



品牌中国
BRANDING CHINA

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



Interim Report 2012

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Highlights

- The Group's revenue grew steadily. During the reporting period, the Group's revenue increased to RMB66,965,860, representing an increase of approximately 10.64% as compared to the corresponding period last year
- The Group's profitability achieved a steady growth. During the reporting period, the total gross profit increased to RMB30,987,170, representing an increase of approximately 28.15% as compared to the corresponding period last year. The gross profit margin increased by 6.32 percentage points to 46.27%
- During the reporting period, the Group achieved a notable growth in net profit (excluding listing expenses) which increased to RMB20,857,080, representing an increase of approximately 29.72% as compared to the corresponding period last year. After the inclusion of listing expenses, the net profit for the six months ended 30th June, 2012 increased to RMB16,327,260, representing an increase of approximately 1.55% as compared to the first half of 2011
- The Group's net profit margin (excluding listing expenses) for the six months ended 30th June, 2012 increased to 31.15% from 26.57% for the corresponding period last year
- The Group's net assets for the six months ended 30th June, 2012 increased to RMB169,831,800, representing an increase of approximately 95.62% as compared to the corresponding period last year
- The earnings per share of the Group for the six months ended 30th June, 2012 was approximately RMB9.80 cents

Condensed Consolidated Statement Of Comprehensive Income

The unaudited condensed consolidated results of Branding China Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) for the six months and three months ended 30th June, 2012 together with the comparative figures for the corresponding period in 2011 are as follows:

	Notes	Six months ended 30 th June,		Three months ended 31 st March,	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue	5	66,965.86	60,523.72	32,762.14	21,163.07
Cost of sales		(35,978.69)	(36,343.11)	(18,906.85)	(12,111.43)
Gross profit		30,987.17	24,180.61	13,855.29	9,051.64
Other income and gains, net		221.45	215.08	51.71	41.62
Investment Income		74.98	75.48	—	—
Selling and distribution expenses		(754.75)	(849.38)	(266.25)	(281.41)
Administrative expenses		(8,680.45)	(1,884.19)	(3,383.74)	(1,808.16)
Depreciation and amortization		(78.72)	(76.46)	(38.78)	(38.89)
Profit before income tax		21,769.68	21,661.14	10,218.23	6,964.80
Income tax expense	6	(5,442.42)	(5,582.87)	(2,959.33)	(2,104.43)
Profit for the period		16,327.26	16,078.27	7,258.90	4,860.37
Other comprehensive income for the period:					
Exchange differences on translating foreign operations		448.17	—	(1.18)	—
Total comprehensive income for the period		16,775.43	16,078.27	7,257.72	4,860.37
Earnings per share attributable to owners of the Company					
Basic and diluted	9	RMB9.80 cents	RMB10.72 cents	RMB4.84 cents	RMB3.24 cents

Condensed Consolidated Statements Of Comprehensive Financial Position

	Notes	At 30 th June, 2012 RMB'000 (Unaudited)	At 31 st December, 2011 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		689.53	716.75
Interests in associates		1,191.75	1,116.77
Total non-current assets		<u>1,881.28</u>	<u>1,833.52</u>
Current assets			
Trade and bills receivables	10	82,773.26	52,066.95
Prepayments, deposits and other receivables		25,600.87	11,306.34
Amount due from holding company		—	16.21
Cash and cash equivalents		89,450.47	52,910.70
Total current assets		<u>197,824.60</u>	<u>116,300.20</u>
Liabilities			
Current liabilities			
Trade payables	11	18,242.79	15,766.18
Other payables and accruals		9,063.74	5,262.39
Amount due to a director		—	1,199.93
Amount due to a related company		—	100.49
Amount due to an associate		—	201.00
Current tax liabilities		2,567.55	8,787.94
Total current liabilities		<u>29,874.08</u>	<u>31,317.93</u>
Net current assets		<u>167,950.52</u>	<u>84,982.27</u>
Total assets less current liabilities		<u>169,831.80</u>	<u>86,815.79</u>
Equity attributable to owners of the Company			
Issued capital	8	1,633.46	0.01
Reserves		168,198.34	86,815.79
TOTAL EQUITY		<u>169,831.80</u>	<u>86,815.80</u>

Condensed Consolidated Statement Of Changes In Equity

	Issued capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profit RMB'000	Total equity RMB'000
At 1 st January, 2011	—	—	2,000.00	—	1,000.00	29,964.52	32,964.52
Profit and total comprehensive income for the year/period	—	—	—	—	—	16,078.28	16,078.28
Ordinary shares in issue	0.00832	19,859.65	—	—	—	—	19,859.66
At 30th June, 2011	<u>0.00832</u>	<u>19,859.65</u>	<u>2,000.00</u>	<u>—</u>	<u>1,000.00</u>	<u>46,042.80</u>	<u>68,902.46</u>
	Issued capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profit RMB'000	Total equity RMB'000
At 1 st January, 2012	0.00832	19,890.02	2,000.00	(492.06)	3,316.07	62,101.76	86,815.80
Profit and total comprehensive income for the year/period	—	—	—	—	—	16,327.25	16,327.25
Exchange differences on translating foreign operations	—	—	—	448.17	—	—	448.17
Ordinary shares in issue	1,633.45	64,607.13	—	—	—	—	66,240.58
At 30th June, 2012	<u>1,633.46</u>	<u>84,497.15</u>	<u>2,000.00</u>	<u>(43.89)</u>	<u>3,316.07</u>	<u>78,429.01</u>	<u>169,831.80</u>

Condensed Consolidated Statement Of Cash Flows

	2012 At 30 th June RMB'000 (Unaudited)	2011 At 30 th June RMB'000 (Audited)
Profit before income tax expense	21,769.67	21,661.15
Adjustments for:		
Interest income	(61.86)	(19.47)
Depreciation	78.72	76.46
Share of profits of associates	74.98	(215.08)
Increase in trade and bills receivables	(30,556.46)	(8,203.87)
Decrease/(increase) in prepayments, deposits and other receivables	(1,959.92)	262.77
Decrease in trade payables	2,476.62	(12,819.59)
Increase/(decrease) in other payables and accruals	(3,920.46)	(3,126.17)
Cash flows from operating activities	(12,098.71)	(2,383.80)
Income taxes paid	(5,442.42)	(7,151.70)
Net cash from operating activities	(17,541.13)	(9,535.50)
Cash flows from investing activities		
Purchases of property, plant and equipment	(51.50)	(65.23)
Earnest money for investment	(12,500.00)	—
Interest received	61.86	19.47
Net cash from/(used in) investing activities	(12,489.64)	(45.76)

	2012 At 30 th June RMB'000 (Unaudited)	2011 At 30 th June RMB'000 (Audited)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	75,300.50	19,859.66
Proceeds from a director	—	0.16
Proceeds from/(repayment to) a related company	—	(544.66)
Other cash paid in relation to the issue of ordinary shares	(9,191.75)	—
Net cash (used in)/from financing activities	66,108.75	19,315.17
Net increase in cash and cash equivalents	36,077.98	9,733.89
Effect of exchange rate changes on cash and cash equivalents	461.79	—
Cash and cash equivalents at the beginning of the period	52,910.70	24,074.18
Cash and cash equivalents at the end of the period	89,450.47	33,808.08
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	89,450.47	33,808.08

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 15th March, 2011. Pursuant to the reorganisation (the “Reorganisation”) of the Group, the Company became the holding company of the Group on 26th August, 2011. Details of the Reorganisation are set out in the prospectus of the Group dated 17th April, 2012. The shares of the Company were listed on the Stock Exchange on 27th April, 2012. During the reporting period, the Company was principally engaged in providing one-stop integrated marketing communications services including advertising communications, PR communications and event marketing to its clients.

2. BASIS OF PRESENTATION AND PREPARATION

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

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

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

- (b) The condensed consolidated financial statements for the six months ended 30th June, 2012 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”) and International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards (“IASs”) and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements were unaudited but were reviewed by the audit committee of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2012 are consistent with those applied in the Group’s audited financial statements for the year ended 31st December, 2011.

4. ADOPTION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted a number of new and revised IFRSs, amendments to IASs and Interpretations (hereinafter collectively referred to as “new and revised IFRSs”) issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1st January, 2012. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods/years.

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

5. REVENUE

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

The following table sets out a breakdown of revenue:

	For the six months ended 30 th June,	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Audited)
Advertising income	43,813.67	39,360.69
PR services income	11,268.89	11,489.23
Event marketing services income	13,245.50	12,565.36
Less: business tax and surcharges and cultural business development charge	1,362.20	2,891.56
Total revenue	<u>66,965.86</u>	<u>60,523.72</u>

6. TAXATION

- 1) According to the relevant regulation, the Company is subject to value added tax instead of business tax since 1st January, 2012. Since the value added tax was classified under "tax payable" in the balance sheet instead of "business tax and surcharges and cultural business development charges" in the consolidated statement of comprehensive income, "business tax and surcharges and cultural business development charge" for the six month ended 30th June, 2012 decreased by RMB1,529,360 as compared to the same period last year. As at 30th June, 2011, the amount of business tax classified under business tax and surcharges and cultural business development charge incurred by the Company was RMB1,829,060, while the amount of business tax classified under business tax and surcharges and cultural business development charge was RMB nil as at 30th June, 2012.
- 2) Our Group did not operate in the Cayman Islands during the Track Record Period. The Group was not exposed to any profits tax or income tax liabilities pursuant to the relevant laws of the Cayman Islands. Our Group did not generate any profits assessable in Hong Kong and thus no provision for Hong Kong profits tax was made.

Pursuant to the Enterprise Income Tax Law which became effective on 1st January, 2008, the PRC enterprise income tax of all the PRC subsidiaries is 25%.

7. DIVIDENDS

The directors did not recommend the payment of any interim dividend for the six months ended 30th June, 2012 (six months ended 30th June, 2011: Nil).

8. SHARE CAPITAL

At 30th June, 2012, the share capital was approximately RMB1,633,460. The Company was listed on the GEM of the Stock Exchange on 27th April, 2012, and there were 50,000,000 shares issued pursuant to the Placing.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Group of RMB16,327,260 (six months ended 30th June, 2011: RMB16,078,270), and the average number of ordinary shares in issue (being 166,666,667 shares) of the 200,000,000 ordinary shares in issue as of 30th June, 2012 (six months ended 30th June, 2011: 150,000,000 shares). In determining the average number of ordinary shares in issue, 150,000,000 ordinary shares in total issued by the Group pursuant to the capitalisation issue were deemed to have been issued since 1st January, 2011. At 27th April 2012, the Company allotted 50,000,000 shares by way of placing.

10. TRADE AND BILLS RECEIVABLE

In respect of the trade receivables of the Group, different credit periods are extended to its customers, ranging from 90 days to 210 days, depending on the types of products sold or services provided to customers in transactions.

The breakdown of trade and bills receivable at the end of the period is as follows:

	2012 At 30th June RMB'000 (Unaudited)	2011 At 31st December RMB'000 (Audited)
Trade receivables	78,681.36	48,124.90
Bills receivables	4,091.90	3,942.05
Less: provisions received	—	—
	<u>82,773.26</u>	<u>52,066.95</u>

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

	2012 At 30th June RMB'000 (Unaudited)	2011 At 31st December RMB'000 (Audited)
Within 3 months	42,612.83	47,093.40
3 to 6 months	29,479.45	821.8
More than 6 months	6,589.08	209.7
	78,681.36	48,124.90

11. TRADE PAYABLE

An ageing analysis of the Group's trade payable for the six months ended 30th June, 2012 and for the six months ended 31st December, 2011, based on the date on which services were rendered or products were received, is as follows:

	2012 At 30th June RMB'000 (Unaudited)	2011 At 31st December RMB'000 (Audited)
Within 3 months	5,769.00	7,335.94
3 to 6 months	10,529.10	119.24
More than 6 months	1,944.69	8,311.00
	18,242.79	15,766.18

Management Discussion and Analysis

FINANCIAL OVERVIEW

For the six months ended 30th June, 2012, the revenue of the Group was RMB66,965,860, representing an increase of approximately 10.64% or RMB6,442,140 as compared with RMB60,523,720 for the six months ended 30th June, 2011. The total gross profit of the Group was RMB30,987,170 for the six months ended 30th June, 2012, representing an increase of approximately 28.15% or RMB6,806,560 as compared with RMB24,180,610 for the six months ended 30th June, 2011. The gross profit margin rose to approximately 46.27% for the period from 39.95% for the same period last year. The net profit (excluding listing expenses) of the Group for the six months ended 30th June, 2012 increased by 29.72% from the same period last year to RMB20,857,080. Taking into account the listing expenses, the net profit for the six months ended 30th June, 2012 grew by 1.55% from the first half of 2011 to RMB16,327,260. The net profit margin (excluding listing expenses) of the Group for the six months ended 30th June, 2012 grew to 31.15% from 26.57% for the same period last year. Taking into account the listing expenses, the net profit margin for the six months ended 30th June, 2012 declined to 24.38% from 26.57% for the same period last year. The net asset of the Group as at 30th June, 2012 rose by 95.62% from the same period last year to RMB169,831,800. Earnings per share of the Group for the six months ended 30th June, 2012 was RMB9.80 cents (six months ended 30th June, 2011: RMB10.72 cents).

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving brands in the high value consumer goods sector. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, PR communications and event marketing. Currently, our clients include brands in the automobile, home fashion and financial service sectors. The Group focuses on serving clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, internet, mobile phones and outdoor media as well as various event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model. During the first half of 2012, the Group optimised its existing professional teams, further consolidated media resources, strengthened capabilities for diversified services and vigorously developed business partners. During the period under review, the Group kept diversifying the sectors of clients served by it, secured 16 new clients in the home fashion sector and set about developing clients in the travel, financial, commercial property and retail sectors. The Group attached great importance to the development of digital marketing business, continued to expand its digital marketing platform and enhance abilities for digital marketing services.

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

ADVERTISING COMMUNICATIONS

As part of the customised branding and marketing services to our clients, the Group provides professional and well-targeted advertising communications services through the SMU Publications, *www.cnnauto.com*, our self-operated website, and other media. The Group provides various forms of media for clients to place advertisements, ranging from newspapers, magazines, internet to mobile phones and outdoor media. The Group's own media resources are SMU Publications which include *Auto 007*, *Auto Report*, *I home*, *Shanghai Today*, *Shanghai Scene* and *CN 汽車網* (*www.cnnauto.com*). The advertising media in which the Company operates in cooperation with external partners cover the mainstream media of Shanghai and China at large, including outdoor billboards located at the prime sites of Shanghai.

The expansion of wireless marketing business such as mobile advertising is an integral part of the Company's future development of digital marketing business. In order to further cement its core competitiveness in wireless marketing business and increase the scale and strength of the wireless advertising business, the Company established in the first half of the year a project team dedicated to the development of an operating model for effective marketing based on wireless marketing mainly for clients in the target sectors, as a number of clients of high-end consumer goods brands are paying more and more attention to the effectiveness of digital marketing amid the current global market and economic environments in 2012. As an optimised version of the single advertising communications model in the form of wireless marketing or an integration with PR communications, the new model is focused on efficiently delivering advertising communications services to the right target consumers of relevant brands through wireless marketing, and rationally integrating such businesses as PR communications, digital marketing, and event marketing to provide the clients with the most effective value-added branding solution through all-around marketing strategies. As this model has currently won the recognition and support of many clients, the second half of the year will see an accelerating expansion of our wireless advertising business.

Part of the Group's advertising income was generated from SMU Publications. The advertising income derived from the self-operated SMU publications for the six months ended 30th June, 2012 amounted to RMB21,468,230, representing an increase of approximately 9.29% from the same period last year. In the first half of 2012, the Group's self-operated website *www.cnnauto.com* attracted far more hits than it did during the same period last year benefitting from the Group's greater investment in upgrading of the website. During the six months ended 30th June, 2012, *www.cnnauto.com* generated an advertising income of RMB4,614,340, representing an increase of approximately 536.46% from the same period last year. By leveraging its advantages in media resources, the Group placed advertisements for its clients on China's mainstream media and charged fees for advertising agency. Main advertising media partners of the Group include *Jiefang Daily* (解放日報), *Shanghai Morning Post* (新聞晨報), *Xinmin Evening* (新民晚報), *Shanghai Business Daily* (上海商報), *12580 Life Journal* (12580生活播報) and operators of outdoor billboards located at prime sites of Shanghai.

The Group aggressively expanded the advertising client resources to generate more advertising income. On one hand, the Group continued to explore clients in the automobile and home fashion sectors with a view to gradually increasing the income contribution from mid- to high-end car brands and the percentage of income from clients in the home fashion sector. In the first half of 2012, the Group secured 16 new clients in the home fashion industry. On the other hand, the Group actively developed clients in other sectors. In addition to development of clients as planned in the travel and financial industries, the Group signed agreements on strategic cooperation with clients in the commercial property industry. Meanwhile, the Group is negotiating with a large-scale client in the food and retail industries in respect of strategic cooperation.

The income from the advertising communications business for the six months ended 30th June, 2012 was RMB43,813,670, representing an increase of approximately 11.31% or RMB4,452,980 as compared with RMB39,360,690 for the six months ended 30th June, 2011. The increase was mainly due to: (i) increased attractiveness to the clients as a result of the Group's efforts to further optimise its self-operated media resources, *www.cnnauto.com* in particular; (ii) increased number of new clients because of the new marketing measures launched by the Group leveraging the one-stop model of branding service; and (iii) steady growth in the volume of advertising communications business by further identifying the needs of clients.

PR COMMUNICATIONS

PR communications are an integral part of our one-stop branding services, which are focused on providing the clients with tailored PR strategies as well as well-targeted and effective communications solutions, usually including PR consultation, PR communications and media coverage and monitoring. This business can also be divided into traditional PR and EPR depending on the type of media channels.

The traditional PR channels of the Group include the SMU Publications and over 200 other traditional media. To ensure the quality of our services, our strategic, creative and execution professionals constantly conduct in-depth analyses on positioning, competitors and target consumers of brands, identify the characteristics of brands and new products and distinguish them from similar products provided by competitors, based on which we recommend an overall strategy for PR communications to the brand owners. Furthermore, the Company regularly carries out media monitoring and media information analyses so as to implement more specific and value-added PR strategies for our clients.

In providing marketing and communications services to brand owners via the digital media, the Group has accumulated extensive digital media resources, including mainstream websites and leading wireless media in China, which allows the Group to offer brand owners faster, more far-reaching and interactive EPR services (portal-based PR communications, internet-community-based word-of-mouth communications and the emerging microblog marketing, etc.) Among the Group's EPR clients, the number of clients in the home fashion industry increased in the first half of 2012. In addition, the microblog marketing project the Company undertook for a renowned brand-name clients in the automobile industry took the first place on the "List of Influential Entities of the Auto Industry on Sina Microblog for 1H 2012" published at the official website of Sina.com in June 2012.

For the six months ended 30th June, 2012, the PR communications income was RMB11,268,890, representing a slight decrease of 1.92% or RMB220,340 as compared with RMB11,489,230 for the six months ended 30th June, 2011. Such a decrease was mainly attributable to different bases calculating PR communications income. PR communications income for the first half of 2011 was calculated with the inclusion of sales tax while a value-added tax was applicable and not included in the PR communications income in the first half of this year according to relevant regulations. The PR communications income this year was slightly more than last year without taking into account of the impact of the accounting treatment of taxes.

EVENT MARKETING

The Group organises and implements event marketing projects for clients from time to time, which usually includes press conferences, new products road shows, conventions, exhibitions, forums and celebration activities. As an important part of the Company's integrated marketing communications services, the Group organises marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst the potential consumers. Below-the-line (BTL) marketing has become an indispensable part of brand marketing. Our event marketing division plans and implements customised marketing events for our clients with a view to increasing public awareness of their brands and products and enabling the end users to have direct experience and form an impression of the products so as to achieve a deeper understanding of such products, or even prompting them to buy the products instantly.

The Group also possesses multi-channel resources for organising physical marketing activities. In addition to traditional venues for event marketing such as convention and exhibition centres, hotels and shopping malls, the Group provides event marketing services to brand owners in other sites including various well-known exhibitions in Shanghai in order to facilitate the carrying out of its tailor-made event marketing services. In May 2012, the Group cooperated in an innovative way with China's leading home fashion retailers in the establishment of "Branding China City Showroom" (品牌中國城市展廳) in Tianjin. The showroom was designed to provide our clients in the automobile industry with a platform for showcasing and promoting their products and interactive marketing, achieving cross-marketing for clients in different sectors. In addition to the 16 new clients in the home fashion industry developed in the first half of 2012, the Group secured one client in the luxury industry in the first half of 2012 and held a successful product exhibition for such client.

The event marketing income for the six months ended 30th June, 2012 was RMB13,245,500, representing an increase of approximately 5.41% or RMB680,140 as compared with RMB12,565,360 for the six months ended 30th June, 2011. Such increase was mainly due to two reasons: (i) event-based marketing enables an in-depth interaction with clients and has become an important component of the Group's one-stop brand marketing services; and (ii) as a result of the Group's greater efforts for innovation and the strategy of optimising various forms of event marketing, the clients increasingly recognised the effectiveness of our event marketing services.

OTHER INCOME AND GAINS

Other income and gains increased from RMB75,480 for the six months ended 30th June, 2011 to RMB221,450 for the period, which mainly represented distribution income, interest income and subsidy income. The subsidy income came from subsidies granted by the government to enterprises which have to pay more taxes due to the reclassification of sales tax to value-added tax in the tax reform.

COST OF SALES AND GROSS PROFIT

For the six months ended 30th June, 2012, the key components of the Group's cost of sales comprised content production, printing and distribution costs of the SMU Publications, operating costs of *www.cnnauto.com*, expenses for procuring advertising and / or text advertisements space as well as event organising and production costs. The Group's cost of sales for the six months ended 30th June, 2012 amounted to RMB35,978,690, representing a decrease of approximately 1.00% or RMB364,420 as compared with RMB36,343,110 for the six months ended 30th June, 2011. Such decrease was mainly due to our control over customer resources which brought us advantages in purchasing external media resources, and the annual framework agreements which reduced our expenses for procuring advertising and / or text advertisements space.

For the six months ended 30th June, 2012, the Group achieved a gross profit of RMB30,987,170, representing an increase of approximately 28.15% or RMB6,806,560 as compared with RMB24,180,610 for the six months ended 30th June, 2011. The Group's gross profit margin increased from 39.95% for the six months ended 30th June, 2011 to 46.27% for the six months ended 30th June, 2012. The increase in our gross profit was primarily due to the following: (i) expansion of our business scale and our control over client resources put us in a favourable position to bargain with various providers and thus further reduced our costs for procuring advertising space and event production costs; and (ii) the increased income from our digital marketing such as *www.cnnauto.com* boosted the level of our gross profit.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period amounted to RMB754,750, representing a decrease of approximately 11.14% as compared with RMB849,380 for the six months ended 30th June, 2011. The decrease was due to the fact that the Group's selling and distribution expenses for the first half of 2011 primarily represented travelling expenses, entertainment expenses and salaries of certain sales staff, while the selling and distribution expenses for the first half of 2012 only represented travelling expenses and entertainment expenses as the salaries of certain sales staff were included in cost of sales as a result of reclassification of salaries by the Company.

ADMINISTRATIVE EXPENSES

Administrative expenses for the period increased by RMB6,798,520 or approximately 346.75% as compared with the same period last year. The increase was primarily due to the following: (i) listing expenses of RMB4,529,820 of the Group were expensed in the condensed consolidated statement of comprehensive income and classified as administrative expenses during the period; and (ii) the Group optimised its professional teams, and reclassified certain sales and administrative staff costs into administrative expenses by reference to job nature, which led to higher labor costs for the first half of 2012 as compared with the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2012, the Group's cash and cash equivalents, comprising bank deposits and cash on hand, amounted to RMB89,450,470, representing a net increase of RMB36,539,770 as compared with the balance as at 31st December, 2011. As at 30th June, 2012, our current ratio was 6.62 (31st December, 2011: 3.71). The Group mainly used internal cash flows from operating activities to satisfy the working capital needs.

PLEDGE OF ASSETS

As at 30th June, 2012, the Group had no assets pledged for bank borrowings or for other purposes (31st December, 2011: Nil).

STRUCTURE OF ASSETS

During the period under review, the Group had net assets of RMB169,831,800 (31st December, 2011: RMB86,815,790), comprising non-current assets of RMB1,881,290 (31st December, 2011: RMB1,833,520), and current assets of RMB197,824,600 (31st December, 2011: RMB116,300,200). The Group recorded net current assets of RMB167,950,520 (31st December, 2011: RMB84,982,270), which primarily consisted of cash and cash equivalents amounting to RMB89,450,470 (31st December, 2011: RMB52,910,700) and trade receivables amounting to RMB78,681,360 (31st December, 2011: RMB48,124,900). Our current liabilities mainly comprised trade payables, other payables and accruals and current tax liabilities, amounting to RMB18,242,790 (31st December, 2011: RMB15,766,180), RMB9,063,740 (31st December, 2011: RMB5,262,390) and RMB2,567,550 (31st December, 2011: RMB8,787,940) respectively. The Group had no bank borrowings.

CONTINGENT LIABILITIES

As at 30th June, 2012, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. Some of the Group's bank deposits are denominated in Hong Kong Dollars. The directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the period under review, the Group did not hedge any exposure to foreign exchange risk.

HUMAN RESOURCES

As at 30th June, 2012, the Group had approximately 136 employees in total in the PRC. The Group's remuneration policy is formulated based on industry practices and the performance of individual employees. During the period under review, the Group's total staff cost was approximately RMB4,855,800 (for the six months ended 30th June, 2011: RMB3,733,390). The rise in human resources costs was due to the Group's optimisation of its professional teams, reclassification of certain sales and administrative staff costs into administrative expenses by reference to job nature, which resulted in the increase of staff costs in the first half of 2012 as compared to the corresponding period last year.

MATERIAL ACQUISITION AND DISPOSAL

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

Save as the aforesaid Investment MOU, no material acquisition or disposal of subsidiaries and affiliated companies was entered into by the Group during the period under review.

TRANSFER OF BUSINESSES

The business of Shanghai SumZone Media Investment Management Company Limited (“SMU”) involves Restricted Businesses (as defined in the Prospectus of the Company dated 17th April, 2012 (the “Prospectus”)) and this prevents SMU from being included in the Group directly. On the basis of the Structured Contracts and having consulted our PRC lawyers, 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. 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 and they are being and will be transferred to any other PRC subsidiaries of Shanghai SumZone Advertising Company Limited (“SumZone Advertising”) and Shanghai SumZone Marketing Company Limited (“SumZone Marketing”) 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 our newly developed clients relating to our Unrestricted Businesses. The Group plans to complete transfer of all the Unrestricted Businesses of SMU to any other subsidiaries of SumZone Advertising and SumZone Marketing by 30th September, 2012.

As at 30th June, 2012, there was only one outdoor advertising contract, with a term commencing from 15th August, 2011 and expiring on 14th August 2012, which was yet to be transferred. The contract value was RMB1,650,000, of which services amounting to RMB275,000 have not been rendered.

USE OF NET PROCEEDS FROM THE PLACING

The shares of the Group were listed on the GEM of the Stock Exchange on 27th April, 2012, and the net proceeds from the Placing (as defined in the Prospectus) were approximately RMB75,300,500.

According to the future plans of the Group set out in the section “Future plans and use of proceeds” of the Prospectus, the Group’s actual business progress and use of proceeds as at 30th June, 2012 were as follows:

	Business targets for the period from the Latest Practicable Date as defined in the Prospectus to 30 th June, 2012	Actual business progress as at 30 th June, 2012	Use of proceeds
Optimisation of professional team	<ul style="list-style-type: none"> To continue to serve the existing clients and generate more revenue To secure at least five new clients from the home fashion industry 	<ul style="list-style-type: none"> In the first half of 2012, the Group recruited 13 employees (including editing and planning personnel, senior customer managers, and etc.) as planned. The Group developed 16 new clients from the home fashion industry in the first half of 2012. 	Planned investment: HK\$350,000 Actual investment: RMB231,240 (approximately HK\$284,270)

**Business targets for the period
from the Latest Practicable Date
as defined in the Prospectus to
30th June, 2012**

Actual business progress as at 30th June, 2012

Use of proceeds

Expansion of digital marketing platform	<ul style="list-style-type: none"> • To revamp <i>www.cnnauto.com</i> to enhance its influence • To start the research and development of database marketing on the platform of E-Times Club • To start the strategic cooperation with at least one major internet portal company • To expand our EPR operation 	<ul style="list-style-type: none"> • In the first half of 2012, the Group optimised its self-operated website <i>www.cnnauto.com</i>, with advertising income from <i>www.cnnauto.com</i> amounting to RMB4,614,340, up 536.46% from the same period last year. • Based on the existing platform of E-Times Club, the Group embarked on the research and development of the database marketing management system and combined this system with the existing media channels to provide more value-added and effective marketing communications services for brands and products. • The Group has reached the intent of cooperation with certain major internet portals and plans to sign strategic cooperation agreements in the second half of the year. • The Group increased its EPR clients and provided more extensive EPR services through its self-operated website, major news portals, automobile industry portals, finance portals and popular web communities. 	<p>Planned investment: HK\$700,000 Actual investment: RMB211,140 (approximately HK\$259,560)</p>
Expansion of geographic coverage	<ul style="list-style-type: none"> • To establish Nanjing office 	<ul style="list-style-type: none"> • The Nanjing office has yet to be set up, as the Group is still identifying the suitable team for prudence sake and will establish the office when appropriate. 	<p>Planned investment HK\$350,000 Actual investment: 0 The proceeds which have not been used as planned will be applied for future business development of the Company.</p>

FUTURE PROSPECTS

With the development of domestic economy and the continuous progress of urbanisation, the Group will benefit from the rapid development of the domestic consumer market in China as well as the government's policy support to new service industries and cultural industries. The Group is optimistic about the future development prospects of its existing businesses. Through taking advantage of the general trend of growing domestic consumption in China and adhering to its client-centric corporate philosophy, the Group will provide professional one-stop value-added branding services to clients.

Going forward, the Group will continue to serve its existing clients and generate more revenues. The Group will further expand and optimise its clients in the automobile and home fashion sectors and proactively develop new clients in other sectors in order to procure more business opportunities. The Group will also continue to expand media resources and digital marketing business. Meanwhile, to further optimise its business model and expand business scale, the Group will acquire companies that can complement its existing businesses under favorable market conditions.

Digital marketing business is one of the key driving forces for the Group's business expansion. The Group will continue to improve its existing digital marketing tools, further research on and develop new digital media platforms and products, and introduce digital marketing services to clients in the automobile, home fashion and travel sectors. In the second half of 2012, based on its E-Times Club, the Group will adopt database marketing management methods and combine this system with its existing media channels to provide more value-added and effective marketing communications services for brands and products.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

DIVIDENDS

The directors did not recommend the payment of any interim dividend for the six months ended 30th June, 2012 (2011: Nil), and therefore no closure of register is required.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period under review, none of the directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Group's compliance adviser, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 30th June, 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESSES

Save as disclosed in the Prospectus, for the six months ended 30th June, 2012, none of the directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules) 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

Since the shares of the Company were listed on GEM on 27th April, 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed shares of the Company.

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

As at the date of this report, the interests and short positions of the directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (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 interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the ordinary shares of the Company

Name of director	Number of ordinary shares		Interest in controlled corporation	Total	Percentage of the issued share capital
	Personal interest	Family interest			
Mr. Fang Bin	—	—	112,500,000 ⁽¹⁾	112,500,000	56.25%
Mr. Lin Kaiwen	—	—	18,000,000 ⁽²⁾	18,000,000	9%
Mr. Fan Youyuan	—	—	19,500,000 ⁽³⁾	19,500,000	9.75%

Note:

- These shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang Bin. Accordingly, under the SFO, Mr. Fang Bin is deemed to be interested in the 112,500,000 shares held by Lapta International Limited.
- These shares are owned by Jolly Win Management Limited whose entire interests are beneficially owned by Mr. Lin Kaiwen. Accordingly, under the SFO, Mr. Lin Kaiwen is deemed to be interested in the 18,000,000 shares held by Jolly Win Management Limited.
- These shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited whose entire interests are beneficially owned by Mr. Fan Youyuan. Accordingly, under the SFO, Mr. Fan Youyuan is deemed to be interested in the 19,500,000 shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at the date of this report, 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 will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES AND THE INTERESTS AND SHORT POSITIONS OF OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES

As at the date of this report, so far as the directors are aware, taking no account of any shares of the Company which will be issued pursuant to the options which may be granted under the Share Option Scheme as defined below, the interests or short positions owned by the following persons (other than the directors or Chief Executive of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	56.25%
Jolly Win Management Limited	Beneficial owner	18,000,000	9%
Whales Capital Holdings Limited	Beneficial owner	19,500,000	9.75%
Taocent International Holding Limited	Interest in controlled corporation	19,500,000	9.75%
Ms. Chen Suzhen (陳素珍)	Spouse's interest	18,000,000 ⁽¹⁾	9%
Ms. Yin Rong (殷蓉)	Spouse's interest	19,500,000 ⁽²⁾	9.75%

Notes:

1. Mr. Lin Kaiwen beneficially owns 100% interests in Jolly Win Management Limited which holds 18,000,000 shares in the Company. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. Accordingly, Ms. Chen Suzhen is deemed to be interested in all shares in the Company held by Mr. Lin Kaiwen.
2. Mr. Fan Youyuan beneficially owns 100% interests in Taocent International Holding Limited which wholly owned Whales Capital Holdings Limited which holds 19,500,000 shares in the Company. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. Accordingly, Ms. Yin Rong is deemed to be interested in all shares in the Company held by Mr. Fan Youyuan.

Save as disclosed above and as at the date of this report, our directors are not aware of any interests or short positions owned by any persons (other than the directors or Chief Executive of the Company) in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (“Share Option Scheme”) on 10th April, 2012. The major terms and conditions of the Share Option Scheme are set out in the section “Share Option Scheme” in Appendix V to the prospectus of the Company. The Company did not grant, exercise or cancel any options during the period under review, and there are no outstanding options under the Share Option Scheme as at 30th June, 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing as set out in Rule 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the directors in respect of the shares of the Company. Having made specific enquiries of all directors, all directors of the Company have confirmed they have complied with the required standard of dealing and the code of conduct for securities transactions by directors since the commencement of trading in shares of the Company on the GEM on 27th April, 2012.

AUDIT COMMITTEE

The Audit Committee was established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Paragraph C.3.3 of the Code on Corporate Governance on 10th April, 2012. The primary duties of the Audit Committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The Audit Committee consists of three members, namely Ms. Hsu Wai Man, Helen (Chairlady), Mr. Zhou Ruijin and Mr. Lin Zhiming. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the six months ended 30th June, 2012 and considers the results have been prepared in accordance with the applicable accounting standards and requirements.

By order of the board of directors of
Branding China Group Limited
Fang Bin
Executive Director and Chairman

Shanghai, the PRC, 3rd August, 2012

As at the date of this report, the board of directors of the Company comprises three executive directors, namely Mr. Fang Bin (Chairman), Ms. He Weiqi and Mr. Song Yijun; two non-executive directors, namely Mr. Lin Kaiwen and Mr. Fan Youyuan; and three independent non-executive directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.