



BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 863



INTERIM REPORT

2017



FINANCIAL HIGHLIGHTS

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- The Group's revenue for the six months ended 30 June 2017 (the "Review Period") increased to RMB80,864,097, representing an increase of RMB1,149,697 as compared to the corresponding period of last year.
- Net assets of the Group as at 30 June 2017 decreased to RMB224,380,078, representing a decrease of approximately RMB14,403,234 as compared to that as at 31 December 2016.
- Earnings per share of the Company for the Review Period were approximately RMB-5.74 cents (the corresponding period in 2016: RMB4.04 cents).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION AND PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Review Period are consistent with those applied in the Group’s audited financial statements for the year ended 31 December 2016.

4. ADOPTION OF NEW AND REVISED IFRSS

In the Review Period, the Group has adopted a number of new and revised IFRSs, amendments to International Accounting Standards and Interpretations (hereinafter collectively referred to as the “new and revised IFRSs”) issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2016. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the Review Period and prior periods/years.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating results derived from provision of advertising services (including wireless advertising), public relation services and event marketing services on an aggregate basis and consider them as one single operating segment for the six months ended 30 June 2016.

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

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

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

- Traditional advertising – provision of traditional advertising services, public relation services and event marketing services;
- Wireless advertising – provision of wireless advertising services;
- Business park area management – providing operation and management services in business park area.

(a) Business segment

For the six months ended 30 June 2017

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. SEGMENT REPORTING (CONTINUED)

(a) Business segment (Continued)

For the six months ended 30 June 2016

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

(b) Geographical segment and information about major customers

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

Information about major customers

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. REVENUE

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. OTHER INCOME AND GAINS

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

8. INCOME TAX EXPENSE

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. DIVIDENDS

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

10. BANK BORROWINGS

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

11. DEPRECIATION AND AMORTISATION

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

12. EARNINGS PER SHARE

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

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

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

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE AND BILL RECEIVABLES

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. TRADE PAYABLES

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS

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

FINANCIAL ANALYSIS

Revenue

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

Cost of sales and gross profit

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

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

Selling and distribution expenses

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

Administrative expenses

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

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

Income tax expenses

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

Net Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

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

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

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

Charge on assets

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

Structure of assets

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

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

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

Material acquisition and disposal

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

Contingent liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

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

Financial policies

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

Human resources

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

BUSINESS REVIEW AND PROSPECT

Business review

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

FUTURE PROSPECTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 of the Main Board Listing Rules. The Company is committed to maintaining sound corporate governance standards and procedures to ensure the timeliness, transparency and completeness of its information disclosure, and strives to achieve a more standardized operational and a more effective management, so as to safeguard investors’ interests as a whole to the greatest extent.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Review Period (for the six months ended 30 June 2016: 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 2016, 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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017, 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 taken 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			Total	Approximate percentage of the issued share capital
	Personal interest	Family interest	Interest in controlled corporation		
Mr. Fang Bin ("Mr. Fang") (note 1)	—	—	112,500,000	112,500,000	44.68%
Mr. Huang Wei ("Mr. Huang") (note 2)	—	—	20,810,194	20,810,194	8.27%
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 20,810,194 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.

Save as disclosed above, as at 30 June 2017, 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 Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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%
Peace C&D Limited (<i>note 1</i>)	Beneficial owner	26,000,000	10.33%
Mr. Li Xiangchun (李向春) (<i>note 1</i>)	Interest in controlled corporation	26,000,000	10.33%
Always Bright Enterprises Limited (<i>note 2</i>)	Beneficial owner	20,810,194	8.27%
Ms. Yuan Yuan (袁媛) (<i>note 2</i>)	Spouse's interest	20,810,194	8.27%
Whales Capital Holdings Limited (<i>note 3</i>)	Beneficial owner	14,700,000	5.84%
Taocent International Holding Limited (<i>note 3</i>)	Interest in controlled corporation	14,700,000	5.84%
Ms. Yin Rong (殷蓉) (<i>note 3</i>)	Spouse's interest	14,700,000	5.84%
Jolly Win Management Limited (<i>note 4</i>)	Beneficial owner	13,500,000	5.36%
Mr. Lin Kaiwen (林凱文) (<i>note 4</i>)	Interest in controlled corporation	13,500,000	5.36%
Ms. Chen Suzhen (陳素珍) (<i>note 4</i>)	Spouse's interest	13,500,000	5.36%

Notes:

- Mr. Li Xiangchun beneficially owns the entire issued share capital of Peace C&D Limited, which in turn holds 26,000,000 Shares. For the purposes of the SFO, Mr. Li Xiangchun is deemed or taken to be interested in all the Shares held by Peace C&D Limited.
- Mr. Huang Wei beneficially owns the entire issued share capital of Always Bright Enterprises Limited, which holds 20,810,194 Shares. For the purposes of the SFO, Mr. Huang is deemed or taken to be interested in all the Shares held by Always Bright Enterprises Limited. 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 Youyuan beneficially owns the entire issued share capital of Taocent International Holding Limited, which in turn wholly owns Whales Capital Holdings Limited. 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. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. For the purposes of SFO, Ms. Yin Rong is deemed or taken to be interested in all Shares in which Mr. Fan Youyuan is interested.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited, which 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 to or taken to be interested in all the Shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above, as at 30 June 2017, 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 Main Board 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 trading 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 GEM 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 People's Republic of China, 11 August 2017

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.