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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: 0863)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2017 (the "**Review Period**") increased to RMB80,864,097, representing an increase of approximately RMB1,149,697 as compared to the corresponding period of last year.

- Net assets of the Group as at 30 June 2017 decreased to RMB224,380,078, representing a decrease of approximately RMB14,403,234 from 31 December 2016.

- Earnings per share of the Company for the Review Period were approximately RMB-5.74 cents (the corresponding period in 2016: RMB4.04 cents).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited For the six months ended 30 June **2017** *RMB*	2016 *RMB*
Continuing Operations			
Revenue	*6*	**80,864,097**	58,172,560
Cost of sales		**(64,783,226)**	(46,947,787)
Gross profit		**16,080,871**	11,224,773
Other income and gains, net	*7*	**9,147,294**	892,953
Selling and distribution expenses		**(1,105,643)**	(415,725)
Administrative expenses		**(42,480,516)**	(14,418,548)
Finance costs		**(67,537)**	(7,467)
Share of profits of associates		**(1,833,240)**	1,394,902
Share of profits of joint ventures		**6,641,840**	–
Profit before income tax		**(13,616,931)**	(1,329,112)
Income tax expense	*8*	**(828,501)**	(274,230)
(Loss)/profit for the period		**(14,445,432)**	(1,603,342)
Discontinued operations			
Profit for the period from discontinued operations		**–**	11,647,945
(Loss)/profit for the period		**(14,445,432)**	10,044,603
Other comprehensive income for the period			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**42,198**	44,642
Total comprehensive income for the period		**(14,403,234)**	10,089,245
(Loss)/profit for the period attributable to:			
Owners of the Company			
(Loss)/profit for the period from continuing operations		**(14,936,307)**	(1,603,342)
(Loss)/profit for the period from discontinued operations		**–**	11,647,945
		(14,936,307)	10,044,603
Non-controlling interests			
Profit for the period from continuing operations		**490,875**	–
		(14,445,432)	10,044,603

	Notes	Unaudited For the six months ended 30 June **2017** ***RMB***	 2016 *RMB*
Total comprehensive income for the period attributable to:			
Owners of the Company			
(Loss)/profit for the period from continuing operations		**(14,894,109)**	(1,558,700)
(Loss)/profit for the period from discontinued operations		**–**	11,647,945
		(14,894,109)	10,089,245
Non-controlling interests			
Profit for the period from continuing operations		**490,875**	–
		(14,403,234)	10,089,245
(Loss)/earning per share – Basic and diluted			
– From continuing operations	*12*	**RMB-5.74 cents**	RMB-0.65 cents
– From discontinued operations		**–**	RMB4.69 cents
		RMB-5.74 cents	RMB4.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

	Notes	**Unaudited As at 30 June 2017 *RMB***	Audited As at 31 December 2016 *RMB*
Assets			
Non-current assets			
Property, plant and equipment		**11,604,664**	12,599,059
Deposits		**5,584,500**	5,584,500
Intangible assets	*15*	**48,833,017**	50,232,101
Interest in a joint venture		**–**	24,083,611
Interests in associates		**2,989,356**	1,822,595
Available-for-sale financial assets		**2,250,000**	2,250,000
Deferred tax assets		**2,632,652**	4,297,193
Total non-current assets		**73,894,189**	100,869,059
Current assets			
Trade and bills receivables	*13*	**119,558,840**	136,814,137
Prepayments, deposits and other receivables		**19,929,207**	21,759,873
Tax recoverable		**9,051,568**	1,058,629
Cash and cash equivalents		**83,420,025**	84,310,595
Total current assets		**231,959,640**	243,943,234
Total assets		**305,853,829**	344,812,293
Liabilities			
Current liabilities			
Trade payables	*14*	**41,243,966**	45,121,455
Receipts in advance, other payables and accruals		**5,454,195**	35,634,848
Bank borrowings	*10*	**11,584,000**	3,935,000
Current tax liabilities		**2,544,470**	412,006
Total current liabilities		**60,826,631**	85,103,309
Net current assets		**171,133,009**	158,839,925
Total assets less current liabilities		**245,027,198**	259,708,984

	Notes	**Unaudited As at 30 June 2017** *RMB*	Audited As at 31 December 2016 *RMB*
Non-current liabilities			
Deposits received		**10,897,805**	10,897,805
Deferred tax liabilities		**9,749,315**	10,027,867
Total non-current liabilities		**20,647,120**	20,925,672
Total liabilities		**81,473,751**	106,028,981
NET ASSETS		**224,380,078**	238,783,312
Equity attributable to owners of the Company			
Issued capital		**2,037,681**	2,037,681
Reserves		**217,178,945**	232,073,054
Equity attributable to owners of the Company		**219,216,626**	234,110,735
Non-controlling interests		**5,163,452**	4,672,577
TOTAL EQUITY		**224,380,078**	238,783,312

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital *RMB*	Share premium *RMB*	Capital surplus *RMB*	Exchange reserve *RMB*	Statutory reserve *RMB*	Retained profit *RMB*	Non-controlling interests *RMB*	Total equity *RMB*
As at 1 January 2016	1,996,737	203,009,101	2,000,000	(868,778)	7,922,791	219,096,999	–	433,156,850
Issue ordinary shares	40,945	9,867,544	–	–	–	–	–	9,908,489
Profit and total comprehensive income for the period	–	–	–	–	–	10,044,603	–	10,044,603
Exchange differences on translation of foreign operations	–	–	–	44,642	–	–	–	44,642
As at 30 June 2016	2,037,682	212,876,645	2,000,000	(824,136)	7,922,791	229,141,602	–	453,154,584
As at 1 January 2017	2,037,681	212,873,290	2,000,000	(898,102)	7,922,791	10,175,075	4,672,577	238,783,312
Profit and total comprehensive income for the period	–	–	–	–	–	(14,936,307)	490,875	(14,445,432)
Gains on acquisition of a subsidiary	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	42,198	–	–	–	42,198
As at 30 June 2017	2,037,681	212,873,290	2,000,000	(855,904)	7,922,791	(4,761,232)	5,163,452	224,380,078

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited For the six months ended 30 June **2017** *RMB*	 2016 *RMB*
Profit before income tax expense		**(13,616,931)**	12,186,807
Adjustments for:			
Interest expense		**67,537**	84,000
Interest income		**(759,569)**	(279,279)
Amortisation of intangible assets	*11*	**1,399,084**	535,814
Depreciation of property, plant and equipment	*11*	**711,722**	563,319
Amortisation of long-term deferred expenses		**453,693**	–
Gains on financial assets		**(35,587)**	–
Share of profits of joint ventures		**(6,641,840)**	–
Share of profits of associates		**1,833,240**	(1,394,902)
Asset impairment loss		**24,021,182**	–
Increase in deferred income tax liabilities		**–**	(132,373)
Gains on disposal of financial assets measured at fair value through profit or loss		**–**	(4,405)
Decrease/(increase) in trade and bills receivables		**10,456,276**	(19,786,735)
Decrease/(increase) in prepayments, deposits and other receivables		**7,284,207**	(55,145,475)
Increase/(decrease) in trade payables		**(3,877,489)**	2,235,732
Increase/(decrease) in other payables and accruals		**(26,967,685)**	(7,993,964)
Cash flows from operating activities		**(5,672,160)**	(69,131,461)
Income taxes paid		**298,336**	(8,330,140)
Net cash from operating activities		**(5,373,824)**	(77,461,601)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(175,994)**	(1,529,647)
Acquisition of available-for-sale financial assets		**(7,500,000)**	–
Withdraw of available-for-sale financial assets		**7,500,000**	–
Acquisition of subsidiaries		**(3,000,000)**	(17,150,000)
Interest received		**35,587**	283,685
Net cash generated from/(used in) investing activities		**(3,140,407)**	(18,395,962)

	Unaudited For the six months ended 30 June	
	2017	2016
	RMB	*RMB*
Cash flows from financing activities		
New bank borrowings	**9,565,000**	2,000,000
Repayment of bank borrowings	**(1,916,000)**	–
Interest paid	**(67,537)**	(84,000)
Net cash (used in)/generated from financing activities	**7,581,463**	1,916,000
Net increase in cash and cash equivalents	**(932,768)**	(93,941,563)
Effect of exchange rate changes on cash and cash equivalents	**42,198**	75,504
Cash and cash equivalents at the beginning of the period	**84,310,595**	144,609,439
Cash and cash equivalents at the end of the period	**83,420,025**	50,743,380
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**83,420,025**	50,743,380

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 (the "**Prospectus**") of the Group dated 17 April 2012. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 April 2012. In 2015, a formal application was made by the Company to the Stock Exchange for the transfer of listing from the Growth Enterprise Market to the Main Board. The application was approved and the dealing of the shares of the Company on the Main Board (stock code: 863) has commenced on 8 September 2015. During the Review Period, the Group was principally engaged in providing its clients with corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park area operation and management services.

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 Appendix 16 to the Rules Governing the Listing of Securities on the Main Board 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**") 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 2016.

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 2016. 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 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 (including wireless advertising), public relation services and event marketing services on an aggregate basis and consider them as one single operating segment for the six months ended 30 June 2016.

During the six months ended 30 June 2017, the executive directors considered advertising segment as traditional advertising services for review and decision making. Furthermore, the Group was also engaged in provision of business park area operation and management services. The Group determines its operating segments based on the reports review of management that are used to make strategic decisions.

Given that the Board of the Company (the "**Board**") has decided to discontinue the operation of wireless advertising business on 29 December 2016, the segment of wireless advertising service was classified as discontinued operations in the Group's consolidated financial statement for the six month ended 30 June 2016.

The Group has two reportable segments for the six month ended 30 June 2017 and the corresponding period in 2016. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Traditional advertising – provision of traditional advertising services, public relation services and evert marketing services;

- Wireless advertising – provision of wireless advertising services;

- Business park area management – providing operation and management services in business park area.

(a) Business segment

For the six months ended 30 June 2017

	Continuing operations				Discontinued operations	
	Traditional advertising	**Business park area management**	**Unallocated**	**Subtotal**	**Wireless advertising**	**Total**
Revenue from external customers	**61,634,630**	**19,229,467**	**–**	**80,864,097**	**–**	**80,864,097**
Finance costs	**–**	**–**	**67,537**	**67,537**	**–**	**67,537**
Share of profit of associates	**(1,822,596)**	**–**	**(10,644)**	**(1,833,240)**	**–**	**(1,833,240)**
Share of profit of joint ventures	**–**	**6,641,840**	**–**	**6,641,840**	**–**	**6,641,840**
Profit before income tax expense	**(1,272,618)**	**(7,054,457)**	**(5,289,856)**	**(13,616,931)**	**–**	**(13,616,931)**
Income tax expense	**298,336**	**(1,126,837)**	**–**	**(828,501)**	**–**	**(828,501)**
Profit for the period	**(974,282)**	**(8,181,294)**	**(5,289,856)**	**(14,445,432)**	**–**	**(14,445,432)**
Reportable segment assets	**201,782,289**	**81,829,308**	**22,242,232**	**305,853,829**	**–**	**305,853,829**
Reportable segment liabilities	**33,052,504**	**32,423,209**	**15,998,038**	**81,473,751**	**–**	**81,473,751**

For the six months ended 30 June 2016

	Continuing operations				Discontinued operations	
	Traditional advertising	Business park area management	Unallocated	Subtotal	Wireless advertising	Total
Revenue from external customers	58,419,778	–	–	58,172,560	21,541,840	79,714,400
Finance costs	–	–	84,000	84,000	–	84,000
Share of profit of associates	–	–	1,394,902	1,394,902	–	1,394,902
Share of profit of joint ventures	–	–	–	–	–	–
Profit before income tax expense	3,809,358	–	(5,138,470)	(1,329,112)	13,515,919	12,186,807
Income tax expense	(1,101,239)	–	827,009	(274,230)	(1,867,974)	(2,142,204)
Profit for the year	2,708,119	–	(4,311,461)	(1,603,342)	11,647,945	10,044,603
Reportable segment assets	216,868,300	–	20,925,672	237,793,972	254,320,070	492,114,042
Reportable segment liabilities	16,055,354	–	3,663,580	19,718,934	19,240,524	38,959,458

(b) *Geographical segment and information about major customers*

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

Information about major customers

For the six months ended 30 June 2017, revenue from each transaction with 3 customers from traditional advertising segment and 1 customer from business park area management segment (for the six months ended 30 June 2016: 1 customers and nil) which contributed over 10% (inclusive) of total revenue of the Group is described in details as follows:

	For the six months ended 30 June									
	2017					2016				
Client	**Advertising Income**	**Public relations income**	**Event marketing income**	**Rental income**	**Total**	Advertising Income	Public relations income	Event marketing income	Rental income	Total
	RMB	***RMB***	***RMB***	***RMB***	***RMB***	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Client A	**–**	**–**	**–**	**15,148,605**	**15,148,605**	–	–	–	–	–
Client B	**4,679,245**	**–**	**9,245,284**	**–**	**13,924,529**	2,753,151	–	1,698,075	–	4,451,226
Client C	**–**	**13,404,880**	**–**	**–**	**13,404,880**	–	22,492,391	–	–	22,492,391
Client D	**4,005,660**	**–**	**4,795,283**	**–**	**8,800,943**	2,022,406	–	–	–	2,022,406

6. Revenue

Revenue, which is also the Group's turnover, represents income from advertising, public relation services and event marketing services, net of business tax and surcharges and rental income, net of value added tax. The following table sets forth the breakdown of revenue:

	Unaudited For the six months ended 30 June	
	2017	2016
	RMB	*RMB*
Continuing Operations:		
Advertising income	**25,816,743**	23,071,738
Public relation services income	**17,261,157**	30,548,487
Event marketing services income	**19,278,030**	4,785,314
Less: business tax and surcharges	**833,797**	232,979
Subtotal	**61,522,133**	58,172,560
Rental income	**19,341,964**	–
Total	**80,864,097**	58,172,560

7. Other income and gains

	Unaudited For the six months ended 30 June	
	2017	2016
	RMB	*RMB*
Continuing Operations:		
Other income and gains:		
Interest income	**759,569**	264,706
Government subsidies	**1,998,018**	620,000
Other	**6,389,707**	8,247
Total	**9,147,294**	892,953

8. Income tax expense

	Unaudited For the six months ended 30 June	
	2017	2016
	RMB	*RMB*
Continuing Operations:		
Current tax		
PRC corporate income tax	**(298,336)**	274,230
Deferred tax	**1,126,837**	–
Income tax expense	**828,501**	274,230

9. Dividends

The Board did not recommend the payment of any interim dividend for the Review Period (for the six months ended 30 June 2016: Nil).

10. Bank borrowings

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2017	2016
	RMB	*RMB*
Unsecured interest-bearing loans	**11,584,000**	3,935,000

11. Depreciation and amortisation

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
	RMB	*RMB*
Amortisation of intangible assets	**1,399,084**	535,814
Depreciation of property, plant and equipment	**711,722**	563,319

12. Earnings per share

The calculation of basic earnings per share is based on the loss attributable to owners of the Group of RMB14,445,432 for the Review Period (for the six months ended 30 June 2016: approximately RMB10,044,603), and the weighted average number of ordinary shares of 251,771,079 shares (for the six months ended 30 June 2016: 248,463,822 shares).

The calculation is based on the loss from continuing operations of RMB14,445,432 (for the six months ended 30 June 2016: loss of RMB1,603,342), and the weighted average number of ordinary shares of 251,771,079 shares (for the six months ended 30 June 2016: 248,463,822) under the Review Period.

The calculation is based on the profit from discontinued operations of Nil (for the six months ended 30 June 2016: RMB11,647,945), and the weighted average number of ordinary shares of 251,771,079 shares (for the six months ended 30 June 2016: 248,463,822) under the Review Period.

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 2017.

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:

	Unaudited As at 30 June 2017	Audited As at 31 December 2016
	RMB	*RMB*
Trade receivables	**123,872,240**	144,983,809
Less: provisions made	**(6,443,200)**	(8,249,672)
	117,429,040	136,734,137
Bill receivables	**2,129,800**	80,000
Total	**119,558,840**	136,814,137

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

	Unaudited As at 30 June 2017	Audited As at 31 December 2016
	RMB	*RMB*
Not more than 1 month	**30,974,834**	25,087,321
More than 1 month but not more than 3 months	**27,413,763**	33,289,857
More than 3 months but not more than 6 months	**16,995,255**	37,367,668
More than 6 months but not more than 1 year	**37,765,154**	40,198,403
Over 1 year	**4,280,034**	790,888
	117,429,040	136,734,137
Bill receivables	**2,129,800**	80,000
Total	**119,558,840**	136,814,137

14. Trade payables

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

	Unaudited **As at** **30 June** **2017** ***RMB***	Audited As at 31 December 2016 *RMB*
Trade payables	**41,243,966**	45,121,455

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

	Unaudited **As at** **30 June** **2017** ***RMB***	Audited As at 31 December 2016 *RMB*
Not more than 1 month	**23,060,070**	20,845,731
More than 1 month but not more than 3 months	**9,704,458**	11,467,583
More than 3 month but not more than 6 months	**4,248,046**	2,995,229
More than 6 months but not more than 1 year	**3,417,044**	5,280,708
Over a year	**814,348**	4,532,204
Total	**41,243,966**	45,121,455

15. Intangible assets

	Favorable operating Lease *RMB*	Computer software *RMB*	Total *RMB*
Cost:			
As at 1 January 2017	51,532,097	126,496	51,658,593
Addition	–	–	–
As at 30 June 2017	51,532,097	126,496	51,658,593
Accumulated amortization:			
As at 1 January 2017	1,392,759	33,733	1,426,492
Charged for the period	1,392,759	6,325	1,399,084
As at 30 June 2017	2,785,518	40,058	2,825,576
Net book value			
As at 30 June 2017	48,746,579	86,438	48,833,017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Revenue

For the Review Period, the revenue of the Group was approximately RMB80,864,097, representing an increase of approximately RMB1,149,697 or approximately 1.44% as compared with RMB79,714,400 for the corresponding period of 2016. The total revenue remained stable with growth.

Cost of sales and gross profit

The cost of sales to the Group mainly comprised expenses for procuring advertisements space, royalties costs and expenses, event organizing and production costs, labour cost and leasing costs. During the Review Period, the Group's cost of sales amounted to RMB64,783,226, a slight increase as compared with RMB55,443,250 for the corresponding period of 2016. Such increase was primarily attributable to the increase in the park operating costs by the Group during the Review Period, which was nil during the corresponding period of previous year.

The gross profit of the Group for the Review Period decreased to approximately RMB16,080,871 from approximately RMB24,271,150 recorded for the corresponding period of last year. Such decrease was mainly attributable to the Board's decision to cease the operation of its wireless advertising business on 29 December 2016, thus resulting in a larger decline in gross profit as compared with the corresponding period of previous year.

Selling and distribution expenses

The selling and distribution expenses for the Review Period increased from approximately RMB614,664 for the six months ended 30 June 2016 to approximately RMB1,105,643. Such increase was primarily attributable to the Group's subsidiaries changing their operating locations, which resulting in an increase in rental costs.

Administrative expenses

During the Review Period, the administrative expenses increased to RMB42,480,516 from approximately RMB16,543,896 for the corresponding period of last year, representing an increase of RMB25,936,620. Such increase was due to a prudent decision of the Group providing for a provision for investment interests impairment in a joint venture, and the total sun of which was RMB17,500,000.

The Group was interested in 34% equity interest in Shanghai Lingang Cultural Industry Development Company Limited ("**Lingang Cultural**"). Lingang Cultural mainly comprises two segments of business, being the fund business and the base business. As the partnership argent in relation to its fund business would expire shortly, and Lingang Cultural could no longer be the operation subject of the subsequent base business due to policy reasons, the Group has thus made a provision for its impairment. The Group intended to look for other suitable commercial partners to continue developing the base business.

Income tax expenses

For the Review Period, the income tax expenses were RMB828,501 as compared with RMB2,142,204 for the corresponding period of last year.

Net Profit

During the Review Period, the net loss of the Group was approximately RMB14,445,432 (for the six months ended 30 June 2016: profit of approximately RMB10,044,603). The decrease was primarily due to the aforesaid provision of investment interests impairment in a joint venture.

Liquidity and financial resources

As at 30 June 2017, the Group's cash and cash equivalents, comprising bank deposits and cash in hand of approximately RMB83,388,000 and approximately HK$37,355 respectively, amounted to approximately RMB83,420,025, representing a reduction of RMB890,570 as compared with the balance at 31 December 2016. As at 30 June 2017, the Group's current ratio was approximately 3.81 (31 December 2016: approximately 2.87). The Group mainly used internal cash flows from operating activities to satisfy its working capital requirements.

As at 30 June 2017, the bank borrowings of the Group were RMB11,584,000. For details, please refer to note 10 to the Condensed Consolidated Interim Financial Statements of the Group. During the Review Period, the Group has repaid bank borrowings which fall due amounting to RMB2,000,000.

The gearing ratio of the Group (total borrowings divided by total equity) was approximately 5.16% (31 December 2016: 1.65%).

Charge on assets

As at 30 June 2017, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2016: Nil).

Structure of assets

As at 30 June 2017, the Groups had net assets of RMB224,380,078 (31 December 2016: RMB238,783,312), comprising non-current assets of RMB73,894,189 (31 December 2016: RMB100,869,059), and current assets of RMB231,959,640 (31 December 2016: RMB243,943,234).

The Group recorded net current assets of RMB171,133,009 (31 December 2016: RMB158,839,925), mainly comprising cash and cash equivalents of RMB83,420,025 (31 December 2016: RMB84,310,595), and trade receivables of RMB119,558,840 (31 December 2016: RMB136,814,137).

Current liabilities mainly comprised trade payables, other payables and accrued taxes, amounting to RMB41,243,966 (31 December 2016: RMB45,121,455), RMB4,978,063 (31 December 2016: RMB7,275,994), and RMB2,544,470 (31 December 2016: RMB412,006) respectively.

Material acquisition and disposal

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

Contingent liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

Foreign exchange risk

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

Financial policies

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

Human resources

As at 30 June 2017, the Group had 69 employees in total in the PRC. During the Review Period, the total labour cost (including the salaries of sales staff and the salaries of management personnel) amounted to approximately RMB7,337,476 (for the six months ended 30 June 2016: RMB6,576,590). The increase in labour cost was mainly due to the increase in headcounts to meet the Company's business demand.

BUSINESS REVIEW AND PROSPECT

Business review

During the Review Period, the principle businesses of the Group included advertising income, public relations income, event marketing income and business park area operation and management services income. For the Review Period, the total revenue of the Group was approximately RMB80,864,097, representing an increase of RMB1,149,697 from RMB79,714,400 as compared with the corresponding period of last year. The gross profit decreased from approximately RMB24,271,150 to approximately RMB16,080,871 as compared with the corresponding period of last year. The Group recorded RMB14,936,307 for the net loss attributable to the owners of the Company for the Review Period, while the net profit attributable to the owners of the Company for the corresponding period of last year was approximately RMB10,044,603.

FUTURE PROSPECTS

The Group is currently in its transformation period, which inevitably brings about the pains. But we uphold the transformation policy and focus on it, keep on deepening the general layout of the integrated corporate services as well as optimizing the business models continuously with our efforts, we believe that we will have a prosperous future.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with all the code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Main Board 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 a more effective management, so as to safeguard investors' interests as a whole to the greatest extent.

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 shares of 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 considered 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
Chairman

Shanghai, the People's Republic of China, 11 August 2017

As at the date of this announcement, the executive Directors are Mr. Fang Bin, Mr. Fan Youyuan, Mr. Patrick Zheng, Mr. Huang Wei and Mr. Song Yijun; and the independent non-executive Directors are Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.