



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

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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FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2015 (the "Review Period") increased to RMB148,011,571, representing an increase of approximately 1.74% as compared to the corresponding period of last year.
- During the Review Period, the Group's total gross profit increased to RMB37,932,350, representing an increase of approximately 25.41% as compared to the corresponding period of last year.
- During the Review Period, the Group's overall gross profit margin increased by approximately 4.84 percentage points to approximately 25.63% as compared to the corresponding period of last year.
- Net assets of the Group as at 30 June 2015 increased to RMB409,608,384, representing an increase of approximately 3.5% as compared to that as at 31 December 2014.
- Earnings per share of the Company for the Review Period were approximately RMB5.57 cents (the corresponding period in 2014: RMB5.93 cents).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited For the six months ended 30 June		Unaudited For the three months ended 30 June	
		2015	2014	2015	2014
		RMB	RMB	RMB	RMB
Revenue	6	148,011,571	145,480,433	85,538,350	85,149,373
Cost of Sales		(110,079,221)	(115,234,912)	(60,198,028)	(68,466,282)
Gross profit		37,932,350	30,245,521	25,340,322	16,683,091
Other income and gains, net	7	1,783,966	3,975,152	304,633	1,111,062
Share of profits of associates		3,927	3,570	3,927	2,140
Selling and distribution expenses		(3,190,186)	(3,206,885)	(1,724,365)	(1,508,055)
Administrative expenses		(16,194,461)	(10,733,421)	(7,570,572)	(5,367,071)
Finance costs		(530,640)	(858,469)	(248,040)	(552,179)
Reversals of impairment of trade receivable		–	100,000	–	100,000
Profit before income tax		19,804,956	19,525,468	16,105,905	10,468,988
Income tax expense	8	(6,052,492)	(4,881,367)	(4,386,727)	(2,617,247)
Profit for the period		13,752,464	14,644,101	11,719,178	7,851,741
Other comprehensive income for the period:					
Exchange differences on translation of foreign operations		105,432	808,047	(616,194)	(182,933)
Total comprehensive income for the period		13,857,896	15,452,148	11,102,984	7,668,808
Earnings per share attributable to owners of the Company:					
Basic and diluted	13	5.57 cents	5.93 cents	4.75 cents	3.18 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

		Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 RMB
Assets			
Non-current assets			
Property, plant and equipment		2,946,377	1,869,877
Goodwill	16	156,293,197	156,293,197
Intangible assets	17	3,200,430	3,736,245
Interests in associates		1,227,479	1,223,552
		163,667,483	163,122,871
Total non-current assets			
Current assets			
Trade and bills receivables	14	177,527,144	137,828,977
Prepayments, deposits and other receivables		91,235,836	102,679,599
Cash and cash equivalents		80,691,120	109,623,594
		349,454,100	350,132,170
Total current assets			
Total assets		513,121,582	513,255,041
Liabilities			
Current liabilities			
Trade payables	15	56,775,995	53,471,136
Other payables and accruals		27,651,275	37,254,085
Bank borrowings	10	15,000,000	20,000,000
Current tax liabilities		3,313,756	5,874,787
		102,741,026	116,600,008
Total current liabilities			
Total assets less current liabilities		410,380,557	396,655,033
Non-current liabilities			
Other payables and accruals			
Deferred tax liabilities		772,173	904,545
		772,173	904,545
Total non-current liabilities			
Total liabilities		103,513,198	117,504,553
Net assets		409,608,384	395,750,488
Equity attributable to owners of the Company			
Issued share capital	12	1,996,737	1,996,737
Reserves		407,611,647	393,753,751
		409,608,384	395,750,488
TOTAL EQUITY		409,608,384	395,750,488

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>RMB</i>	Share premium <i>RMB</i>	Capital surplus <i>RMB</i>	Exchange reserve <i>RMB</i>	Statutory reserve <i>RMB</i>	Retained profit <i>RMB</i>	Total equity <i>RMB</i>
As at 1 January 2014	1,996,737	203,009,101	2,000,000	(1,064,306)	4,073,954	144,565,774	354,581,260
Profit and total comprehensive income for the period	-	-	-	-	-	14,644,101	14,644,101
Exchange differences on translation of foreign operations	-	-	-	808,047	-	-	808,047
As at 30 June 2014	1,996,737	203,009,101	2,000,000	(256,259)	4,073,954	159,209,873	370,033,408
	Issued share capital <i>RMB</i>	Share premium <i>RMB</i>	Capital surplus <i>RMB</i>	Exchange reserve <i>RMB</i>	Statutory reserve <i>RMB</i>	Retained profit <i>RMB</i>	Total equity <i>RMB</i>
As at 1 January 2015	1,996,737	203,009,101	2,000,000	(918,314)	6,656,398	183,006,566	395,750,488
Profit and total comprehensive income for the period	-	-	-	-	-	13,752,464	13,752,464
Exchange differences on translation of foreign operations	-	-	-	105,432	-	-	105,432
As at 30 June 2015	1,996,737	203,009,101	2,000,000	(812,882)	6,656,398	196,759,030	409,608,384

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the six months ended 30 June	
	2015 RMB	2014 RMB
Profit before income tax expense	19,804,956	19,525,468
Adjustments for:		
Interest expense	530,640	858,469
Interest income	(642,079)	(669,684)
Amortisation of intangible assets	535,815	531,598
Depreciation of property, plant and equipment	362,349	194,298
Share of profits of associates	(3,927)	(3,570)
Impairment of trade receivables	–	(100,000)
Increase in deferred income tax liabilities	(132,373)	(132,373)
Decrease/(increase) in trade and bills receivables	(39,698,167)	(16,211,579)
Decrease/(increase) in prepayments, deposits and other receivables	11,443,764	(30,697,625)
Increase/(decrease) in trade payables	3,304,859	18,731,117
Increase/(decrease) in other payables and accruals	(9,222,098)	8,728,354
Cash flows from operating activities	(13,716,261)	754,473
Income taxes paid	(8,491,175)	(12,515,591)
Net cash from operating activities	(22,207,436)	(11,761,118)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,807,218)	(965,310)
Disposal of property, plant and equipment	97,087	2,130
Fixed assets management	–	(30,000,000)
Acquisition of subsidiaries	–	(11,215,894)
Interest received	642,079	669,684
Net cash from/(used in) investing activities	(1,068,052)	(41,509,390)
Cash flows from financing activities		
New bank borrowings	–	25,000,000
Repayment of bank borrowings	(5,000,000)	(20,000,000)
Interest paid	(530,640)	(858,469)
Net cash (used in)/from financing activities	(5,530,640)	4,141,531
Net increase in cash and cash equivalents	(28,806,128)	(49,128,977)
Effect of exchange rate changes on cash and cash equivalents	(126,345)	–
Cash and cash equivalents at the beginning of the period	109,623,593	116,719,309
Cash and cash equivalents at the end of the period	80,691,120	67,590,332
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	80,691,120	67,590,332

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 Company dated 17 April 2012 (the "Prospectus"). The shares of the Company (the "Shares") were listed on the Stock Exchange on 27 April 2012. During the Review Period, the Group was principally engaged in the provision of one-stop integrated marketing communications services, 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), the International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), the International Accounting Standards and Standing Interpretations Committee's interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except 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 2014.

4. ADOPTION OF NEW AND REVISED IFRSs

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

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

5. 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, public relation 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 People's Republic of China (the "PRC").

Information about major clients

During the reporting periods, turnover from clients contributing over 10% of total revenue of the Group is as follows:

	For the six months ended 30 June							
	2015			Total	2014			Total
	Advertising income	Public relation services income	Event marketing income		Advertising income	Public relation services income	Event marketing income	
RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Client A	-	18,384,508	-	18,384,508	-	9,689,742	-	9,689,742
Client B	36,038	-	15,566,038	15,602,076	-	1,505,851	12,239,555	13,745,406
Client C	2,793,160	-	-	2,793,160	7,062,450	16,234,342	-	23,296,792
Client D	5,431,321	-	-	5,431,321	15,143,633	-	-	15,143,633
Client E	19,099,442	188,679	-	19,288,121	268,868	-	-	268,868

6. REVENUE

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

The following table sets forth the breakdown of revenue:

	Unaudited	
	For the six months ended 30 June	
	2015	2014
	RMB	RMB
Advertising income	92,080,337	86,594,779
PR services income	36,965,376	35,015,390
Event marketing services income	20,215,433	25,864,287
Less: business tax and surcharges	1,249,575	1,994,023
Total	148,011,571	145,480,433

7. OTHER INCOME AND GAINS

	Unaudited For the six months ended 30 June	
	2015	2014
	RMB	RMB
Other income and gains:		
Interest income	642,079	669,684
Government subsidies	1,141,654	3,305,468
Other	233	–
Total	<u>1,783,966</u>	<u>3,975,152</u>

8. INCOME TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2015	2014
	RMB	RMB
Current tax		
– PRC corporate income tax	6,052,492	4,881,367
Income tax expense	<u>6,052,492</u>	<u>4,881,367</u>

9. DIVIDENDS

The board of Directors (“the Board”) of the Company did not recommend the payment of any dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

10. BANK BORROWINGS

	Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 RMB
Unsecured interest-bearing loans	<u>15,000,000</u>	<u>20,000,000</u>

11. DEPRECIATION AND AMORTISATION

	Unaudited For the six months ended 30 June	
	2015	2014
	RMB	RMB
Amortisation of intangible assets	535,815	531,598
Depreciation of property, plant and equipment	362,349	194,298

12. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 15 March 2011 (the date of incorporation) to 30 June 2015:

	Number of shares	RMB
Authorised:		
Upon incorporation (38,000,000 shares of HK\$0.01 each)	38,000,000	316,016
Increase in authorized share capital on 10 April 2012	1,962,000,000	16,316,405
As at 30 June 2015	2,000,000,000	16,632,421
Issued and fully paid:		
Upon incorporation	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 on the share premium account of the Company	149,999,000	1,213,822
Shares issued under placing	50,000,000	404,610
New shares issued on 17 June 2013	46,810,194	378,297
As at 30 June 2015	246,810,194	1,996,737

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Group of RMB13,752,464 for the Review Period (for the six months ended 30 June 2014: approximately RMB14,644,101), and the weighted average number of ordinary shares of 246,810,194 shares (for the six months ended 30 June 2014: 246,810,194 shares).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2015.

14. 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:

	Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 <i>RMB</i>
Trade receivables	174,319,816	137,061,649
Bills receivables	3,900,000	1,460,000
Less: provisions made	(692,672)	(692,672)
Total	<u>177,527,144</u>	<u>137,828,977</u>

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

	Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 <i>RMB</i>
Within 1 month	38,123,928	24,025,470
More than 1 month but within 3 months	57,660,602	31,737,276
More than 3 months but within 6 months	54,407,488	44,533,512
More than 6 months but within 1 year	11,239,101	34,594,967
Over 1 year	12,196,025	1,477,752
Bill receivables	3,900,000	1,460,000
Total	<u>177,527,144</u>	<u>137,828,977</u>

15. TRADE PAYABLES

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

	Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 <i>RMB</i>
Trade payables	<u>56,775,995</u>	<u>53,471,136</u>

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

	Unaudited As at 30 June 2015 RMB	Audited As at 31 December 2014 RMB
Within 1 month	16,395,888	12,109,175
More than 1 month but within 3 months	18,115,282	17,542,494
More than 3 months but within 6 months	14,040,899	13,616,230
More than 6 months but within 1 year	6,634,354	8,675,585
Over 1 year	1,589,572	1,527,652
Total	<u>56,775,995</u>	<u>53,471,136</u>

16. 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.

17. INTANGIBLE ASSETS

	Customer relationship RMB	Computer software RMB	Total RMB
Cost:			
As at 1 January 2015	4,351,600	1,069,796	5,421,396
Addition	—	—	—
As at 30 June 2015	<u>4,351,600</u>	<u>1,069,796</u>	<u>5,421,396</u>
Accumulated amortization:			
As at 1 January 2015	1,378,006	307,145	1,685,151
Charge for the period	435,160	100,655	535,815
As at 30 June 2015	<u>1,813,166</u>	<u>407,800</u>	<u>2,220,966</u>
Net book value			
As at 30 June 2015	<u>2,538,434</u>	<u>661,996</u>	<u>3,200,430</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Revenue

For the Review Period, the revenue of the Group was RMB148,011,571, representing an increase of RMB2,531,138 as compared with RMB145,480,433 for the corresponding period of 2014. Such increase was mainly due to the popularity of the network life and the fact that our clients prefer to use digital marketing as the key media channel. Therefore, the overall revenue of the Group during the Review Period increased as compared with the corresponding period of last year as a result of the growth of digital marketing business.

Other income and gains

Other income and gains decreased from RMB3,975,152 for the six months ended 30 June 2014 to RMB1,783,966 for the Review Period, which mainly represented government subsidy income and interest income. The decrease was due to a decrease in the government subsidy received by the Group during the Review Period.

Cost of sales and gross profit

The cost of sales of the Group comprised media operating cost, the expenses for procuring advertising and/or text advertisements spaces, event organizing and production costs and labour cost. During the Review Period, the Group's cost of sales amounted to RMB110,079,221, representing a slight decrease as compared with RMB115,234,912 for the corresponding period of 2014. Such decrease was mainly due to (i) the reduction of the cost and enhancement of efficiency of the Group by way of simplifying internal personnel to reduce the labour cost; (ii) in order to advance the digital and wireless transformation, the Group has reduced the part of traditional media business to reduce the media operating cost and purchasing cost. As a result, the overall cost decreased.

The gross profit of the Group increased to RMB37,932,350 during the Review Period from RMB30,245,521 for the six months ended 30 June 2014.

Selling and distribution expenses

During the Review period, the selling and distribution expenses was RMB3,190,186, as compared with RMB3,206,885 for the corresponding period of 2014. Such expense remained stable during the Review Period.

Administrative expenses

During the Review Period, the administrative expenses increased to RMB16,194,461 from RMB10,633,421 for the corresponding period of last year. The increase was primarily due to the fact that (i) the intermediary consulting fees incurred by the Company in relation to its application to the Stock Exchange for the transfer of listing of its shares from GEM to the Main Board during the Review Period; (ii) the expansion of workplace by the Group in response to business development requirement led to an increase in its lease expenses as compared with that of the corresponding period of last year; and (iii) the increase of directors' remuneration as compared with that of the corresponding period of last year.

Income tax expenses

During the Review Period, the income tax expenses of the Group was RMB6,052,492, which increased by RMB1,171,125 from RMB4,881,367 for the corresponding period of 2014. The increase was primarily due to the significant increase of the payment of intermediary fee out of the PRC during Review Period. Such fee cannot be applied to offset income tax in accordance with the Law of PRC on Enterprise Income Tax, resulting in the increase of the payment of income tax expenses.

Net profit

The net profit decreased by RMB891,637 as compared with the corresponding period of last year. The decrease of net profit was primarily due to (i) the consulting fees incurred by the Company in relation to its application to the Stock Exchange of Hong Kong for the transfer of listing of its shares from GEM to the Main Board which significantly increased when compared to the corresponding period of last year; (ii) the decrease in government subsidy received by the Group during the Review Period; and (iii) the fact that the consulting fees for the services of the professional parties mainly paid outside of PRC were not deductible for enterprise income tax pursuant to the Enterprise Income Tax Law of the PRC, thus resulting in an increase in the amount of income tax payables.

Liquidity and financial resources

As at 30 June 2015, the Group's cash and cash equivalents, comprising bank deposits and cash on hand of RMB71,223,505 and HK\$12,005,445 respectively, amounted to RMB80,691,120, representing a net reduction of RMB28,932,474 as compared with the balance as at 31 December 2014. As at 30 June 2015, the Group's current ratio was 3.40 (31 December 2014: approximately 3.00). The Group mainly used internal cash flows from operating activities to satisfy its working capital needs.

As at 30 June 2015, the bank borrowings of the Group were RMB15,000,000.00. For details, please refer to note 10 to the Condensed Consolidated Interim Financial Statements of the Group. During the Review Period, the repayment of bank borrowings which were at maturity was RMB5,000,000.

The gearing ratio of the Group (total borrowings divided by total equity) was approximately 3.66% (31 December 2014: approximately 5.05%).

Charge on assets

As at 30 June 2015, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2014: Nil).

Structure of assets

As at 30 June 2015, the Group had net assets of RMB409,608,384 (31 December 2014: RMB395,750,488), comprising non-current assets of RMB163,667,483 (31 December 2014: RMB163,122,871), and current assets of RMB349,454,100 (31 December 2014: RMB350,132,170). The Group recorded net current assets of RMB246,713,074 (31 December 2014: RMB233,532,162), mainly comprising cash and cash equivalents of RMB80,691,120 (31 December 2014: RMB109,623,594) and trade receivables of RMB177,527,144 (31 December 2014: RMB137,828,977). Current liabilities mainly comprised trade payables, other payables and accruals, bank borrowings and current tax liabilities, amounting to RMB56,775,995 (31 December 2014: RMB53,471,136), RMB27,651,275 (31 December 2014: RMB37,254,085), RMB15,000,000 (31 December 2014: RMB20,000,000), and RMB3,313,756 (31 December 2014: RMB5,874,787) respectively.

Material acquisition and disposal

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

Contingent liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

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 date of listing of its shares on the GEM of the Stock Exchange, and a credit management committee was formed to review and manage clients' credit in cooperation with the finance department, and business department, and is primarily responsible for setting up clients' database, clients' credit ratings as well as receivable management so as to minimise 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 in the end of every year.

Human resources

As at 30 June 2015, the Group had 132 employees in total in the PRC, of which 66 employees were employed by Shanghai Ju Liu Information Technology Company Limited. 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 (including salaries of sales staff and the salaries of management personnel) amounted to RMB9,625,294 (for the six months ended 30 June 2014: RMB13,103,250). The decrease in human resources costs was mainly due to the reduction of the cost and enhancement of efficiency of the Group by way of simplifying internal personnel to reduce the human resources cost.

BUSINESS REVIEW AND PROSPECT

Business review

Half-year performance remained stable with significant rebound in the second quarter as compared with the first quarter

During the Review Period, the total revenue of the Group was RMB148,011,571, representing an increase of approximately 1.74% as compared with the corresponding period of 2014. The gross profit increased by approximately 25.41% to RMB37,932,350 as compared with the corresponding period of last year. The gross profit margin increased by approximately 4.84 percentage points to approximately 25.63%. The net assets increased by approximately 3.5% to approximately RMB409,608,384 as compared to that as at 31 December 2014.

The performance of the Group in the second quarter achieved a substantial growth as compared with that of the first quarter. The revenue for the second quarter increased by approximately 36.92% as compared with that of the first quarter, the gross profit increased by approximately 101.24% and net profit significantly increased by approximately 476% as compared with those of the first quarter. Both of the gross profit margin and net profit margin for the second quarter increased by approximately 10 percentage points as compared with those of the first quarter.

Adhere to and steadily carry out the digitization and wireless transformation

During the Review Period, the Group continued to focus on enhancing the transformation of the traditional core businesses, adhere to and steadily carry out the digitization and wireless strategic layout. The Group maintained a steady and healthy growth of the digital business. During the Review Period, the income generated from digital media expressed as a percentage of the total revenue of core businesses amounted to approximately 62.63%, growing steadily amid the transformation of the Group. The table below sets out the figures of the income generated from digital media as a percentage of the total revenue of the Group.

	For the six months ended 30 June 2015	For the twelve months ended 31 December 2014	For the twelve months ended 31 December 2013
Digital media income accounted for	<u>62.63%</u>	<u>57.20%</u>	<u>44.86%</u>

Strived to exploration of new customers and continuously optimized the self media matrix (自媒體矩陣)

According to the “Media Blue Book: China Media Industry Development Report (2015)” 《(傳媒藍皮書：中國傳媒產業發展報告(2015))》) released on the “Sixth Media Development Forum” (第六屆傳媒發展論壇) organised by the School of Journalism and Communication of Tsinghua University, with the rapid rise of new media such as Internet, the media industry demonstrates an image of overall prosperity and a partially downward trend. Nevertheless, the sound momentum of the general development of the media industry primarily builds upon the Internet-based new media. In 2014, the market share of Internet and mobile value-added services not only accounted for more than the aggregate market share of the traditional media, leading ahead of 10.3%, but the gap was continuously expanding as well. The traditional media faced greater challenges. Meanwhile, revenue from Internet advertising and online games still maintained a higher growth rate despite a slow down in the growth rate.

Upon studying the direction of the media industry development, the Group intensified the transformation to strengthen the expansion in segments and to seek a breakthrough on the new digital media development. During the Review Period, the Group succeeded in exploration of new clients in automobile, car rental and online game industries. Meanwhile, in line with the clients’ trade mix, the Group continued to proceed with the optimal deployment of the self media matrix on a systematic manner. On one hand, there was a reduction of the part of traditional media business and on the other hand, the Group focused on providing new marketing communications model to the customers by continuously reinforcing the building of information and data exchange in relation to the mobile Internet business with platforms, expanding the wireless media resources and enhancing the full service solutions. In particular, targeting customers from the automotive industry, the existing self media matrix has covered more than 10 WeChat public platforms comprising the car purchase, assessment, automobile insurance and wealth management with nearly 5 million fans. At the same time, the Group is also working with a famous Auto App operator to implement the cooperation plan for the year.

FUTURE PROSPECTS

Under the transformation background of “Internet+”, apart from accelerating the digitalization process, the Group actively explored the cross-sector positioning in fields such as games and online consumption, extended the value chain of the industry and created new opportunities, so as to seek a breakthrough in the integration. At the same time, on the basis of preserving the experience and strengths of the traditional media industry, the Group will expand the new business model with enhanced digitalization and enlarged platform through continuously strengthening the construction of wireless media platform and upgrading services.

The Board believes that with the intensifying market competition and the significant impact brought by the digital technologies, the Group will continue to develop and grow into a new digital media group through conducting market expansion for the existing businesses, continuing the transformation, upgrading the standard of customer services and innovating the marketing customer service.

TRANSFER OF BUSINESS

The business of Shanghai Sum Zone Media Investment Management Company Limited (上海三眾華納傳媒投資管理有限公司) (“SMU”) involves Restricted Businesses (as defined in the prospectus of the Company dated 17 April 2012 (the “Prospectus”)) and this prevents SMU from being consolidated into the Group directly. On the basis of the Structured Contract and having consulted the Group’s PRC legal advisors, 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 electronic PR) business are Restricted Businesses and they should continue to be operated by SMU after the Listing. On the other hand, the Group’s advertising agency business, such as 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 have been transferred to Shanghai SumZone Advertising Company Limited (“SumZone Advertising”), Shanghai SumZone Marketing Company Limited (“SumZone Marketing”) or any PRC subsidiaries of Shanghai SumZone Enterprise Management Consultancy Company Limited pursuant to 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 the Group’s newly developed clients relating to its Unrestricted Businesses. As at 30 June 2015, the application of trademarks transfer of the Group has been partially 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.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The Company is committed to maintaining sound corporate governance standards and procedures to ensure the timeliness, transparency and completeness of its information disclosure, and strives to achieve a more standardized operational and effective management, so as to safeguard investors’ interests as a whole to the greatest extent.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Review Period (for the six months ended 30 June 2014: nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in the section headed "Report of the Directors" in the annual report of the Company for the year ended 31 December 2014, during the Review Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Group has adopted the required standard of dealings, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by directors during the Review Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Review Period, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited, or its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in the share capital of the Group as at 30 June 2015 pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

As at 30 June 2015, 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 (as defined in 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 any 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 were as follows:

Long positions in the Shares

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 ("Mr. Fang") (Note 1)	–	–	112,500,000	112,500,000	45.58%
Mr.Huang Wei ("Mr. Huang") (Note 2)	–	–	46,810,194	46,810,194	18.97%
Mr.Fan Youyuan ("Mr. Fan") (Note 3)	–	–	14,700,000	14,700,000	5.96%

Notes:

1. These Shares are owned by Lapta International Limited, the entire issued share capital of which is beneficially owned by Mr. Fang. Accordingly, under the SFO, Mr. Fang is taken or deemed to be interested in the 112,500,000 Shares held by Lapta International Limited.
2. These Shares are owned by Always Bright Enterprises Limited, the entire issued share capital of which is beneficially owned by Mr. Huang. Accordingly, under the SFO, Mr. Huang is taken or deemed to be interested in the 46,810,194 Shares held by Always Bright Enterprises Limited.
3. These Shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited which is in turn wholly owned by Mr. Fan. Accordingly, under the SFO, Mr. Fan is taken or deemed to be interested in the 14,700,000 Shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at 30 June 2015, none of the directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as the Directors are aware, without taking into account any Shares which will be issued pursuant to the options which may be granted under the Share Option Scheme (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

Name	Capacity	Number of ordinary Shares	Approximate percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	45.58%
Always Bright Enterprises Limited (Note 1)	Beneficial owner	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:

1. Mr. Huang beneficially owns the entire issued share capital of Always Bright Enterprises Limited, which in turn holds 46,810,194 Shares. Ms. Yuan Yuan is the spouse of Mr. Huang. For the purposes of the SFO, Ms. Yuan Yuan is deemed or taken to be interested in all the Shares in which Mr. Huang is interested.
2. Mr. Fan beneficially owns the entire issued share capital of Taocent International Holding Limited which in turn wholly owns Whales Capital Holdings Limited which owns 14,700,000 Shares as at the date of this Report, equivalent to approximately 5.96% of the issued share capital of the Company. Ms. Yin Rong is the spouse of Mr. Fan. For the purposes of SFO, Ms. Yin Rong is deemed or taken to be interested in all the Shares in which Mr. Fan is interested.
3. Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited, which in turn held 13,500,000 Shares. For the purposes of the SFO, Mr. Lin Kaiwen is deemed 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 to 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 2015, the Directors are not aware of any interests or short positions owned by any persons (other than the directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 29 September 2014, the Company has adopted an employees' share award scheme (the "Share Award Scheme"). Subject to early termination provisions contained in the Share Award Scheme, the remaining life of the Share Award Scheme will be until 28 September 2024. The Share Award Scheme is to recognize the contributions by certain selected employees and to give incentives thereto in order to retain them for the continual operations and development of the Group and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules and is a discretionary award scheme of the Company. For details of the Share Award Scheme, please refer to the announcement of the Company dated 29 September 2014.

No Share was awarded under the Share Award Scheme during the Review Period and as at the date of this announcement.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 April 2012.

Purpose

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

Participants

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 20,000,000 Shares, representing approximately 8.10% of the issued share capital of the Company as at the date of this announcement).

Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding options) by any participant under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue of the Company.

Term of subscription of Shares upon exercise of Share Options

An option may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant and subject to the provisions of early termination thereof.

Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets must be achieved before an option can be exercised.

Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer is made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

Basis of determining the subscription price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares on the date of grant of the option.

Validity of Share Option Scheme

The Share Option Scheme became unconditional on the Listing Date and shall be valid for a period of ten years commencing on 10 April 2012. Subject to the early termination provisions contained in the Share Option Scheme, the remaining life of the Share Option Scheme will be until 8 April 2022.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme does not exceed 30% of the shares in issue of the Company from time to time.

Up to the date of this announcement, no option under the Share Option Scheme has been granted by the Company.

AUDIT COMMITTEE

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 of Directors
Branding China Group Limited
Fang Bin
Executive Director and Chairman

Shanghai, the PRC, 10 August 2015

As at the date of this announcement, the board of Directors comprises four executive Directors, namely Mr. Fang Bin (Chairman), Mr. Patrick Zheng, Mr. Huang Wei and Mr. Song Yijun; one non-executive Director, namely Mr. Fan Youyuan; and three independent non-executive Directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's 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.