follow-up action on any issue identified. The internal review department would report to the Audit Committee regularly on any material findings.

The Group shares client resources with Ju Liu Information to provide relevant services to its clients and has achieved significant business synergy. By fully capitalizing on the advantages of Ju Liu Information in marketing services, media integration and creative planning in the area of mobile advertising, the Group was able to enhance its capabilities in digital marketing services.

### UPDATE ON THE ACQUISITION

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

As Always Bright has satisfied its 2013 profit guarantee warranty that Grand Rapids and its subsidiaries, including Ju Liu Information, had a consolidated net profit of not less than RMB18,000,000 as stated in the statutory audited financial statements for the financial year ended 31 December 2013, the Company paid the second part payment of the consideration of HK\$13,920,680 (equivalent to RMB11,215,890) to Always Bright in accordance with terms of the S&P Agreement. The Company will deliver a written notice to the escrow agent consenting to the release of 6,018,454 shares of the Company to Always Bright.

### OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB529,300 for the six months ended 30 June 2013 to approximately RMB3,975,140 for the Review Period, which mainly represented government subsidies and interest income. The increase in other income and gains was due to the receipt by the Group of the government subsidies during the Review Period, which included the support fund for enterprises in Songjiang District, tax subsidy and Grant for Shanghai Municipal Sci-Tech Little Giant Enterprises.

### 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 Weekly Journal*, *Auto Report Magazine*, *I home Magazine*, *Shanghai Today Magazine* and *Shanghai Scene Magazine*), operating costs of *www.cnnauto.com*, expenses for procuring advertising and/or text advertisements spaces as well as event organizing and production costs. The Group's cost of sales for the Review Period amounted to approximately RMB115,234,910, representing an increase of approximately 129.07% or approximately RMB64,929,430 as compared with approximately RMB50,305,480 for the six months ended 30 June 2013. Such increase was mainly due to the increase in the relevant costs as a result of the growth of business volume of the Group.

For the Review Period, the Group achieved a gross profit of approximately RMB30,245,530, representing an increase of approximately 40.11% or approximately RMB8,658,010 as compared with approximately RMB21,587,520 for the six months ended 30 June 2013. The Group's gross profit margin decreased from approximately 30.03% for the six months ended 30 June 2013 to approximately 20.79% for the Review Period. The decrease was primarily attributable to the following factors: (i) the fact that the Group obtained more high quality media resources at higher cost and the overall purchasing cost of each business sector increased during the Review Period; (ii) the fact that the business of event marketing and the ratio of income from event marketing to the Group's total income increased, and the gross profit margin of the event marketing segment was relatively lower as compared with other business segments of the Group, which had resulted in a decrease in gross profit margin of the Group; and (iii) the continuous expansion of the professional team and recruitment of high calibre staff by the Group, which caused an increase in labor costs included in cost of sales.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Review Period amounted to approximately RMB3,206,890, representing an increase of approximately 114.62% as compared with approximately RMB1,494,230 for the six months ended 30 June 2013. The increase was caused by the inclusion of selling and distribution expenses totalling RMB1,881,960 of Ju Liu Information in the consolidated financial statements of the Group in the Review Period due to the completion of the acquisition of Ju Liu Information in June 2013.

### ADMINISTRATIVE EXPENSES

Administrative expenses for the Review Period increased by approximately RMB5,379,420 or approximately 100.47% as compared with the corresponding period of last year. The significant increase was primarily due to (i) the inclusion of the administrative expenses of Ju Liu Information in the consolidated financial statements of the Company after the completion of the Acquisition by the Group; and (ii) the continuous expansion and improvement of the professional team by the Group to cope with the Group's business development, which resulted in a large increase in labour costs as compared with the corresponding period of last year.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's cash and cash equivalents, comprising bank deposits and cash on hand which are RMB63,428,640 and HK\$5,165,310 respectively, amounted to approximately RMB67,590,330, representing a net decrease of approximately RMB49,128,980 as compared with the balance as at 31 December 2013. The significant decrease in cash and cash equivalents was due to the following: (i) during the first half of 2014, the Group paid the second consideration of RMB11,215,890 to Always Bright for equity transfer in respect of the Acquisition, and (ii) the Group injected RMB30,000,000 into a fixed income investment plan in the first half of 2014. The products under the fixed income investment plan include short-term investments which are financed by the cash surplus of the Group for capital management purpose in accordance with the Group's treasury policy. As at 30 June 2014, the Group's current ratio was 2.74 (31 December 2013: 3.13). The Group mainly used internal cash flows from operating activities to satisfy its working capital needs.

As at 30 June 2014, the bank borrowings of the Group were RMB20,000,000. For details, please refer to note 9 to the Condensed Consolidated Interim Financial Statements of the Group. During the Review Period, the new bank borrowings of the Group amounted to RMB25,000,000 and repayment of bank borrowings which were at maturity was RMB20,000,000.

The gearing ratio of the Group (total borrowings divided by total equity) was approximately 5.40% (31 December 2013: approximately 4.23%).

### CHARGE ON ASSETS

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

### STRUCTURE OF ASSETS

As at 30 June 2014, the Group had net assets of approximately RMB370,033,410 (31 December 2013: approximately RMB354,581,260), comprising non-current assets of approximately RMB163,981,070 (31 December 2013: approximately RMB163,740,220), and current assets of approximately RMB326,285,390 (31 December 2013: approximately RMB298,405,170). The Group recorded net current assets of approximately RMB207,089,260 (31 December 2013: approximately RMB202,988,810), mainly comprising cash and cash equivalents of approximately RMB67,590,330 (31 December 2013: approximately RMB116,719,310) and trade receivables of approximately RMB163,895,920 (31 December 2013: approximately RMB147,584,340). Current liabilities mainly comprised trade payables, other payables and accruals, bank borrowings and current tax liabilities, amounting to approximately RMB57,366,340 (31 December 2013: RMB38,635,220), RMB37,538,380 (31 December 2013: RMB29,855,510), RMB20,000,000 (31 December 2013: RMB15,000,000), and RMB4,291,410 (31 December 2013: RMB11,925,630) respectively.

### ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

### CONTINGENT LIABILITIES

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

### FOREIGN EXCHANGE RISK

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

### FINANCIAL POLICIES

It is the Group's treasury policy not to engage in investment in any high risk speculative derivative instrument. During the Review Period, the Group continued to adopt a conservative approach in financial risk management.

### CREDIT POLICY

The Group has adopted a policy in respect of clients' credit and receivable management (the "Credit Policy") since the Listing Date, and a credit management committee was formed to review and manage clients' credit in cooperation with the finance department, administration department and business department, and is primarily responsible for setting up clients' database, clients' credit ratings as well as receivable management so as to avoid credit risk. The Group strictly complied with the guidelines set out in the Credit Policy, and assessed clients' credit ratings and managed clients' credit for the following year based on their business scale, registered capital, overall characteristics and credit records on 31 December of every year.

## REMUNERATION OF DIRECTORS

To attract outstanding senior management, and with reference to the remuneration benchmark of the industry, the Board adopted the recommendations of the Remuneration Committee in the Board meeting held on 5 August 2014, and passed the resolution in relation to the remuneration adjustment of the executive Directors, namely Mr. Fang Bin, Ms. He Weiqi and Mr. Song Yijun. The following table sets out the annual remuneration of Mr. Fang Bin, Ms. He Weiqi and Mr. Song Yijun after the adjustment:

	Remuneration, allowance and benefits-in-kind <i>RMB' 000</i>	Contribution of pension scheme <i>RMB' 000</i>	Total <i>RMB' 000</i>
Fang Bin	720.00	68.32	788.32
He Weiqi	420.00	74.69	494.69
Song Yijun	420.00	68.50	488.50
	<u>1,560.00</u>	<u>211.51</u>	<u>1,771.51</u>

## HUMAN RESOURCES

As at 30 June 2014, the Group had 208 employees in total in the PRC, of which 69 employees were employed by Ju Liu Information. The Group's remuneration policy is formulated with reference to industry practices and the performance of individual employees. During the Review Period, the total labour cost was approximately RMB13,103,250 (for the six months ended 30 June 2013: approximately RMB7,104,220). The increase in human resources costs was mainly due to a substantial increase in the total number of staff hired by the Group after the Acquisition and the continuous expansion of its professional teams, pushing up the cost of human resources for the first half of 2014 as compared to the corresponding period of last year.

## TRANSFER OF BUSINESSES

The business of Shanghai SumZone Media Investment Management Company Limited ("SMU") involves Restricted Businesses (as defined in the Prospectus) and this prevented SMU from being included in the Group directly. On the basis of the Structured Contracts (as defined in the Prospectus) and having consulted its PRC legal advisers, the Group is of the view that the operation of the SMU Publications and *www.cnnauto.com*, the Group's relevant advertising business relating to content design and production as well as its PR (including EPR) business are Restricted Businesses and they should continue to be operated by SMU after the listing of the Company. On the other hand, the Group's advertising agency business arising from the SMU Publications, *www.cnnauto.com* and other advertising media channels and event marketing business are Unrestricted Businesses (as defined in the Prospectus) and they should be transferred to Shanghai SumZone Advertising Company Limited ("SumZone Advertising") and Shanghai SumZone Marketing Company Limited ("SumZone Marketing"), as well as to any other PRC subsidiaries in pursuance of the Group's long-term strategic plans. As part of the business transfer process which has commenced in early September 2011, SumZone Advertising and SumZone Marketing have entered into business contracts with all new clients relating to their Unrestricted Businesses. As at 30 June 2014, the Group has not completed the transfer of the relevant legal

rights of the trademarks in the PRC from SMU to Shanghai SumZone Enterprise. Part of the application of trademarks transfer of the Group has been accepted by the Trademark Office under the State Administration for Industry and Commerce, and the transfer was completed, with the remaining part of the application still in progress. Save for this, the Group has transferred all the Unrestricted Businesses of SMU to SumZone Advertising and SumZone Marketing.

### USE OF NET PROCEEDS FROM THE PLACING

The shares of the Company have been listed on the GEM of the Stock Exchange since 27 April 2012, and the proceeds received by the Group from the Placing were approximately RMB75,300,500.

Please refer to the Prospectus and the 2013 annual report of the Company for the business targets for the period from the Latest Practicable Date (as defined in the Prospectus) to 31 December 2013, as well as the actual business progress and use of proceeds as at 31 December 2013.

According to the future plans as set out in the Prospectus, the Group's actual business progress and the related use of proceed for the Review Period are as follows:

	<b>Business targets for the six months ended 30 June 2014</b>	<b>Actual business progress for the six months ended 30 June 2014</b>	<b>Use of proceeds for the six months ended 30 June 2014</b>
Introduction of new media covering new industries	–	–	Planned investment: HK\$800,000 Actual investment: nil Unutilized planned proceeds will be invested in other business development of the Group.
Expansion of professional team	<ul style="list-style-type: none"> <li>To continue to serve the existing clients and generate more revenue;</li> <li>To secure at least one new client from the finance industry, contributing more than RMB1 million of revenue to the Group annually;</li> <li>To secure new clients from the travel industry and the luxury goods industry.</li> </ul>	<ul style="list-style-type: none"> <li>In the first half of 2014, the Group recruited 62 employees.</li> <li>In the first half of 2014, the Group had secured two clients from the finance industry and one client from the luxury goods industry.</li> </ul>	Planned investment: HK\$1,750,000 Actual investment: approximately RMB1,209,420 (approximately HK\$1,523,680)



	<b>Business targets for the six months ended 30 June 2014</b>	<b>Actual business progress for the six months ended 30 June 2014</b>	<b>Use of proceeds for the six months ended 30 June 2014</b>
Expansion of digital marketing platform	<ul style="list-style-type: none"> <li>• To generate more revenue from self-operated and other digital media platforms;</li> <li>• To generate more revenue from the Group's database marketing business;</li> <li>• To capture more Internet advertising business and continue to expand the Group's EPR operation and generate more revenue from digital marketing;</li> <li>• To continue to enhance the Group's influence and popularity of self-operated digital media;</li> <li>• To establish new digital media platforms and products and enhance the Group's model of service based on market conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group provided more extensive EPR services through its self-operated website <i>www.cnnauto.com</i>, major news portals, portals for automobile and finance industries, popular web communities and marketing platforms of Weibo and Weixin;</li> <li>• The advertising and EPR businesses experienced rapid growth, with the income from the advertising business and the EPR business increased by 90.31% and 129.02% respectively as compared with that of corresponding period of last year;</li> <li>• The Group focused on the development of digital marketing business and optimized the professional digital marketing team. The EPR business experienced a significant growth in the first half of 2014. The total revenue from the EPR business of the Group amounted to approximately RMB33,248,310, representing an increase of approximately 123.63% or approximately RMB18,280,690 compared with that of corresponding period of last year;</li> <li>• The Group developed marketing platform of Weixin. Apart from subscription services at Weixin, the Weixin version of the Group's self-operated media <i>I home</i> commenced operation in the Review Period. The Group is now developing the Weixin version of <i>Auto 007 Weekly Journal</i>.</li> </ul>	<p>Planned investment: HK\$2,000,000</p> <p>Actual investment: approximately RMB2,144,680 (approximately HK\$2,701,950)</p>

	<b>Business targets for the six months ended 30 June 2014</b>	<b>Actual business progress for the six months ended 30 June 2014</b>	<b>Use of proceeds for the six months ended 30 June 2014</b>
Expansion of geographic coverage	<ul style="list-style-type: none"> <li>To establish Fuzhou office.</li> </ul>	<ul style="list-style-type: none"> <li>Since the Shanghai headquarters of the Group is in a position to carry out business activities in Fuzhou, the Fuzhou office has not yet been set up and the Group will establish new regional offices when appropriate.</li> </ul>	Planned investment: HK\$1,400,000 Actual investment: nil Unutilized planned investment will be used for the same purpose when appropriate.

The following table sets out the details of the business targets which have not been accomplished for the period from the Listing Date to 30 June 2014, together with their status as at 30 June 2014.

### **Business targets which have not been accomplished for the period from the Listing Date to 30 June 2014**

### **Completion status as at 30 June 2014**

To launch a new media covering the travel industry	Not yet completed and the unutilized planned proceeds will be used by the Group for the same purpose when appropriate.
To secure at least three new clients from the travel industry	The Group has not secured any new clients from the travel industry.
To develop the mobile versions of the SMU Publications	The Weixin version of <i>I home</i> has commenced operation in the first half of 2014, and the Group is now developing the Weixin version of <i>Auto 007 Weekly Journal</i> .
To set up offices in Nanjing, Tianjin, Guangzhou and Beijing	Not yet completed. Since the Shanghai headquarters of the Group is in a position to carry out business activities in those four regions, the offices in Nanjing, Tianjin, Guangzhou and Beijing have not yet been set up and the Group will establish new regional offices when appropriate.

The following table sets out the condition of actual use of proceeds from the Placing from the Listing Date to 30 June 2014.

Use of proceeds from the Placing	From the Listing Date to 30 June 2014	
	Amount planned to be used RMB'000	Actual amount used RMB'000
Introduction of new media covering new industries	2,381.25	862.40
Expansion of professional team	4,445.01	5,030.63
Expansion of digital marketing platform	5,199.07	7,156.69
Expansion of geographic coverage	3,889.38	–
Mergers and acquisitions	30,559.44	45,000.00
Total	46,474.15	58,049.72

Note: The excess of the actual amount used over the planned amount to be used represents the Company's internal funds.

### FUTURE PROSPECT

In the first half of 2014, the economic development in China continued to slow down. The Group was able to withstand such difficult market condition and its revenue increased by over 100% as compared with the corresponding period of last year. All of the Group's business segments enjoyed stable development with the income from the digital marketing business increased dramatically. The Directors have full faith in the Group's future development.

After the Acquisition, the Group capitalizes on the professional advantages of Ju Liu Information in respect of marketing services, media integration and creative planning in mobile advertising to enhance its capabilities in digital marketing services and facilitate the growth of the Group's digital marketing business in terms of scale. Meanwhile, the Group consistently optimizes the existing digital marketing tools, continues to expand the team of digital marketing services, carry out on-going improvement of the professionalism of its staff, so as to provide high-quality digital marketing services to its clients.

Looking forward, the Group will continue to serve its existing clients and generate more revenue. At the same time, the Group will seize the opportunities arising from the emerging digital era, further prioritize the development of its brand marketing business with digital media and continue to explore any acquisition opportunities that would be favorable to the long term development of the Group.

### CORPORATE GOVERNANCE CODE

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

Under code provision A.1.8 of the Code, an issuer should arrange appropriate liability insurance cover in respect of any legal action against its Directors. The Group has taken out such insurance cover for its Directors for the Review Period. During the Review Period, the Group has also organized internal training and discussion sessions. In addition, in accordance with the relevant code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, the Group conducts regular review of its internal control systems, while the follow-up examination would be undertaken by the Group's Internal Audit Department.

To ensure that members and related staff of the Board have a comprehensive knowledge of the GEM Listing Rules, and the latest amendments thereto, the Group invited Loong and Yeung Solicitors and Anglo Chinese Corporate Finance, Limited on 6 June 2014 to provide a formal training to the Directors, senior management and the executives involved in corporate governance matters of the Group. The training covered regulations applicable to Hong Kong listed companies, the general disclosure obligations of Hong Kong listed companies, corporate governance, overview of the definitions of connected transactions and connected parties, and the amended connected transactions rules implemented by the Stock Exchange since 1 July 2014. As mentioned above, in the first half of 2014, the Group took out the liability insurance for its Directors. To ensure that all Directors have a deeper understanding of the liability insurance, the Group arranged trainings provided by the insurance company to all the Directors.

In the first half of 2014, there were two board meetings, and the attendance records of the Directors are as follows:

	<b>Number of attendance/ Number of meetings</b>
<b>Executive Directors</b>	
Mr. Fang Bin ( <i>Chairman and General Manager</i> )	2/2
Ms. He Weiqi ( <i>Deputy General Manager</i> )	2/2
Mr. Song Yijun ( <i>Deputy General Manager</i> )	2/2
<b>Non-executive Director</b>	
Mr. Fan Youyuan	1/2
<b>Independent Non-executive Directors</b>	
Mr. Zhou Ruijin	2/2
Mr. Lin Zhiming	2/2
Ms. Hsu Wai Man, Helen	2/2

Two meetings were held by the Audit Committee in the first half of 2014, and the attendance records of the members are as follows:

	<b>Number of attendance/ Number of meetings</b>
Mr. Zhou Ruijin	2/2
Mr. Lin Zhiming	2/2
Ms. Hsu Wai Man, Helen	2/2

### **DIVIDENDS**

The Directors do not recommend the payment of any interim dividend for the Review Period (2013: nil), and therefore no closure of register of members is required.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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

### **INTEREST OF THE COMPLIANCE ADVISER**

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

### **COMPETING BUSINESS**

During the Review Period, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close 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 and 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**

During the Review Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed shares of the Company.

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

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in the Ordinary Shares of the Company

Name of Director	Number of ordinary shares		Interest in controlled corporation	Total	Approximate percentage of the issued share capital
	Personal interest	Family interest			
Mr. Fang Bin	–	–	112,500,000 <sup>(1)</sup>	112,500,000	45.58%
Mr. Fan Youyuan	–	–	14,700,000 <sup>(2)</sup>	14,700,000	5.96%

Notes:

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

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

## 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 June 2014 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 SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

### Long positions in the Shares of the Company

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

Notes:

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

Save as disclosed above and as at 30 June 2014, the Directors are not aware of any interests or short positions owned by any person (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 major terms and conditions of the Share Option Scheme are 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 June 2014.

### 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 with all Directors, the Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during 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 policies of the Group, 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 interim results of the Group have not been reviewed by external auditors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and results of the Group for the Review Period, and considers that such results have been prepared in accordance with the applicable accounting standards and requirements. Meanwhile, the Audit Committee has reviewed the internal control and corporate governance of the Group for the Review Period.

By order of the Board  
**Branding China Group Limited**  
**Fang Bin**  
*Executive Director and Chairman*

Shanghai, the PRC, 5 August 2014

*As at the date of this report, the Board comprises three executive Directors, namely Mr. Fang Bin (Chairman of the Board), 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.*