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

2013 Interim Report

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Branding China Group Limited (the "Company") collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Highlights

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2013, the Group's revenue increased to approximately RMB71,893,000, representing an increase of approximately 7.36% as compared to the corresponding period last year.

- During the Review Period, the Group's total gross profit decreased to approximately RMB21,587,520, representing a decrease of approximately 30.33% as compared to the corresponding period last year, while the gross profit margin decreased to approximately 30.03% from approximately 46.27% for the corresponding period last year.

- During the Review Period, the Group recorded a decrease in net profit of approximately 30.37% as compared to the corresponding period last year to approximately RMB11,368,060.

- The Group's net profit margin for the Review Period decreased to approximately 15.81% from approximately 24.38% for the corresponding period last year.

- Net assets of the Group for the Review Period increased to approximately RMB312,114,290, representing an increase of approximately 66.46% as compared to the corresponding period last year.

- Earnings per share of the Group attributable to the owners of the Company for the Review Period were approximately RMB5.58 cents (corresponding period in 2012: 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 (collectively, the "**Group**") for the six months ended 30 June 2013 (the "**Review Period**") and the three months ended 31 March 2013, together with the comparative figures for the corresponding period in 2012 are as follows:

		Six months ended 30 June		Three months ended 31 March	
		2013	2012	**2013**	2012
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	5	**71,893.00**	66,965.86	**30,896.46**	32,762.14
Cost of sales		**(50,305.48)**	(35,978.69)	**(19,538.29)**	(18,906.85)
Gross profit		**21,587.52**	30,987.17	**11,358.17**	13,855.29
Other income and gains, net	5	**529.30**	221.45	**528.35**	51.71
Investment income		**—**	74.98	**(432.50)**	—
Selling and distribution expenses		**(1,494.23)**	(754.75)	**(2,403.30)**	(266.25)
Administrative expense		**(5,353.99)**	(8,759.17)	**—**	(3,422.52)
Finance cost		**(612.19)**	—	**(270.00)**	—
Impairment of trade receivables		**501.00**	—	**—**	—
Profit before income tax		**15,157.41**	21,769.68	**8,780.72**	10,218.23
Income tax expense	6	**(3,789.35)**	(5,442.42)	**(2,195.18)**	(2,959.33)
Profit for the period		**11,368.06**	16,327.26	**6,585.54**	7,258.90
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operations		**768.50**	448.17	**381.07**	(1.18)
Total comprehensive income for the period		**12,136.56**	16,775.43	**6,966.61**	7,257.72
Earnings per share attributable to owners of the Company:					
Basic and diluted	10	**RMB5.58 cents**	RMB9.80 cents	**RMB3.48 cents**	RMB4.84 cents

Condensed Consolidated Statement of Comprehensive Financial Position

	Notes	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,169.31**	1,196.20
Prepayments and deposits		**31,500.00**	32,700.00
Goodwill	13	**156,293.20**	—
Intangible assets	14	**5,294.90**	—
Interests in associates		**1,191.75**	1,191.75
Total non-current assets		**195,449.16**	35,087.95
Current assets			
Trade and bills receivables	11	**100,258.97**	77,563.24
Prepayments, deposits and other receivables		**56,328.96**	25,909.68
Other current assets	15	**25,000.00**	—
Cash and cash equivalents		**49,848.47**	96,215.28
Total current assets		**231,436.40**	199,688.20
Liabilities			
Current liabilities			
Trade payables	12	**40,394.92**	21,912.40
Other payables and accruals		**2,505.24**	3,916.52
Investment payables		**22,171.33**	—
Dividends payable to original shareholders of subsidiaries		**10,348.13**	—
Amount due to an associate		**—**	20.00
Bank borrowing	8	**35,000.00**	15,000.00
Current tax liabilities		**3,027.92**	6,428.12
Total current liabilities		**113,447.54**	47,277.04

	Notes	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Non-current liabilities			
Deferred income tax liabilities		**1,323.73**	—
Total non-current liabilities		**1,323.73**	—
Net current assets		**117,988.86**	152,411.16
Total assets less current liabilities		**313,438.02**	187,499.11
Net assets		**312,114.29**	187,499.11
Equity attributable to owners of the Company			
Issued share capital	9	**1,996.74**	1,618.44
Reserves		**310,117.55**	185,880.67
TOTAL EQUITY		**312,114.29**	187,499.11

Condensed Consolidated Statement of Changes in Equity

	Issued share 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*
As at 1 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 arising from translation of foreign operations	—	—	—	448.17	—	—	448.17
Issue of ordinary shares	1,633.45	64,607.13	—	—	—	—	66,240.58
As at 30 June 2012	1,633.46	84,497.15	2,000.00	(43.89)	3,316.07	78,429.01	169,831.80

	Issued share captial ***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***
As at 1 January 2013	**1,618.44**	**87,125.09**	**2,000.00**	**(1,018.64)**	**3,852.86**	**93,921.37**	**187,499.11**
Profit and total comprehensive income for the year/period	**—**	**—**	**—**	**—**	**—**	**11,368.06**	**11,368.06**
Exchange differences arising from translation of foreign operations	**—**	**—**	**—**	**768.50**	**—**	**—**	**768.50**
Issue of ordinary shares	**378.30**	**112,100.32**	**—**	**—**	**—**	**—**	**112,478.62**
As at 30 June 2013	**1,996.74**	**199,225.41**	**2,000.00**	**(250.14)**	**3,852.86**	**105,289.43**	**312,114.29**

Condensed Consolidated Statement of Cash Flows

	As at 30 June 2013 RMB'000 (unaudited)	As at 30 June 2012 RMB'000 (unaudited)
Profit before income tax expense	**15,157.41**	21,769.67
Adjustments for:		
Interest expense	**1,384.73**	—
Interest income	**(72.91)**	(61.86)
Depreciation	**135.97**	78.72
Share of profits of associates	**—**	74.98
Impairment of trade receivables	**(501.00)**	—
Increase in deferred income tax liabilities	**1,323.73**	—
Increase in trade and bills receivables	**1,192.48**	(30,556.46)
Decrease/(increase) in prepayments, deposits and other receivables	**(39,160.47)**	(1,959.92)
Decrease in trade payables	**(205.31)**	2,476.62
Increase/(decrease) in other payables and accruals	**2,257.42**	(3,920.46)
Cash flows from operating activities	**(18,487.95)**	(12,098.71)
Income taxes paid	**(7,189.56)**	(5,442.42)
Net cash from operating activities	**(25,677.51)**	(17,541.13)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(56.01)**	(51.50)
Earnest money for investment	**—**	(12,500.00)
Fixed investment management	**(25,000.00)**	—
Acquisition of subsidiaries	**(14,321.47)**	—
Interest received	**72.91**	61.86
Net cash from/(used in) investing activities	**(39,304.57)**	(12,489.64)

	As at 30 June 2013 RMB'000 (unaudited)	As at 30 June 2012 RMB'000 (unaudited)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	—	75,300.50
Cash paid in relation to the issue of ordinary shares	—	(9,191.75)
New bank borrowings	**20,000.00**	—
Interest paid	**(612.19)**	—
Net cash (used in)/from financing activities	**19,387.81**	66,108.75
Net increase in cash and cash equivalents	**(45,594.27)**	36,077.98
Effect of exchange rate changes on cash and cash equivalents	**(772.54)**	461.79
Cash and cash equivalents at the beginning of the period	**96,215.28**	52,910.70
Cash and cash equivalents at the end of the period	**49,848.47**	89,450.47
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**49,848.47**	89,450.47

Notes to the Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. Pursuant to the reorganisation (the "Reorganisation") of the Group, the Company became the holding company of the Group on 26 August 2011. Details of the Reorganisation are set out in the prospectus of the Company dated 17 April 2012. The shares of the Company were listed on the Stock Exchange on 27 April 2012. During the Review Period, the Company was principally engaged in the provision of one-stop integrated marketing communications services to its clients, including advertising communications, PR communications and event marketing.

2. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated financial statements for the Review Period have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules, the International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), the International Accounting Standards ("IASs") and Standing Interpretations Committee's interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). 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 are unaudited but have been 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 Review Period are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2012.

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 the "new and revised IFRSs") issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not 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 AND OTHER INCOME AND GAINS

Revenue, i.e. the Group's turnover, represents incomes from advertising, public relation services and event marketing services. Other income and gains represents issue and distribution income of the Group's publications and government subsidy. Government subsidy represents the tax support fund granted by the Jing Town, Songjiang District, Shanghai.

The analysis of revenue, other income and gains are as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Advertising income	**45,503.14**	43,813.67
Public relation services income	**18,917.52**	11,268.89
Event marketing services income	**8,786.01**	13,245.50
Less: business tax and surcharges	**1,313.67**	1,362.20
Total	**71,893.00**	66,965.86
Other income and gain		
Interest income	**72.91**	61.86
Issue and distribution income of the Group's publications	**9.39**	96.59
Government subsidy	**447.00**	63.00
Total	**529.30**	221.45

6. TAXATION

	As at 30 June 2013	As at 30 June 2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax		
Overseas enterprises income tax expense	**—**	—
PRC enterprises income tax expense	**3,789.35**	5,442.42
Income tax expense	**3,789.35**	5,442.42

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China which became effective on 1 January 2008, the PRC enterprise income tax rate applicable to all the subsidiaries in the PRC is 25%.

7. DIVIDENDS

The board of Directors did not recommend payment of any interim dividend for the Review Period (six months ended 30 June 2012: Nil).

8. BANK BORROWING

	As at 30 June 2013 *RMB'000* (unaudited)	As at 30 June 2012 *RMB'000* (unaudited)
Guaranteed borrowings	**35,000.00**	15,000.00

The guaranteed borrowings were guaranteed by Shanghai SumZone Enterprise Management Consultancy Company Limited (上海三眾企業管理諮詢有限公司), a subsidiary of the Group, among which RMB20,000,000 represents factor financing through the Group's receivables of RMB26,700,000. The amount is repayable within one year and no asset is pledged for the bank borrowings. The interest rates for the above-mentioned borrowings range from 6.16% to 7.20%. The use of the borrowings is to replenish the operational liquidity of the Group.

9. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 15 March 2011 (date to incorporation) to 30 June 2013:

	Number of shares	RMB
Authorised:		
Upon incorporation (38,000,000 shares of HK$0.01 each)	38,000,000	316,016
Increase in authorised share capital on 10 April 2012	1,962,000,000	16,316,405
As at 31 December 2012	2,000,000,000	16,632,421
Issued and fully paid:		
Upon incorporation (1 issued and fully paid share of HK$0.01)	1	—
879 and 120 fully paid shares issued on 18 April 2011 and 25 May 2011, respectively	999	8
As at 31 December 2011	1,000	8
Capitalisation issue credited as fully paid on the share premium account of the Company *(note a)*	149,999,000	1,213,822
Shares issued under placing *(note b)*	50,000,000	404,610
New shares issued on 17 June 2013 *(note c)*	46,810,194	378,297
As at 30 June 2013	246,810,194	1,996,737

Notes:

(a) Pursuant to the resolution passed on 10 April 2012, 149,999,000 shares of HK$0.01 each were allotted and issued in proportion to the holders of shares whose names appeared on the register of members of the Company at the close of business on 5 April 2012.

(b) Pursuant to the share placing carried out on 27 April 2012, 50,000,000 shares of HK$0.01 each were issued at a price of HK$1.98 per share. Accordingly, the share capital of the Company was increased by approximately RMB404,610 and the balance of the proceeds of approximately RMB79,162,977, after deducting the listing expenses of approximately RMB10,714,085, was credited to the share premium account.

(c) Pursuant to an agreement entered into between the Company, Always Bright Enterprises Limited and Mr. Huang Wei, the warrantor, on 19 April 2013, the Company agreed to acquire the entire issued share capital in Grand Rapids Mobile International Holdings Ltd. and the entire equity interest of 上海巨流信息科技有限公司 (Shanghai Ju Liu Information Technology Company Limited) ("Ju Liu Information") by cash and by issue and allotment of 46,810,194 ordinary shares of the Company of HK0.01 each at the issue price of HK$3.084 per share.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Review Period attributable to owners of the Group of approximately RMB11,368,060 (six months ended 30 June 2012: approximately RMB16,327,260), and the weighted average number of ordinary shares in issue of 203,620,678 shares.

In determining the average number of ordinary shares in issue, the Company has taken into account the 200,000,000 ordinary shares in issue as at 1 January 2013 and the 46,810,194 ordinary shares issued on 17 June 2013 referred to in the paragraph headed "Material Acquisition" under the section headed "Management Discussion and Analysis" below.

11. TRADE AND BILLS RECEIVABLES

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 receivables as at the end of the Review Period and as at 31 December 2012 are as follows:

	As at 30 June 2013 *RMB'000* (unaudited)	As at 31 December 2012 *RMB'000* (audited)
Trade receivables	**98,176.68**	73,130.75
Bills receivables	**2,250.00**	5,101.20
Less: provisions made	**(167.71)**	(668.71)
	100,258.97	77,563.24

As at 30 June 2013, the trade and bills receivables of the Group increased the corresponding balances as compared to that of at 31 December 2012. Such increase was mainly due to the acquisition of Ju Liu Information by the Group during the Review Period. The trade and bills receivables of Ju Liu Information as at 30 June 2013 amounted to RMB26,229,090.

An ageing analysis of the trade receivables at the end of the Review Period and as at 31 December 2012 are as follows:

	As at 30 June 2013 *RMB'000* (unaudited)	As at 31 December 2012 *RMB'000* (audited)
Within 1 month	**16,882.68**	19,100.59
More than 1 month but within 3 months	**38,002.73**	19,776.10
More than 3 months but within 6 months	**18,202.59**	23,445.11
More than 6 months but within 1 year	**22,293.76**	10,111.64
Over 1 year	**2,627.21**	28.60
	98,008.97	72,462.04

12. TRADE AND BILLS PAYABLES

The breakdown of trade and bills receivables as at the end of the Review Period and as at 31 December 2012 are as follows:

	As at 30 June 2013 *RMB'000* (unaudited)	As at 31 December 2012 *RMB'000* (audited)
Trade payables	**40,394.92**	21,564.30
Bills payables	**—**	348.10
	40,394.92	21,912.40

As at 30 June 2013, the trade and bills payables of the Group increased from the corresponding balances as compared to that as at 31 December 2012. Such increase was mainly due to the acquisition of Ju Liu Information by the Group during the Review Period. The trade and bills payables of Ju Liu Information as at 30 June 2013 amounted to RMB15,537,480.

An ageing analysis of the trade payables at the end of the Review Period and as at 31 December 2012 are as follows:

	As at 30 June 2013 *RMB'000* (unaudited)	As at 31 December 2012 *RMB'000* (audited)
Within 1 month	**7,224.63**	13,525.20
More than 1 month but within 3 months	**16,171.19**	4,691.71
More than 3 months but within 6 months	**10,587.30**	1,967.47
More than 6 months but within 1 year	**3,869.54**	1,008.23
Over 1 year	**2,542.26**	371.69
	40,394.92	21,564.30

13. GOODWILL

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

14. INTANGIBLE ASSETS

Identifiable intangible assets include customer relationship and the intellectual property rights of computer software. The value of the intangible asset customer relationship of RMB4,351,600 was valuated based on income approach, while the value of computer software of RMB943,300 was based on cost approach. The valuation of customer relationship was based upon the existing customers acquired by Ju Liu Information as at the valuation date (i.e. 31 December 2012) as well as the possible future revenues brought about by those customers to the Company.

15. OTHER CURRENT ASSETS

As at 30 June 2013, other current assets of the Group comprised certain fixed income product under an asset management plan yielding 7% per annum.

Management Discussion and Analysis

FINANCIAL OVERVIEW

For the Review Period, the revenue of the Group was approximately RMB71,893,000, representing an increase of approximately 7.36% or approximately RMB4,927,140 as compared with approximately RMB66,965,860 for the six months ended 30 June 2012. The gross profit of the Group was approximately RMB21,587,520 for the Review Period, representing a decrease of approximately 30.33% or approximately RMB9,399,650 as compared with approximately RMB30,987,170 for the six months ended 30 June 2012. The gross profit margin dropped to approximately 30.03% for the period from approximately 46.27% for the corresponding period last year. The net profit of the Group for the Review Period decreased by approximately 30.37% or approximately RMB4,959,200 from approximately RMB16,327,260 the corresponding period last year to approximately RMB11,368,060. The net profit margin of the Group for the Review Period dropped to approximately 15.81% from approximately 24.38% for the corresponding period last year. The net asset of the Group as at 30 June 2013 rose by approximately 66.46% from approximately RMB187,499,110 as at 31 December 2012 to approximately RMB312,114,290. Earnings per share of the Group for Review Period was approximately RMB5.58 cents (six months ended 30 June 2012: approximately RMB9.80 cents).

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving well-known brands in the high value consumer goods sector. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, public relations ("PR") communications and event marketing. Currently, clients of the Group include brands in the automobile, home fashion and financial service sectors. The Group focuses on serving clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, internet, mobile phones and outdoor media as well as various event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model. During the Review Period, the Group optimized its existing professional teams, further consolidated media resources, strengthened capabilities for diversified services and vigorously developed business partners, and at the same time, the Group continued to optimize the composition of the industries of its clients, and set about developing clients in the travel and financial sectors. During the Review Period, the Group attached great importance to the development of digital marketing business and continued to expand its digital marketing platform and enhance professional capabilities for its digital marketing services. During the first half of 2013, income from the digital marketing business increased by approximately 44.05% or approximately RMB4,546,780 from the corresponding period last year to approximately RMB14,867,620.

During the first half of 2013, the Group acquired the entire issued share capital in Grand Rapids Mobile International Holdings Limited and subsequently the entire equity interests of Ju Liu Information. Ju Liu Information mainly provides wireless marketing services for its brand customers based on wireless advertising platform. The customers of Ju Liu Information are mainly domestic and international reputable brands and well-known advertising agencies for famous brands. Its existing customers include numerous brands from the sectors of automobile, finance, fast moving consumer goods, baby products, hospitality, e-commerce and digital products, across different regions, such as Shanghai, Nanjing, Chengdu, Changchun, Qingdao and Xinjiang, etc. Leveraging on its professional customer services and meticulous operations capability, Ju Liu Information proactively explores new customers based on a business model which is aimed at retaining long-term customers. There were 12 new customers identified in the first half of 2013, of which three customers were from fast moving consumer goods, five from automobile and four from finance. Meanwhile, Ju Liu Information is significantly developing qualified media resources. At present, there are two new core media partners and four new vertical application media partners from the sectors of automobile, fast moving consumer goods and finance.

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

ADVERTISING COMMUNICATIONS

As part of the customized branding and marketing services to its clients, the Group provides professional and well-targeted advertising communications services through the SMU Publications, *www.cnnauto.com*, its 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.

During the first half of 2013, the Group acquired Ju Liu Information which is primarily engaged in wireless advertising agency, wireless effect marketing and wireless advertising production. Wireless advertising agency refers to the procurement of advertising spaces of wireless media on behalf of its clients, which advertising spaces are bought from media suppliers by Ju Liu Information. As regards wireless effect marketing, which will become key business area to be developed by the Group, Ju Liu Information accurately disseminates marketing information for advertisers through its self-developed wireless advertising platform, MediaPower, to collect useful data regarding feedbacks and behaviours (including clicking, sending SMS, making calls, participating in events, etc.) of target end consumers in order to boost the product sales and enhance the strategic effectiveness of brandings of its clients. Relying on its own design capacity, strategic planning team and external production suppliers, Ju Liu Information provides its clients with wireless advertising design and production services as part of its wireless advertising production business.

Wireless media is part of the Group's digital media which is the key business driver of the Group. As mobile phone usage rate in the PRC grows dramatically, coupled with the diversification of the forms and means of communications brought about by the popularity of 3G, wireless advertising is drawing more and more attention of advertisers. Therefore, the performance of the wireless business of Ju Liu Information grew substantially and achieved a total revenue of approximately RMB68,108,200 in 2012. Ju Liu Information's competitive advantages in providing professional wireless advertising services in the mobile advertising sector will help enhance the advertising communications and marketing services capabilities of the Group, and thus increasing the popularity of the Group's advertising communications services among brand owners. In addition, the Group and Ju Liu Information own abundant client resources, such that the acquisition of Ju Liu Information will allow us to provide its brand owners with a wider variety of advertising communications services, which is expected to increase the income from the advertising communications business.

The income from the advertising communications business for the Review Period was approximately RMB45,503,140, representing an increase of approximately 3.86% or approximately RMB1,689,470 as compared with approximately RMB43,813,670 for the six months ended 30 June 2012. The increase was mainly due to the acquisition of Ju Liu Information by the Group in June 2013, and accordingly the income of Ju Liu Information in June 2013 being included in the income of advertising communications of the Group. The total income of Ju Liu Information in June 2013 amounted to RMB3,790,280.

PR COMMUNICATIONS

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

In providing marketing and communications services for brand owners via digital media, the Group has accumulated extensive digital media resources, including mainstream websites and leading wireless media in China, which allows the Group to offer brand owners faster, more far-reaching and interactive EPR services (including portal-based PR communications, Internet-community-based word-of-mouth communications and the emerging Weibo marketing and Weixin marketing, etc.). With its rapid expansion, the EPR business has become a main source of income in the Group's PR communications services, accounting for approximately 70.47% of the total income of the PR communications.

For the Review Period, the PR communications income was approximately RMB18,917,520, representing an increase of approximately 67.87% or approximately RMB7,648,630 as compared with approximately RMB11,268,890 for the six months ended 30 June 2012. Such an increase was mainly attributable to the Group's increasing focus on the development of its digital marketing business and the improvement of its digital marketing professional team, resulting in a substantial increase in the income from the EPR business. During the first half of 2013, the total income of the Group's EPR business amounted to RMB13,331,470, representing an increase of approximately 249.02% or approximately RMB9,511,760 as compared to that of corresponding period last year.

EVENT MARKETING

The Group organizes and undertakes event marketing projects for clients from time to time, which usually includes press conferences, road shows for new products, conventions, exhibitions, forums and celebration activities. As an important part of the Company's integrated marketing communications services, the Group organizes marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst potential clients. Below-the-line (BTL) marketing has become an indispensable part of brand marketing. The Company's event marketing division plans and undertakes customized marketing events for its clients with a view to increasing public awareness of their brands and products and enabling the end users to have a direct experience so as to gain a deeper understanding of such products, or even prompting them to buy the products instantly. The Group also possesses multi-channel resources for organizing physical marketing activities. In addition to traditional venues for event marketing such as convention and exhibition centers, hotels and shopping malls, the Group provides event marketing services to brand owners in other venues (including various well-known exhibitions in Shanghai) in order to facilitate the carrying out of its tailor-made event marketing services.

The event marketing income for the Review Period was approximately RMB8,786,010, representing a decrease of approximately 33.67% or approximately RMB4,459,490 as compared with approximately RMB13,245,500 for the six months ended 30 June 2012. Such decrease was mainly due to the adjustment to the brand marketing strategies of certain clients of the Group, in which the event marketing services were changed to EPR communication services.

OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB221,450 for the six months ended 30 June 2012 to approximately RMB529,300 for the Review Period, which mainly represented subsidy income and interest income. The increase of other income and gains was mainly due to the fact that the Group received a one-off tax support fund of RMB510,000 from the PRC government in April 2013.

COST OF SALES AND GROSS PROFIT

For the Review Period, the key components of the Group's cost of sales comprised content production, printing and distribution costs of the SMU Publications (namely, *Auto 007, Auto Report, I home, Shanghai Today and Shanghai Scene*), operating costs of *www.cnnauto.com*, expenses for procuring advertising and/or text advertisements spaces as well as event organizing and production costs. The Group's cost of sales for the Review Period amounted to approximately RMB50,305,480, representing an increase of approximately 39.82% or approximately RMB14,326,790 as compared with approximately RMB35,978,690 for the six months ended 30 June 2012. Such increase was mainly due to the increased business volume of advertising communications agency services of the Group which had led to increase in related costs.

For the Review Period, the Group achieved a gross profit of approximately RMB21,587,520, representing a decrease of approximately 30.33% or approximately RMB9,399,650 as compared with approximately RMB30,987,170 for the six months ended 30 June 2012. Such decrease was mainly due to the significant increase in the cost of sales. The Group's gross profit margin decreased from approximately 46.27% for the six months ended 30 June 2012 to approximately 30.03% for the Review Period. The decrease in the gross profit was primarily due to the following: (i) the business strategies of the Group for the first half of 2013 focused on acquiring advertisement spaces in traditional media on behalf of major clients, and the profit of traditional advertising business is relatively low compared with that of new forms of media such as digital marketing, resulting in a decrease in the overall gross profit; (ii) the clients were relatively cautious about placing advertisements during the first half of the 2013 and certain clients reduced their spendings on the traditional PR activities which have higher margins given the slowdown of the PRC economy; and (iii) the continuous improvement and expansion of the professional team by the Company, which resulted in an increase in labor costs.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Review Period amounted to RMB1,494,230, representing an increase of approximately 97.98% as compared with approximately RMB754,750 for the six months ended 30 June 2012. The increase was due to the fact that the Group's selling and distribution expenses for the first half of 2012 primarily represented travelling expenses and entertainment expenses, while the selling and distribution expenses for the first half of 2013 also included the salaries of certain sales staff and service fees as a result of the acquisition of Ju Liu Information, and thus resulting in a significant increase in selling and distribution expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Review Period were approximately RMB5,353,990 and decreased by approximately RMB3,405,180 or approximately 38.88% as compared with the corresponding period last year. The decrease was primarily due to that fact that certain listing expenses of the Group were expensed in the condensed consolidated statement of comprehensive income and classified as administrative expenses during the first half of 2012, and no listing expenses of the Group were expensed in the Review Period.

NET PROFIT

During the Review Period, the Group achieved net profit of approximately RMB11,368,060, representing a decrease of approximately 30.37% or approximately RMB4,959,200 as compared with that of corresponding period last year. Such a decrease in the net profit of the Group was mainly attributable to the following reasons: (i) the significant increase in the business volume of the Group's advertising agency services during the first half of 2013 and the relatively low gross profit of advertising agency services resulted in a decrease in the overall gross profit; (ii) the continuous improvement and expansion of the professional team by the Group resulted in an increase in the labour costs; (iii) the selling and distribution expenses also included the salaries of certain sales staff and service fees as a result of the acquisition of Ju Liu Information, thus resulting in a significant increase in the selling and distribution expenses; and (iv) the new bank borrowings of the Group during the second half of 2012 had led to an increase in the finance costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's cash and cash equivalents, comprising bank deposits and cash on hand, amounted to RMB49,848,470, representing a net decrease of approximately RMB46,366,810 as compared with the balance as at 31 December 2012. The significant decrease in cash and cash equivalents was due to the followings: (i) during the first half of 2013, the Group paid an equity transfer payment RMB22,500,000 for its acquisition of the entire issued share capital in Grand Rapids Mobile International Holdings Ltd. and subsequently the entire equity interests of Ju Liu Information, and (ii) the Group injected an amount of RMB25,000,000 into certain fixed income product under an asset management plan during the first half of 2013. Such fixed income product under the asset management plan involved short-term investments for the purposes of treasury management and utilizing of surplus cash of the Group and was conducted in accordance with the Group's treasury policy. As at 30 June 2013, the current ratio was 2.04 (31 December 2012: 4.22). The Group mainly used internal cash flows from operating activities to satisfy the working capital needs.

The gearing ratio of the Group (total borrowings divided by total equity) was approximately 11.21% (31 December 2012: approximately 8.00%).

CHARGE ON ASSETS

As at 30 June 2013, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2012: Nil).

STRUCTURE OF ASSETS

As at 30 June 2013, the Group had net assets of approximately RMB312,114,290 (31 December 2012: approximately RMB187,499,110), comprising non-current assets of approximately RMB195,449,160 (31 December 2012: approximately RMB35,087,950), and current assets of approximately RMB231,436,400 (31 December 2012: approximately RMB199,688,200). The Group recorded net current assets of approximately RMB117,988,860 (31 December 2012: approximately RMB152,411,160). The Group's current assets consisted of, among others, cash and cash equivalents amounting to approximately RMB49,848,470 (31 December 2012: approximately RMB96,215,280) and trade and bills receivables amounting to approximately RMB100,258,970 (31 December 2012: approximately RMB77,563,240). Current liabilities mainly comprised trade payables, investment payables, bank borrowings, dividends payable to original shareholders of subsidiaries and current tax liabilities, amounting to approximately RMB40,394,920 (31 December 2012: approximately RMB21,912,400), approximately RMB22,171,330 (31 December 2012: Nil), approximately RMB35,000,000 (31 December 2012: approximately RMB15,000,000), approximately RMB10,348,130 (31 December 2012: Nil) and approximately RMB3,027,920 (31 December 2012: approximately RMB6,428,120) respectively.

According to the Agreement (as defined below in the paragraph headed "Material Acquisition"), 上海大頭信息科技有限公司 (Shanghai Da Tou Information Technology Company Limited) and Mr. Huang Wei, who owned 99% and 1% of the equity interests of Ju Liu Information respectively prior to the acquisition of Ju Liu Information by the Group, are entitled to the retained earnings of Ju Liu Information as at 31 December 2012 as audited by the auditors specified by the Company in accordance with the International Financial Reporting Standards. The retained earnings of Ju Liu Information as at 31 December 2012 were approximately RMB10,348,130. The Company expects that the retained earnings of Ju Liu Information as at 31 December 2012 may be paid within 12 months after the completion of the acquisition. The payment of such retained earnings must be approved unanimously by the board of directors of Ju Liu Information, where the majority of such directors shall be appointed by the Company, and must be to the satisfaction of the Company in its absolute discretion. Such retained earnings shall be paid out of the operating cash flow of Ju Liu Information and shall not be paid by way of loans. The payment of retained earnings shall also comply with the relevant rules and regulations applicable to the Company as a listed company and shall not affect the normal operations of Ju Liu Information and the Company. Such unpaid retained earnings are accounted for as dividends payable to original shareholders of subsidiaries in the unaudited consolidated financial statement of the Company for the six months ended 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

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

HUMAN RESOURCES

As at 30 June 2013, the Group had 219 employees in total in the PRC, of which 87 employees were employed by Ju Liu Information. The Group's remuneration policy is formulated with reference to industry practices and the performance of individual employees. During the Review Period, the total staff cost was approximately RMB7,104,220 (for the six months ended 30 June 2012: approximately RMB4,855,800). The increase in human resources costs was mainly due to the Group's continuous optimization and expansion of its professional teams, which resulted in the increase of staff costs in the first half of 2013 as compared to the corresponding period last year.

The Company has adopted a Share Option Scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" below.

JINGYI CEASED TO BE A CONNECTED PERSON OF THE COMPANY

As set out in the prospectus of the Company dated 17 April 2012 (the "Prospectus"), Shanghai Jingyi Cultural Media Limited ("Jingyi") was owned as to 30% by Mr. Fang Bin, an executive Director and one of the controlling shareholders of the Company, and as to 70% by Shanghai Red Star Macalline Investment Company Limited. Therefore, Jingyi was regarded as an associate (within the meaning of the GEM Listing Rules) of Mr. Fang Bin and a connected person (within the meaning of the GEM Listing Rules) of the Company under the GEM Listing Rules.

On 28 December 2012, Mr. Fang Bin has transferred all his 30% equity interest in Jingyi to an independent third party. Therefore, Jingyi has ceased to be an associate of Mr. Fang Bin and a connected person of the Company under the GEM Listing Rules.

Save as the transactions that had been entered into between the Company and Jingyi, any future transactions after the date Jingyi has ceased to be a connected person of the Company will not be subject to reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules. For details, please refer to the announcement of the Company dated 6 January 2013.

MATERIAL ACQUISITION

On 21 March 2013, the Company entered into a non-legally binding memorandum of understanding with an independent third party in respect of a potential acquisition of 100% equity interest of a wireless marketing services company. The proposed consideration would be paid in Hong Kong dollar, equivalent to RMB150 million.

On 19 April 2013, the Company entered into an agreement (the "Agreement") with Always Bright Enterprises Limited (the "Vendor") and Mr. Huang Wei (the "Warrantor"), pursuant to which the Company conditionally agreed to acquire the entire issued share capital in Grand Rapids Mobile International Holdings Ltd. and subsequently the entire equity interests of Ju Liu Information at a cash consideration of HK$55,682,732 and the issue of 46,810,194 new ordinary shares of the Company (the "Consideration Shares") to the Vendor at the issue price of HK$3.084 per share.

On 5 June 2013, an extraordinary general meeting of the Company was held to approve the Agreement and the transactions contemplated thereunder, and the allotment and issue of the Consideration Shares. On 17 June 2013, 46,810,194 new ordinary shares were issued by the Company pursuant to the Agreement and the results of Ju Liu Information have been consolidated into the financial statements of the Group since then.

For further details, please refer to the announcements of the Company dated 21 March 2013, 19 April 2013 and 5 June 2013 and the circular of the Company dated 20 May 2013.

RESIGNATION OF NON-EXECUTIVE DIRECTOR

In order to ensure that shareholding percentage held by public (as defined under the GEM Listing Rules) (the "Public Float") in the Company will be no less than the prescribed percentage under the GEM Listing Rules upon the issue and allotment of the Consideration Shares, on 22 April 2013, after deliberations amongst members of the board of the Directors, Mr. Lin Kaiwen, a former non-executive Director and a then connected person (as defined under the GEM Listing Rules) of the Company, has tendered his resignation as a non-executive Director with effect from 22 April 2013. As a result, the shares of the Company held by Mr. Lin Kaiwen through Jolly Win Management Limited shall be regarded as held by public (as defined under the GEM Listing Rules) and hence the Public Float of the Company would be no less than the prescribed percentage under the GEM Listing Rules.

For further details, please refer to the announcement of the Company dated 22 April 2013.

TRANSFER OF BUSINESSES

The business of Shanghai SumZone Media Investment Management Company Limited ("SMU") involves Restricted Businesses (as defined in the Prospectus) and this prevented SMU from being included in the Group directly. On the basis of the Structured Contracts and having consulted its PRC legal advisers, the Group is of the view that the operation of the SMU Publications and *www.cnnauto.com*, the Group's relevant advertising business relating to content design and production as well as its PR (including EPR) business are Restricted Businesses and they should continue to be operated by SMU after the listing of the Company. On the other hand, the Group's advertising agency business arising from the SMU Publications, *www.cnnauto.com* and other advertising media channels and event marketing business are Unrestricted Businesses (as defined in the Prospectus) and they 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 newly developed clients relating to their Unrestricted Businesses. As at 30 June 2013, the transfer of the intellectual property rights relating to the Group's Unrestricted Businesses has yet to be completed. The application for the transfer of such intellectual property rights has been accepted by State Administration for Industry and Commerce of the PRC and it is expected that all transfer procedures will be completed during the second half of 2013. Save for this, the Group has transferred all the Unrestricted Businesses of SMU to SumZone Advertising and SumZone Marketing.

USE OF NET PROCEEDS FROM THE PLACING

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

Please refer to the 2012 Annual Report of the Company for the business targets as at the period from the Latest Practicable Date (as defined in the Prospectus, i.e. 11 April 2012) to 31 December 2012, as well as the actual business progress and use of capital as at 31 December 2012.

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

	Unfulfilled business targets during the period from the Latest Practicable Date of the Prospectus to 31 December 2012 and business targets for the six months ended 30 June 2013	Actual business progress as at 30 June 2013	Use of proceeds
Introduction of new media covering new industries	• To launch a new media covering the travel industry.	• The Group has not yet developed this new media business. The Group will remain prudent and embark on the business when the conditions are fulfilled.	Planned investment: HK$700,000 Actual investment: nil Unutilized planned investment will be used for the future business development of the Company.
Expansion of professional team	• To continue to serve the existing clients and generate more revenue. • To secure at least one new client from home fashion industry, contributing more than RMB1 million of revenue to the Group annually. • To secure at least one new client from automobile industry contributing more than RMB1 million of revenue to the Group annually. • To secure at least one new client from the finance industry. • To secure new clients from the travel industry.	• In the first half of 2013, the Group intended to recruit 30 employees and actually recruited 30 employees. • In the first half of 2013, the Group (not including Ju Liu Information) developed 4 new clients from the home fashion industry, 4 from automobile sector and 1 from sound equipment sector.	Planned investment: HK$1,400,000 Actual investment: approximately RMB496,170 (approximately HK$627,660)

	Unfulfilled business targets during the period from the Latest Practicable Date of the Prospectus to 31 December 2012 and business targets for the six months ended 30 June 2013	Actual business progress as at 30 June 2013	Use of proceeds
Expansion of digital marketing platform	• To introduce digital marketing services for clients in the automobile, home fashion, financial services and travel industries targeting users in online social communities including microblogs. • To research and develop mobile phone versions of the SMU Publications. • To generate more revenue from self-operated and other wireless media platforms. • To capture more Internet advertising business and continue to expand the Group's EPR operation and generate more revenue from digital marketing. • To expand the Group's database marketing business. • To continue to enhance the Group's influence and popularity on self-operated digital media. • To establish new digital media platforms and products and to enhance the Group's model of service based on market conditions.	• The Group has introduced digital marketing services for clients in the automobile and home fashion industries. • The Group has not researched and developed mobile phone version of the SMU Publications. The Group will remain prudent and commence the project when the conditions are fulfilled. • The Group focused on the development of digital marketing business and optimized the professional digital marketing team. The EPR business experienced a significant growth in the first half of 2013. The total revenue from the EPR business of the Group amounted to RMB13,331,470, representing an increase of approximately 249.02% or approximately RMB9,511,760 compared with that of corresponding period of last year. • The number of EPR clients of the Group was on the rising trend. More extensive EPR services were provided through The Group's self-operated website *www.cnnauto.com*, major news portals, portals for automobile industry, finance portals and popular web communities. • The Group and certain key portals in the PRC had entered into cooperative agreements with the relevant suppliers.	Planned investment: HK$1,400,000 Actual investment: approximately RMB178,010 (approximately HK$225,190)

	Unfulfilled business targets during the period from the Latest Practicable Date of the Prospectus to 31 December 2012 and business targets for the six months ended 30 June 2013	Actual business progress as at 30 June 2013	Use of proceeds
Expansion of geographic coverage	• To establish Nanjing, Tianjin and Guangzhou office.	• The Shanghai headquarter of the Group can now start the business in those three regions. Accordingly, the Nanjing, Tianjin and Guangzhou offices have yet to be set up and the Group will establish new regional offices when appropriate.	Planned investment: HK$1,050,000 Actual investment: nil Unutilized planned investment will be used for the future business development of the Company.
Mergers and acquisitions	• To acquire a company complimentary to our integrated marketing communications services subject to favorable market conditions as at 31 December 2012. The Group had no acquisition in 2012.	• In the first half of 2013, the Group acquired the entire issued share capital of each of Grand Rapids Mobile International Holdings Ltd. and of Ju Liu Information.	Planned investment: HK$2,100,000 Actual investment: the Group acquired at a total consideration of HK$200,045,371, including cash consideration of HK$55,682,732 and issuance and allotment of up to 46,810,194 new shares of the Company to the Vendor. The cash consideration is payable in three installments, with the first installment of HK$27,841,370 paid during the first half of 2013.

FUTURE PROSPECT

In the first half of 2013, there were uncertainties concerning the international economic trend while the domestic economy was under the influence of the PRC macroeconomic policies. Although the entire industry faced challenges from the general economic environment, the Group is optimistic about the future development prospects of its businesses. In particular, under the current economic environment, the digital marketing business of the Group achieved outstanding performance during the first half of 2013 with business volume increasing significantly compared with the corresponding period last year. In addition, the Company laid a solid foundation for its gradual business transition by merging and acquiring companies in the new media industry like Grand Rapids Mobile International Holdings Ltd. and Ju Liu Information. The results were encouraging. By taking advantage of the general trend of growing domestic consumption in China, the Group will continue to live up to its philosophy of “taking clients to its heart” and provide professional one-stop value-added branding services to clients.

Going forward, the Group will continue to serve existing clients and generate more revenue. It will further expand and optimize its clients in the automobile and home fashion sectors and significantly capture more clients in finance and travel sectors. Digital marketing business is one of the key driving forces behind the Group's business expansion. The Group will continue to improve its existing digital marketing tools, undergo further research and development activities on new digital media platforms and products, and introduce digital marketing services to clients in the automobile, home fashion, finance and travel sectors. The Group will also broaden digital media resources to expand the digital marketing business.

In addition, the acquisition of Ju Liu Information will facilitate the growth in terms of the scale of the Group's digital marketing business and further lead the Group to become an integrated branding service provider. The Group and Ju Liu Information will share the resources of clients with each other, providing the respective business to the clients of each other to realize more business synergies. The Group will fully capitalize on its professional advantages, such as marketing services, media integration and creative planning in mobile advertising, so as to enhance its capabilities in digital marketing services. The Group will gain the direct access of the service bases in Beijing, Guangzhou and Chengdu, which will speed up the achievement of a national network. The acquisition of Ju Liu Information will facilitate the diversification of clientele of the Group, so as to enhance the resistance to the market risks resulting from industrial cycles. The Group attaches its importance to digital media branding marketing services and will continue to identify acquisitions opportunities in the interest of the long term development of the Group.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

DIVIDENDS

The Directors do not recommend the payment for any interim dividend for the Review Period (2012: nil), and therefore no closure of register is required.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Review Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

INTEREST OF THE COMPLIANCE ADVISER

None of the Group's compliance adviser, Anglo Chinese Corporate Finance, Limited, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 30 June 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

Save as disclosed in the Prospectus, for the Review Period, 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 OF THE COMPANY

During the Review Period, 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 COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or the required standard of dealings by the Directors as referred to which were required to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary Shares

Name of Director	Capacity/Nature	Number of Shares	Approximate percentage of the issued share capital
Mr. Fang Bin *(note 1)*	Interest in controlled corporation	112,500,000	45.58%
Mr. Fan Youyuan *(note 2)*	Interest in controlled corporation	19,500,000	7.90%

Notes:

1. These 112,500,000 Shares are held by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang Bin. Accordingly, Mr. Fang Bin is deemed to be interested in the 112,500,000 Shares held by Lapta International Limited for the purposes of the SFO.

2. These 19,500,000 Shares are held by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited whose entire interests are beneficially owned by Mr. Fan Youyuan. Accordingly, Mr. Fan Youyuan is deemed to be interested in the 19,500,000 Shares held by Whales Capital Holdings Limited for the purposes of the SFO.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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 30 June 2013 and so far as the Directors are aware, excluding any Shares which will be issued pursuant to the options which may be granted under the Share Option Scheme (as defined below), the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares

Name	Capacity	Number of ordinary	Approximate percentage
Lapta International Limited	Beneficial owner	112,500,000	45.58%
Always Bright Enterprises Limited *(note 1)*	Beneficial owner	46,810,194	18.97%
Mr. Huang Wei (黃維) *(note 1)*	Interest in controlled corporation	46,810,194	18.97%
Ms. Yuan Yuan (袁媛) *(note 1)*	Spouse's interest	46,810,194	18.97%
Whales Capital Holdings Limited *(note 2)*	Beneficial owner	19,500,000	7.90%
Taocent International Holding Limited *(note 2)*	Interest in controlled corporation	19,500,000	7.90%
Ms. Yin Rong (殷蓉) *(note 2)*	Spouse's interest	19,500,000	7.90%
Jolly Win Management Limited *(note 3)*	Beneficial owner	18,000,000	7.29%
Mr. Lin Kaiwen (林凱文) *(note 3)*	Interest in controlled corporation	18,000,000	7.29%
Ms. Chen Suzhen (陳素珍) *(note 3)*	Spouse's interest	18,000,000	7.29%

Notes:

1. Mr. Huang Wei beneficially owns the entired issue share capital of the Always Bright Enterprises Limited which holds 46,810,194 Shares. For the purposes of SFO, Mr. Huang Wei is deemed or taken to be interested in all Shares held by Always Bright Enterprises Limited. Ms. Yuan Yuan (袁媛) is the spouse of Mr. Huang Wei. For the purposes of SFO, Ms. Yuan Yuan (袁媛) is deemed or taken to be interested in all Shares in which Mr. Huang Wei is interested.

2. Mr. Fan Youyuan beneficially owns the entired issue share capital of Taocent International Holding Limited which wholly owns Whales Capital Holdings Limited which in turn holds 19,500,000 Shares. Ms. Yin Rong (殷蓉) is the spouse of Mr. Fan Youyuan. For the purposes of SFO, Ms. Yin Rong (殷蓉) is deemed or taken to be interested in all Shares in which Mr. Fan Youyuan is interested.

3. Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited which holds 18,000,000 Shares. For the purposes of SFO, Mr. Lin Kaiwen is deemed or taken to be interested in all Shares held by Jolly Win Management Limited. Ms. Chen Suzhen (陳素珍) is the spouse of Mr. Lin Kaiwen. For the purposes of SFO, Ms. Chen Suzhen (陳素珍) is deemed to or taken to be interested in all Shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above and as at 30 June 2013, 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 which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 April 2012. The major terms and conditions of the Share Option Scheme are set out in the section "Share Option Scheme" in Appendix V to the Prospectus. The Company did not grant, exercise or cancel any options during the Review Period, and there were no outstanding options under the Share Option Scheme as at 30 June 2013.

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the aforementioned code of conduct during the Review Period.

AUDIT COMMITTEE

The audit committee of the Company (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 Corporate Governance Code on 10 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 of the Group for the Review Period, the interim results announcement and this interim report, and considers that the aforementioned 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,
5 August 2013

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; 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.