



INTERIM REPORT 2016

BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 863



FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2016 (the "Review Period") decreased to RMB79,714,400, representing a decrease of RMB68,297,171 as compared to the corresponding period of last year.
- During the Review Period, the Group's overall gross profit margin increased by approximately 4.82 percentage points to 30.45%, as compared to the corresponding period of last year.
- Net assets of the Group as at 30 June 2016 increased to RMB453,154,584, representing an increase of approximately 4.62% as compared to that as at 31 December 2015.
- Earnings per share of the Company for the Review Period were approximately RMB4.04 cents (the corresponding period in 2015: RMB5.57 cents).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited For the six months ended 30 June	
		2016 RMB	2015 RMB
Revenue	6	79,714,400	148,011,571
Cost of sales		(55,443,250)	(110,079,221)
Gross profit		24,271,150	37,932,350
Other income and gains, net	7	3,686,782	1,783,966
Selling and distribution expenses		(614,664)	(3,190,186)
Administrative expenses		(16,543,896)	(16,194,461)
Finance costs		(7,467)	(530,640)
Share of profits of associates		1,394,902	3,927
Profit before income tax		12,186,807	19,804,956
Income tax expense	8	(2,142,204)	(6,052,492)
Profit for the period		10,044,603	13,752,464
Other comprehensive income for the period:			
Exchange differences on translation of foreign operations		44,642	105,432
Total comprehensive income for the period		10,089,245	13,857,896
Earnings per share attributable to owners of the Company:			
Basic and diluted	12	RMB4.04 cents	RMB5.57 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

	<i>Notes</i>	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 RMB
Assets			
Non-current assets			
Property, plant and equipment		4,149,285	3,487,450
Goodwill	15	156,293,197	156,293,197
Intangible assets	16	2,128,800	2,664,614
Available-for-sale investment		2,250,000	–
Interests in associates	17	17,566,412	1,271,509
Total non-current assets		<u>182,387,694</u>	<u>163,716,770</u>
Current assets			
Trade and bill receivables	13	194,927,431	175,140,697
Prepayments, deposits and other receivables		64,055,537	8,316,527
Cash and cash equivalents		50,743,380	144,609,439
Total current assets		<u>309,726,348</u>	<u>328,066,663</u>
Total assets		<u>492,114,042</u>	<u>491,783,433</u>
Liabilities			
Current liabilities			
Trade payables	14	31,331,821	29,096,090
Other payables and accruals		1,355,721	20,883,857
Bank borrowings	10	2,000,000	–
Current tax liabilities		3,764,488	8,006,836
Total current liabilities		<u>38,452,030</u>	<u>57,986,783</u>
Net current assets		<u>271,274,318</u>	<u>270,079,880</u>
Total assets less current liabilities		<u>453,662,012</u>	<u>433,796,650</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

	<i>Notes</i>	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 RMB
Non-current liabilities			
Deferred tax liabilities		<u>507,428</u>	<u>639,800</u>
Total non-current liabilities		<u>507,428</u>	<u>639,800</u>
Total liabilities		<u>38,959,458</u>	<u>58,626,583</u>
Net assets		<u>453,154,584</u>	<u>433,156,850</u>
Equity attributable to owners of the Company			
Issued share capital		2,037,682	1,996,737
Reserves		<u>451,116,902</u>	<u>431,160,113</u>
TOTAL EQUITY		<u>453,154,584</u>	<u>433,156,850</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital RMB	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Retained profit RMB	Total equity RMB
As at 1 January 2015	1,996,737	203,009,101	2,000,000	(918,314)	6,656,398	183,006,566	395,750,488
Profit and total comprehensive income for the period	-	-	-	-	-	13,752,464	13,752,464
Exchange differences on translation of foreign operations	-	-	-	105,432	-	-	105,432
As at 30 June 2015	<u>1,996,737</u>	<u>203,009,101</u>	<u>2,000,000</u>	<u>(812,882)</u>	<u>6,656,398</u>	<u>196,759,030</u>	<u>409,608,384</u>
	Issued share capital RMB	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Retained profit RMB	Total equity RMB
As at 1 January 2016	1,996,737	203,009,101	2,000,000	(868,778)	7,922,791	219,096,999	433,156,850
Issue of ordinary shares	40,945	9,867,544	-	-	-	-	9,908,489
Profit and total comprehensive income for the period	-	-	-	-	-	10,044,603	10,044,603
Exchange differences on translation of foreign operations	-	-	-	44,642	-	-	44,642
As at 30 June 2016	<u>2,037,682</u>	<u>212,876,645</u>	<u>2,000,000</u>	<u>(824,136)</u>	<u>7,922,791</u>	<u>229,141,602</u>	<u>453,154,584</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended	
	30 June	
	2016	2015
	RMB	RMB
Profit before income tax expense	12,186,807	19,804,956
Adjustments for:		
Interest expense	84,000	530,640
Interest income	(279,279)	(642,079)
Amortisation of intangible assets	535,814	535,815
Depreciation of property, plant and equipment	563,319	362,349
Share of profits of associates	(1,394,902)	(3,927)
Impairment of trade receivables	–	–
Increase in deferred income tax liabilities	(132,373)	(132,373)
Gain on disposal of financial assets at fair value through profit or loss	(4,405)	–
Decrease/(increase) in trade and bills receivables	(19,786,735)	(39,698,167)
Decrease/(increase) in prepayments, deposits and other receivables	(55,145,475)	11,443,764
Increase/(decrease) in trade payables	2,235,732	3,304,859
Increase/(decrease) in other payables and accruals	(7,993,964)	(9,222,098)
Cash flows from/(used in) operating activities	(69,131,461)	(13,716,261)
Income taxes paid	(8,330,140)	(8,491,175)
Net cash from/(used in) operating activities	(77,461,601)	(22,207,436)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,529,647)	(1,807,218)
Disposal of property, plant and equipment	–	97,087
Fixed assets management	–	–
Acquisition of subsidiaries	(17,150,000)	–
Interest received	283,685	642,079
Net cash generated from/(used in) investing activities	(18,395,962)	(1,068,052)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended	
	30 June	
	2016	2015
	RMB	RMB
Cash flows from financing activities		
New bank borrowings	2,000,000	–
Repayment of bank borrowings	–	(5,000,000)
Interest paid	<u>(84,000)</u>	<u>(530,640)</u>
Net cash (used in)/generated from financing activities	<u>1,916,000</u>	<u>(5,530,640)</u>
Net increase/(decrease) in cash and cash equivalents	(93,941,563)	(28,806,128)
Effect of exchange rate changes on cash and cash equivalents	75,504	(126,345)
Cash and cash equivalents at the beginning of the period	<u>144,609,439</u>	<u>109,623,593</u>
Cash and cash equivalents at the end of the period	<u><u>50,743,380</u></u>	<u><u>80,691,120</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>50,743,380</u></u>	<u><u>80,691,120</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Branding China Group Limited (“Branding China” or the “Company”, together with its subsidiaries, the “Group”) was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. Pursuant to the reorganisation (the “Reorganisation”) of the Group, the Company became the holding company of the Group on 26 August 2011. Details of the Reorganisation are set out in the prospectus (the “Prospectus”) of the Company dated 17 April 2012. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 April 2012. In 2015, a formal application was made by the Company to the Stock Exchange for the transfer of listing from the Growth Enterprise Market to the Main Board of the Stock Exchange. The application was approved and the dealing of the shares of the Company on the Main Board of the Stock Exchange (stock code: 863) has commenced on 8 September 2015. During the Review Period, the Group was principally engaged in providing its clients with corporate entrepreneurship and development services, including park area services, equity investment services, corporate value-added services and integrated marketing communication services.

2. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated financial statements for the Review Period have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), the International Accounting Standards and Standing Interpretations Committee’s interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi (“RMB”) except otherwise indicated. The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Review Period are consistent with those applied in the Group’s audited financial statements for the year ended 31 December 2015.

4. ADOPTION OF NEW AND REVISED IFRSs

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

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

5. SEGMENT REPORTING

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

No geographical information is presented as the Group's operations are located in the PRC. Information about major clients during the reporting periods, turnover from clients contributing over 10% of total revenue of the Group is as follows:

	For the six months ended 30 June							
	2016			2015				
	Advertising Income RMB	Public relations income RMB	Event marketing income RMB	Total RMB	Advertising Income RMB	Public relations income RMB	Event marketing income RMB	Total RMB
Client A	-	22,492,391	-	22,492,391	-	18,384,508	-	18,384,508

6. REVENUE

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

The following table sets forth the breakdown of revenue:

	Unaudited For the six months ended 30 June	
	2016 RMB	2015 RMB
Advertising income	44,831,991	92,080,337
Public relation services income	30,548,487	36,965,376
Event marketing services income	4,785,314	20,215,433
Less: business tax and surcharges	451,392	1,249,575
Total	79,714,400	148,011,571

7. OTHER INCOME AND GAINS

	Unaudited	
	For the six months ended	
	30 June	
	2016	2015
	RMB	RMB
Other income and gains:		
Interest income	279,279	642,079
Government subsidies	3,399,256	1,141,654
Other	8,247	233
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Total	3,686,782	1,783,966
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8. INCOME TAX EXPENSE

	Unaudited	
	For the six months ended	
	30 June	
	2016	2015
	RMB	RMB
Current tax		
– PRC corporate income tax	2,142,204	6,052,492
	<hr/>	<hr/>
Income tax expense	2,142,204	6,052,492
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9. DIVIDENDS

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

10. BANK BORROWINGS

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 <i>RMB</i>
Unsecured interest-bearing loans	2,000,000	–

11. DEPRECIATION AND AMORTISATION

	Unaudited For the six months ended 30 June 2016 RMB	2015 <i>RMB</i>
Amortisation of intangible assets	535,814	535,815
Depreciation of property, plant and equipment	563,319	362,349

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to owners of the Group of RMB10,044,603 for the Review Period (for the six months ended 30 June 2015: approximately RMB13,752,464), and the weighted average number of ordinary shares of 248,463,822 shares (for the six months ended 30 June 2015: 246,810,194 shares).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2016.

13. TRADE AND BILL RECEIVABLES

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

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

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 RMB
Trade receivables	193,040,306	169,364,572
Less: provisions made	(162,875)	(123,875)
	192,877,431	169,240,697
Bill receivables	2,050,000	5,900,000
Total	194,927,431	175,140,697

An ageing analysis of the Group's trade receivables as at the end of the reporting periods, based on the provision of service date, is as follows:

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 RMB
Not more than 1 month	22,478,826	44,372,921
More than 1 month but not more than 3 months	34,407,512	58,633,443
More than 3 months but not more than 6 months	18,996,005	36,270,325
More than 6 months but not more than 1 year	105,119,966	25,885,144
Over 1 year	11,875,122	4,078,864
	192,877,431	169,240,697
Bill receivables	2,050,000	5,900,000
Total	194,927,431	175,140,697

Note: As the date of this report, the recovery of the trade receivables for the period is: RMB26,214,131.

14. TRADE PAYABLES

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

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 <i>RMB</i>
Trade payables	31,331,821	29,096,090

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

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 <i>RMB</i>
Not more than 1 month	4,317,900	12,635,755
More than 1 month but not more than 3 months	10,020,122	3,588,824
More than 3 month but not more than 6 months	5,815,122	4,421,438
More than 6 months but not more than 1 year	5,737,062	4,598,743
Over a year	5,441,615	3,851,330
Total	31,331,821	29,096,090

15. GOODWILL

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

16. INTANGIBLE ASSETS

	Customer relationship <i>RMB</i>	Computer software <i>RMB</i>	Total <i>RMB</i>
Cost:			
As at 1 January 2016	4,351,600	1,069,796	5,421,396
Addition	—	—	—
As at 30 June 2016	<u>4,351,600</u>	<u>1,069,796</u>	<u>5,421,396</u>
Accumulated amortization:			
As at 1 January 2016	2,248,327	508,455	2,756,782
Charged for the period	435,160	100,654	535,814
As at 30 June 2016	<u>2,683,487</u>	<u>609,109</u>	<u>3,292,596</u>
Net book value			
As at 30 June 2016	<u>1,668,113</u>	<u>460,687</u>	<u>2,128,800</u>

17. INTERESTS IN ASSOCIATES

	Unaudited As at 30 June 2016 RMB	Audited As at 31 December 2015 RMB
Net assets	<u>17,566,412</u>	<u>1,271,509</u>

The investment in an associate is unlisted equity interests and details of the Group's associate as at 30 June 2016 are as follows:

Name	Form of business structure	Place of establishment and operation	Paid-up registered capital (RMB)	Attributable equity interests indirectly held by the Company	Primary business
Shanghai East Shanghai SumZone Media Company Limited	Corporation	PRC	2,000,000.00	49%	Provision of advertising, consulting, and event marketing services
Shanghai Lingang Cultural Industry Development Company Limited	Corporation	PRC	10,000,000.00	34%	Property development projects for recreational activities, investing consultant, and planning of cultural and artistic exchange activities
Shanghai Yunbao group innovation space management Company Limited	Corporation	PRC	10,000,000.00	49%	Management and operation of group innovation space



FINANCIAL ANALYSIS

Revenue

For the Review Period, the revenue of the Group was RMB79,714,400, representing a decrease of RMB68,297,171 or approximately 46.14% as compared with RMB148,011,571 for the corresponding period of 2015. Such decrease was primarily due to: (i) the impact of the economic downturn that some clients of the Group cut their budgets in advertisement, causing a substantial decrease in the revenue as compared with the corresponding period of last year; and (ii) under the unfavourable climate for traditional print media industry, the revenue from the advertising agency decreased significantly.

Cost of sales and gross profit margin

The cost of sales to the Group mainly comprised the expenses for procuring advertising and/or text advertisements spaces, event organizing and production costs and labour cost. During the Review Period, the Group's cost of sales amounted to RMB55,443,250, representing a substantial decrease as compared with RMB110,079,221 for the corresponding period of 2015. Such decrease was primarily due to (i) the cost reduction as a result of the decrease in revenue; and (ii) the decrease in labour costs resulted from a reduction of the manpower of integrated marketing communication services by the Company in view of the substantial decrease in revenue from such business.

The gross profit margin of the Group increased to approximately 30.45% for the Review Period from approximately 25.63% for the corresponding period of last year. The increase is mainly due to: (i) the fact that the Group increased its pure consultancy business and reduced reliance on media purchase which dragged the overall gross profit of the business income; and (ii) the reduced cost and enhanced efficiency of the Group by way of streamlining its staff.

Selling and distribution expenses

The selling and distribution expenses decreased from RMB3,190,186 for the six months ended 30 June 2015 to RMB614,664 for the Review Period. Such decrease was primarily due to the decrease in labour costs, travelling and transportation expenses and entertainment expenses resulted from reducing the number of sales staff of integrated marketing communication services by the Company in view of the substantial decrease in revenue from such business.

Administrative expenses

During the Review Period, the administrative expenses increased by approximately 2.16% to RMB16,543,896 from RMB16,194,461 for the corresponding period of last year. Such expenses have basically remained stable.

Income tax expenses

For the Review Period, the income tax expenses were RMB2,142,204 as compared with RMB6,052,492 for the corresponding period of last year.

Net Profit

During the Review Period, the net profit of the Group was RMB10,044,603, representing a decrease of RMB3,707,861 or approximately 26.96% as compared with RMB13,752,464 for the corresponding period of 2015. The decrease was primarily due to the slump in revenue from integrated marketing communication services that causes the decrease of net profit.

Liquidity and financial resources

As at 30 June 2016, the Group's cash and cash equivalents, comprising bank deposits and cash in hand of RMB49,864,485 and HK\$1,028,345 respectively, amounted to RMB50,743,380, representing a reduction of RMB93,866,059 as compared with the balance at 31 December 2015. As at 30 June 2016, the Group's current ratio was approximately 8.05 (31 December 2015: approximately 5.66). The Group mainly used internal cash flows from operating activities to satisfy its working capital requirements.

As at 30 June 2016, the bank borrowings of the Group were RMB2,000,000. For details, please refer to note 10 to the Condensed Consolidated Interim Financial Statements of the Group. During the Review Period, the repayment of bank borrowings which fall due was RMB0.

The gearing ratio of the Group (total borrowings divided by total equity) was approximately 0.44% (31 December 2015: 0).

Charge on assets

As at 30 June 2016, the Group did not have any charge on its assets for bank borrowings or for any other purposes (31 December 2015: Nil).

Structure of assets

As at 30 June 2016, the Groups had net assets of RMB453,154,584 (31 December 2015: RMB433,156,850), comprising non-current assets of RMB182,387,694 (31 December 2015: RMB163,716,770), and current assets of RMB309,726,348 (31 December 2015: RMB328,066,663).

The Group recorded net current assets of RMB271,274,318 (31 December 2015: RMB270,079,880), mainly comprising cash and cash equivalents of RMB50,743,380 (31 December 2015: RMB144,609,439), and trade and bill receivables of RMB194,927,431 (31 December 2015: RMB175,140,697).

Current liabilities mainly comprised trade payables, other payables and accrued taxes, amounting to RMB31,331,821 (31 December 2015: RMB29,096,090), RMB1,355,721 (31 December 2015: RMB20,883,857), and RMB3,764,488 (31 December 2015: RMB8,006,836) respectively.

Material acquisition and disposal

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

Significant investments

During the Review Period, the Group did not hold any significant investments.

Future plans for material investments and capital assets

As at 30 June 2016, the Group had no future plans for material investments or capital assets.

Contingent liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

Foreign exchange risk

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

Financial policies

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

Human resources

As at 30 June 2016, the Group had 54 employees in total in the PRC. During the Review Period, the total labour cost (including salaries of sales staff and the salaries of management personnel) amounted to RMB6,576,590 (for the six months ended 30 June 2015: RMB9,625,294). The decrease in labour cost was mainly due to the reduction of labour cost by way of streamlining internal staff of the integrated marketing communication services by the Group in view of the substantial decrease in revenue from such business.

BUSINESS REVIEW AND PROSPECT

Business review

For the six months ended 30 June 2016, the total revenue of the Group was RMB79,714,400, representing a decrease of RMB68,297,171 from RMB148,011,571 as compared with the corresponding period of last year. The gross profit for the six months ended 30 June 2016 decreased by RMB13,661,200 from RMB37,932,350 to RMB24,271,150 as compared with the corresponding period of last year. The gross profit margin increased to approximately 30.45% for the Review Period from approximately 25.63% as compared with the corresponding period of last year. During the Review Period, the Group recorded RMB10,044,603 for the net profit for the period, while that of the corresponding period of last year was RMB13,752,464.

Acquisition

On 19 April 2013, the Company entered into a Share Sale and Purchase Agreement (the "Agreement") with Bright Enterprises Limited ("Always Bright Enterprises") and Mr. Huang Wei, pursuant to which Always Bright Enterprises agreed to transfer its entire issued share capital in Grand Rapids Mobile International Holdings Limited to the Company, and the settlement of consideration by the Company would be in cash and issue of consideration shares in several tranches. The warranted profit and payment method pursuant to the Agreement are as follows:

Year	Warranted Profit (RMB)	Payment of Cash Consideration (HK\$)	Payment of Share Consideration (Share)
Fulfillment of Conditions Precedent in the Agreement		27,841,366	
2013	18,000,000	13,920,683	6,018,454
2014	25,000,000	13,920,683	17,275,191
2015	32,000,000	-	23,516,550

As Always Bright Enterprises has fulfilled the profit guarantee obligations for the financial year ended 31 December 2015, the Company has completed the payment of respective cash and share considerations according to the relevant agreement up to the date of this report.

To date, Always Bright Enterprises has fulfilled all agreed profit guarantee under the Share Sale and Purchase Agreement.

FUTURE PROSPECTS

Under the impact of economic downturn, intensified competition in our industry and the increasing media bargaining power in the industry, the overall marketing industry is challenged. Therefore, the announcement of the business development plan (on the foundation of integrated marketing communication services, to expand provision of services for its corporate customers to include the park area services, equity investment services and corporate value-added services. Meanwhile, its target customers would be expanded to start-ups and developing corporations from developed brand corporations) by the Group in December 2015 was a strategic move in response to the actual situation.

During the Review Period, the Group actively participated in developing the new business. Although it will take some time to achieve profit growth from the new business, the Board believes that, as the new business development further incubates and the service industries continues to expand along with the emergence of new business models and new momentum and the rising domestic consumption, businesses of the Group will benefit from the recovery of macro-economy and continue to grow.

TRANSFER OF BUSINESS

The business of Shanghai Sum Zone Media Investment Management Company Limited (上海三眾華納傳媒投資管理有限公司) (“SMU”) involves Restricted Businesses (as defined in the Prospectus) and this prevents SMU from being consolidated into the Group directly. On the basis of the Structured Contract (as defined in the Prospectus) and having consulted the Group’s PRC legal advisors, the Group is of the view that the operation of the SMU Publications and www.cnnauto.com, the Group’s relevant advertising business relating to content design and production as well as its PR (including electronic PR) business are Restricted Businesses and they should continue to be operated by SMU after the Listing. On the other hand, the Group’s advertising agency business, such as the SMU Publications, www.cnnauto.com and other advertising media channels and event marketing business are Unrestricted Businesses (as defined in the Prospectus) and they have been transferred to Shanghai SumZone Advertising Company Limited (“SumZone Advertising”), Shanghai SumZone Marketing Company Limited (“SumZone Marketing”) or any other PRC subsidiary of Shanghai SumZone Enterprise Management Consultancy Company Limited pursuant to the Group’s long-term strategic plans. As part of the business transfer process which has commenced in early September 2011, SumZone Advertising and SumZone Marketing have entered into business contracts with all the Group’s clients relating to its Unrestricted Businesses. As at 30 June 2016, the Group has completed the legal right transfer of trademarks from SMU to Shanghai SumZone Enterprise. Save for this, the Group has transferred all the Unrestricted Businesses of SMU to SumZone Advertising and SumZone Marketing.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with all the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules. The Company is committed to maintaining sound corporate governance standards and procedures to ensure the timeliness, transparency and completeness of its information disclosure, and strives to achieve a more standardized operational and effective management, so as to safeguard investors’ interests as a whole to the greatest extent.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Review Period (for the six months ended 30 June 2015: nil).

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed “Continuing Connected Transactions” in the section headed “Report of the Directors” in the annual report of the Company for the year 2015, during the Review Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Group has adopted the required standard of dealings, as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by directors during the Review Period.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Review Period, on 29 April 2016, subscription for 4,960,885 shares of the Company by a third-party investor (independent of and not connected with the Company) (the “Investor”) pursuant to the subscription agreement dated 16 November 2015 (as amended and supplemented by the supplemental agreement dated 29 February 2016) and entered into between the Company and the Investor was completed and 4,960,885 shares of the Company were allotted and issued to the Investor for an aggregate of approximately HK\$12,005,342. For details, please refer to the announcement of the Company dated 29 April 2016.

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any shares of the Company during the Review Period.

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 30 June 2016, 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 other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register of the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Listing Rules, are as follows:

Long positions in the Shares

Name of director	Number of ordinary shares			Interest in controlled corporation	Total	Approximate percentage of the issued share capital
	Personal interest	Family interest				
Mr. Fang Bin ("Mr. Fang") (note 1)	–	–	112,500,000	112,500,000	44.68%	
Mr. Huang Wei ("Mr. Huang") (notes 2 and 4)	–	–	46,810,194	46,810,194	18.59%	
Mr. Fan Youyuan ("Mr. Fan") (note 3)	–	–	14,700,000	14,700,000	5.84%	

Notes:

- These Shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang. Accordingly, under the SFO, Mr. Fang is deemed or taken to be interested in the 112,500,000 Shares held by Lapta International Limited.
- These Shares are owned by Always Bright Enterprises Limited whose entire interests are beneficially owned by Mr. Huang. Accordingly, under the SFO, Mr. Huang is deemed or taken to be interested in the 46,810,194 Shares held by Always Bright Enterprises Limited.
- These Shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited which is in turn wholly owned by Mr. Fan. Accordingly, under the SFO, Mr. Fan is deemed or taken to be interested in the 14,700,000 Shares held by Whales Capital Holdings Limited.
- Subsequent to the Review Period, on 25 July 2016, Always Bright Enterprises Limited (wholly-owned by Mr. Huang, a director of the Company) sold 26,000,000 shares of the Company to a third party who was independent of and not connected with the Company and its connected persons (as defined under the Listing Rules). Upon completion of the sale, the percentage of the total issued shares of the Company in which Mr. Huang is interested decreased from approximately 18.59% to approximately 8.27%.

Save as disclosed above, as at 30 June 2016, none of other Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register of the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 to the Main Board Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, so far as the Directors are aware, without taking into account any Shares which will be issued pursuant to the options which may be granted under the Share Option Scheme, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, are as follows:

Long positions in the Shares of the Company

Name	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	44.68%
Always Bright Enterprises Limited (notes 1 and 4)	Beneficial owner	46,810,194	18.59%
Ms. Yuan Yuan (袁媛) (note 1)	Spouse's interest	46,810,194	18.59%
Whales Capital Holdings Limited (note 2)	Beneficial owner	14,700,000	5.84%
Taocent International Holding Limited (note 2)	Interest in controlled corporation	14,700,000	5.84%
Ms. Yin Rong (殷蓉) (note 2)	Spouse's interest	14,700,000	5.84%
Jolly Win Management Limited (note 3)	Beneficial owner	13,500,000	5.36%
Mr. Lin Kaiwen (林凱文) (note 3)	Interest in controlled corporation	13,500,000	5.36%
Ms. Chen Suzhen (陳素珍) (note 3)	Spouse's interest	13,500,000	5.36%

Notes:

- Mr. Huang beneficially owns the entire issued equity interests of Always Bright Enterprises Limited, which in turn holds 46,810,194 Shares. Ms. Yuan Yuan is the spouse of Mr. Huang. For the purposes of the SFO, Ms. Yuan Yuan is deemed or taken to be interested in all the Shares in which Mr. Huang is interested.
- Mr. Fan beneficially owns the entire issued equity interests of Taocent International Holding Limited, which in turn wholly owns Whales Capital Holdings Limited. As at the date of this report, Whales Capital Holdings Limited holds 14,700,000 Shares, representing approximately 5.84% of the issued share capital of the Company. Ms. Yin Rong is the spouse of Mr. Fan. For the purposes of the SFO, Ms. Yin Rong is deemed or taken to be interested in all Shares in which Mr. Fan is interested.
- Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited, which in turn holds 13,500,000 Shares. For the purposes of the SFO, Mr. Lin Kaiwen is deemed to be interested in all the Shares held by Jolly Win Management Limited. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. For the purposes of the SFO, Ms. Chen Suzhen is deemed or taken to be interested in all the Shares in which Mr. Lin Kaiwen is interested.
- Subsequent to the Review Period, on 25 July 2016, Always Bright Enterprises Limited (wholly-owned by Mr. Huang, a director of the Company) sold 26,000,000 Shares of the Company to a third party who was independent of and not connected with the Company and its connected persons (as defined under the Listing Rules). Upon completion of the sale, the percentage of the total issued Shares of the Company owned by Always Bright Enterprises Limited decreased from approximately 18.59% to approximately 8.27%, while the purchaser owned approximately 10.33% of the total issued Shares of the Company.

Save as disclosed above, as at 30 June 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

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

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary award scheme of the Company. For details of the Share Award Scheme, please refer to the announcement of the Company dated 29 September 2014.

No Shares were awarded under the Share Award Scheme during the Review Period and as at the date of this report.

SHARE OPTION SCHEME

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

Purposes

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

Participants

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

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

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 20,000,000 Shares, representing approximately 7.94% of the issued share capital of the Company as at the date of this report).

Maximum entitlement of each participant

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

Terms of subscription of Shares upon exercise of options

A share option may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant and subject to the provisions of early termination thereof.

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

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

Terms of acceptance and the amount payable on acceptance of the share option

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

Basis of determining the subscription price

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

Valid term for the Share Option Scheme

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

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

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

AUDIT COMMITTEE

The interim results of the Group have not been reviewed by external auditors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and results of the Group for the Review Period, and considered that such results have been prepared in accordance with the applicable accounting standards and requirements. Meanwhile, the Audit Committee has reviewed the internal control and corporate governance of the Group for the Review Period.

By order of the Board
Branding China Group Limited
Fang Bin
Chairman

Shanghai, the PRC, 29 August 2016

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