Cogobuy Group 科通芯城集團

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00400

INTERIM REPORT 2015

科通芯城 Cogobuy.com

Cogobuy Group is a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

KANG Jingwei, Jeffrey
(Chief Executive Officer and Chairman of the Board)
WU Lun Cheung Allen *(Chief Financial Officer)*
NI Hong, Hope *(Chief Investment Officer)*
(appointed on March 1, 2015)

Non-Executive Director

GUO Jiang *(appointed on March 1, 2015)*

Independent Non-Executive Directors

ZHONG Xiaolin, Forrest
YE Xin
YAN Andrew Y

AUDIT COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y

REMUNERATION COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y

NOMINATION COMMITTEE

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
YAN Andrew Y

REGISTERED OFFICE

Offices of Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

9th Floor, Skyworth Building Tower C
High-Tech Industrial Park, Nanshan
Shenzhen 518057, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block A, 5th Floor
Goodman Kwai Chung Logistics Centre
585–609 Castle Peak Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY

WU Lun Cheung Allen

AUTHORIZED REPRESENTATIVES

KANG Jingwei, Jeffrey
WU Lun Cheung Allen

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
Broad & Bright Law Firm

As to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

LISTING INFORMATION

Hong Kong Stock Exchange, Stock Code: 00400

COMPANY WEBSITE

www.cogobuy.com

HIGHLIGHTS

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited Six months ended June 30, 2015	June 30, 2014	Year-on-year change
	(RMB in millions, unless specified)		
Revenue	**4,284.4**	2,993.1	43.1%
Gross profit	**344.5**	230.3	49.5%
Profit for the period	**175.9**	70.2	150.5%
Profit attributable to equity shareholders of the Company	**166.2**	62.4	166.3%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.124**	0.062	100.0%
— diluted	**0.123**	0.062	98.4%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS AND FINANCIAL PERFORMANCE OF THE GROUP

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for IC and other electronic components in China as measured by GMV in 2013, according to Analysys International, an independent industry consultant. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. There were no material changes in our business during the six months ended June 30, 2015. For the six months ended June 30, 2015, we fulfilled orders with a GMV of approximately RMB5.8 billion. For the six months ended June 30, 2015, 73.3% of our GMV was derived from direct sales value, 17.5% from transaction value in online marketplace and 9.2% from loan value in supply chain financing business. We serve electronics manufacturers including SMEs, which we believe represent a lucrative and fast-growing segment of the IC and other electronic components market with a significant demand for our services. We offer a wide selection of products at competitive prices through our e-commerce platform, which are sourced from approximately 600 suppliers, including some of the top brand-name suppliers in key product categories.

Driven by the strong demand from approximately three million electronics manufacturers, China has become the largest IC and other electronic components procurement market with a total transaction value of over RMB2.0 trillion in 2013, according to Analysys International. We believe that, leveraging our early-mover advantage, we are well positioned to benefit from the significant growth potential of China's IC and other electronic components procurement market. To better serve and support various aspects of the electronics manufacturing industry in China, we are extending beyond the IC and other electronic components procurement market and are starting to offer additional products and services, such as various tools and applications offered through our cloud computing system. We believe that we can also drive our own long-term growth by fostering the development of an open, collaborative and prosperous e-commerce ecosystem that benefits the business operations of our customers and suppliers as a whole.

We derive substantially all of our revenue from direct sales of IC and other electronic components. We source high quality IC and other electronic components from leading suppliers around the world and sell them to both SME and blue-chip electronics manufacturers in China through our e-commerce platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function. For the six months ended June 30, 2015, we derived 57.9% of our direct sales revenue from SME customers and 42.1% from blue-chip customers, respectively. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. A small percentage of our revenue in 2013, 2014 and the first half of 2015 represented commission fees that we charged these third-party merchants. We plan to further enhance our marketplace platform to complement our direct sales platform.

We have built a large community of engineers and technical professionals who are able to contribute to the procurement decisions of electronics manufacturers. The procurement decisions of a Chinese electronics manufacturer are often made by a handful of its key personnel, many of whom are engineers and technical professionals. Accordingly, we target our marketing efforts at those professionals, aiming to form and enhance the sense of community among them. For example, we hold new media marketing events, such as product launches and technology discussion forums, on various social networking platforms, including Weibo and TechWeb. We also launched the Hardeggs WeChat community in September 2013, which has become an interactive and engaging online community promoting idea and knowledge exchanges among electronics designers and engineers in China.

We have developed an e-commerce model to streamline and complement the complex offline procurement system of the electronics manufacturing industry in China. Through a combination of offline and online customer engagement, we have been able to attract and retain electronics manufacturers that work with our sales and customer service teams and through our web and mobile e-commerce platform to efficiently search and define purchase order specifications, as well as execute and manage related procurement processes. Our business model creates a unique value proposition for key participants in China's electronics manufacturing supply chain, including SMEs, blue-chip customers and suppliers.

We commenced a new supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third-party manufacturers, including the provision of working capital financing programs. Our supply chain financing business is a good demonstration of our strength in generating new revenue streams by providing additional services based on our existing platform. During the Reporting Period, GMV contributed by the provision of loans in the supply chain financing business was RMB534.6 million.

FUTURE PROSPECTS

Our goal is to become the leading e-commerce platform serving China's unique value proposition industry. We intend to pursue the following growth strategies to achieve our goal by:

Expanding the SME Customer Base

We plan to further expand our customer base by attracting more SME customers. We intend to target more efforts at SME electronics manufacturers, which we believe represent a lucrative and fast-growing segment of the IC and other electronic components markets with significant demand for our services. We will further exploit social media platforms in China to facilitate idea and knowledge exchanges among a targeted community of engineers and technical professionals and enhance their community experience. We are also in the process of developing new business applications and customized software to provide potential SME customers with access to a wide range of high-quality technical resources. By bolstering our brand name and serving a targeted professional community, we expect to enhance word-of-mouth marketing effects, which we believe will drive new user acquisition and increase conversion of our registered users into transaction users.

Enhancing Our Marketplace Platform to Complement the Existing Direct Sales Platform

We officially launched our marketplace platform in July 2013 and we are in the process of expanding its product and service offerings to further complement our direct sales platform. Our marketplace platform takes advantage of our IT and logistics infrastructure to allow third-party merchants to make sales to our registered users. We plan to attract more channel sales vendors, suppliers and manufacturers to our marketplace platform, with a particular emphasis on SME manufacturers of IC and other electronic components. We will also develop tools to establish trust ratings for suppliers and buyers, thus facilitating the process of selecting potential trading partners. We believe that our focus on the business needs of SME merchants will enable us to develop and offer them better services compared to those of other e-commerce companies that focus principally on consumers.

Further Enhancing Customer Loyalty and Increasing Purchases Per Customer

We plan to continue to enhance customer loyalty and induce more purchases from our existing customers. We intend to leverage our advanced market analytics tools to make our e-commerce platform more efficient and useful to our customers. We will continue to enhance the customized contents on our e-commerce platform and develop new tools for our customers based on their business needs. We plan to continue to develop new complementary services aiming to offer a complete range of products and solutions to our customers. We will also expand our investment in customer services, order fulfillment and delivery capabilities in order to enhance our service reliability and shorten our customer response time to further strengthen the effectiveness of our platform. We plan to increase the repeat purchase rates of newly acquired customers. We will continue to provide the key procurement personnel of our new customers with powerful online tools, enterprise resource planning and other services free of charge. These services will enable us to maintain constant interactive communications with the key personnel, which in turn allow us to better understand the customers' demands and their product development. Accordingly, we will be able to make customized marketing plans targeted at the new customers and cross-sell other products.

Fostering the Development of an Ecosystem Serving the Electronics Manufacturing Value Chain

We plan to foster the development of an open, collaborative and prosperous e-commerce ecosystem that will benefit the business operations of our customers and suppliers, which we believe will also drive our own long-term growth. We intend to broaden our platform's value-added services by extending into related businesses that serve the electronics manufacturing value chain, such as our supply chain financing business launched in September 2014, insurance and cloud computing services. As solutions and services are becoming increasingly imperative for enterprises, we believe that these complementary services are natural extensions of our offerings and will gain traction among our customers. During the process, we also plan to diversify our service offerings by monetizing the massive amount of data collected from our customers and suppliers to diversify our service offerings. We will invest more resources in the research and development of technologies to acquire additional analytical power and deeper understanding of customer behaviors, which will enable us to identify and address the needs of customers and suppliers through data mining and offer them customized solutions at scale. Our data-driven services will include marketing and advertising planning, merchandising, customized products, fulfillment management and third-party data services.

Pursuing Strategic Partnerships and Acquisition Opportunities

In addition to growing our business through internal initiatives, we plan to expand our business through strategic partnerships and acquisitions. We plan to identify partnerships and acquisition targets that are complementary to our business operations. This can help us expand our user and revenue base, widen our geographic coverage, enhance our product and service offerings, improve our technology infrastructure and strengthen our talent pool. We also plan to leverage our market position and business model to seek attractive cross-selling, cross-marketing and licensing opportunities. In 2014, we became a Microsoft Gold Certified Partner, and started promoting Microsoft Cloud services to our customers.

FINANCIAL OVERVIEW

First half of 2015 compared to first half of 2014

The following table sets forth the comparative figures for the first half of 2015 and the first half of 2014:

	Unaudited Six months ended June 30, 2015 (RMB in millions)	June 30, 2014 (RMB in millions)
Revenue	**4,284.4**	2,993.1
Cost of sales	**(3,939.9)**	(2,762.8)
Gross profit	**344.5**	230.3
Other revenue	**13.4**	0.2
Selling and distribution expenses	**(64.6)**	(39.5)
Research and development expenses	**(23.5)**	(17.0)
Administrative and other operating expenses	**(53.5)**	(76.7)
Profit from operations	**216.3**	97.3
Finance costs	**(14.8)**	(17.2)
Profit before taxation	**201.5**	80.1
Income tax	**(25.6)**	(9.9)
Profit for the period	**175.9**	70.2
Attributable to:		
Equity shareholders of the Company	**166.2**	62.4
Non-controlling interests	**9.7**	7.8
Profit for the period	**175.9**	70.2

1. Overview

For the six months ended June 30, 2015, profit of the Group increased significantly and amounted to RMB175.9 million, representing an increase of RMB105.7 million as compared with RMB70.2 million for the corresponding period of 2014. Profit attributable to equity shareholders of the Company amounted to RMB166.2 million, representing an increase of RMB103.8 million compared with RMB62.4 million for the corresponding period of 2014.

2. Revenue

For the six months ended June 30, 2015, revenue of the Group amounted to RMB4,284.4 million, representing an increase of RMB1,291.3 million or 43.1% as compared with RMB2,993.1 million for the corresponding period of 2014. The Group's revenue comprised of RMB4,256.1 million of direct sales revenue, RMB21.2 million of marketplace revenue and RMB7.1 million of supply chain financing revenue. The increase was primarily due to organic growth in the sales volume driven by our online platform.

3. Cost of Sales

Cost of sales for the six months ended June 30, 2015 was RMB3,939.9 million, representing an increase of 42.6% from RMB2,762.8 million for the six months ended June 30, 2014. Cost of sales during the same period was partially offset by supplier rebates and discounts of RMB131.8 million. The increase was due to the increase in revenue and sales to customers for the reasons described above.

4. Gross Profit

Gross profit for the six months ended June 30, 2015 was RMB344.5 million, representing an increase of 49.5% from RMB230.3 million for the six months ended June 30, 2014. The increase was primarily driven by the increases in revenue and cost of sales for the reasons described above.

5. Other Revenue

For the six months ended June 30, 2015, other revenue of the Group amounted to RMB13.4 million, representing an increase of RMB13.2 million as compared with RMB0.2 million for the corresponding period of 2014. This was primarily due to an increase in interest income as a result of an increase in cash and bank balances generated from proceeds of the Company's global offering in July 2014 (the "**Global Offering**").

6. Selling and Distribution Expenses

For the six months ended June 30, 2015, selling and distribution expenses of the Group amounted to RMB64.6 million, representing an increase of RMB25.1 million or 63.6% from RMB39.5 million over the corresponding period of 2014. This was primarily due to an additional bad debt provision of RMB18.2 million made in 2015 according to the Group's provision policy. As a result of an increase in revenue, other indirect selling expenses such as promotion and marketing expenses also contributed to the increase in selling and distribution expenses.

7. Research and Development Expenses

For the six months ended June 30, 2015, research and development expenses of the Group amounted to RMB23.5 million, representing an increase of RMB6.5 million or 38.4% from RMB17.0 million over the corresponding period of 2014. This was primarily due to more expenses spent on online platform technology enhancement in 2015.

8. Administrative and Other Operating Expenses

Administrative and other operating expenses for the six months ended June 30, 2015 were RMB53.5 million, representing a decrease of RMB23.2 million or 30.2% from RMB76.7 million over the corresponding period of 2014. This was primarily due to a decrease of RMB28.8 million in expenses in relation to the Global Offering. The decrease was offset in part by increase in other general administrative costs such as office related expenses and listed company compliance expenses.

9. Income Tax

For the six months ended June 30, 2015, income tax of the Group amounted to RMB25.6 million, representing an increase of RMB15.7 million or 158.7% as compared with RMB9.9 million for the corresponding period of 2014. The effective tax rate for the six months ended June 30, 2015 was 12.7%, as compared to 12.4% for the six months ended June 30, 2014.

10. Profit Attributable to Equity Shareholders of the Company for the Reporting Period

For the six months ended June 30, 2015, profit attributable to equity shareholders of the Company amounted to RMB166.2 million, representing an increase of RMB103.8 million or 166.3% as compared with RMB62.4 million for the corresponding period of 2014. The increase was primarily due to increased direct sales revenue and increased sales on our marketplace platform with a 100% gross profit margin.

11. Liquidity and Source of Funding

As of June 30, 2015, the current assets of the Group amounted to RMB4,123.3 million, which mainly comprised bank balances and cash (including pledged bank deposits) denominated in Hong Kong dollars, United States dollars and Renminbi, inventories, trade and other receivables, in the amount of RMB1,805.7 million, RMB938.9 million and RMB1,053.7 million, respectively. Current liabilities of the Group amounted to RMB2,770.4 million, of which RMB1,809.3 million was bank loans and RMB881.5 million was trade and other payables. All of the Group's bank loans during the Reporting Period were fixed-interest short-term borrowings denominated in United States dollars and had maturity dates that were within one year of the drawdown. As of June 30, 2015, the current ratio (the current assets to current liabilities ratio) of the Group was 1.5, representing a decrease of 11.8% as compared with 1.7 as of December 31, 2014.

The Group does not have other debt financing obligations as of June 30, 2015 or the date of this interim report and does not have any breaches of financial covenants.

12. Capital Expenditure

For the six months ended June 30, 2015, the capital expenditure of the Group amounted to approximately RMB3.1 million, representing an increase of RMB2.8 million compared with RMB0.3 million for the corresponding period in 2014. The increase was primarily due to information system enhancement for online platform.

13. Net Gearing Ratio

As of June 30, 2015, the net gearing ratio of the Group which was calculated by dividing net debt (total bank loans minus cash and cash equivalents and pledged deposits) by the sum of net debt and total equity, was 0.2% as compared with –51.6% as of December 31, 2014. The increase was primarily due to higher utilization of bank credit facilities in 2015.

14. Material Investments

The Group made available-for-sale investments of RMB169.8 million for the six months ended June 30, 2015.

15. Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals for the six months ended June 30, 2015.

16. Pledge of Assets

Except for the pledged bank deposits of RMB908.9 million and RMB742.2 million as of June 30, 2015 and December 31, 2014, respectively, the Group did not pledge any assets for the six months ended June 30, 2015. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

17. Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of June 30, 2015.

18. Foreign Exchange Exposure

Foreign currency transactions during the Reporting Period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the Reporting Period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Consolidated statements of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the Reporting Period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

The Company has not adopted any foreign currency hedging policy.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at June 30, 2015, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executives have taken or deemed to have taken under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) disclosed according to the knowledge of the Directors of the Company were as follows:

(i) Interests in the Shares

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Mr. Kang	Interest of controlled corporation[2]	700,000,000	51.92%
Mr. Kang	Beneficial owner	900,000	0.07%
Mr. Wu	Beneficial owner	900,000	0.07%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Mr. Kang is therefore deemed to be interested in these Shares held by Envision Global.

(ii) Interests in the underlying Shares of our Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding[1]
Mr. Kang	Beneficiary of a trust	900,000	0.07%
Mr. Wu	Beneficiary of a trust	900,000	0.07%

Note:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at June 30, 2015.

(iii) Interests in the associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of securities interested[1]	Approximate percentage of shareholding
Mr. Kang	Envision Global[2]	Beneficial owner	1 share	100%
Mr. Kang	Brilliant[2]	Interest of controlled corporation	1 share	100%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global as to 100% and Envision Global owns Brilliant directly as to 100%.

Save as disclosed above, as at June 30, 2015, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director has taken or deemed to have taken under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at June 30, 2015, so far as the Directors are aware, the following substantial Shareholders had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[5]
Envision Global	Beneficial owner	700,000,000	51.92%
Mr. Kang[2]	Interest of a controlled corporation	700,000,000	51.92%
Mr. Kang	Beneficial owner	900,000	0.07%
Mr. Kang[3]	Beneficiary of a trust	900,000	0.07%
Total Dynamic	Beneficial owner	300,000,000	22.25%
Ms. Yao[4]	Interest of a controlled corporation	300,000,000	22.25%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO).

(2) Mr. Kang owns Envision Global as to 100%, which in turn owns these Shares. Therefore, Mr. Kang is deemed to be interested in these Shares held by Envision Global.

(3) This represents the number of Shares that Mr. Kang is entitled to be issued to him under the RSU Scheme.

(4) Ms. Yao owns Total Dynamic as to 100%, which in turn owns these Shares. Therefore, Ms. Yao is deemed to be interested in these Shares held by Total Dynamic.

(5) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at June 30, 2015.

Save as disclosed above, as at June 30, 2015, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

RSU SCHEME

The Company has adopted an RSU Scheme on March 1, 2014, which was amended on December 21, 2014. The purpose of the RSU Scheme is to reward the fidelity of the directors, executive officers, senior managers and employees of the Company and of its subsidiaries (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") and align their interests with those of the Shareholders.

The grant of the RSUs recognized the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

Details of the movement of the RSUs granted pursuant to the RSU Scheme to the Directors and employees during the six months ended June 30, 2015 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2015	Unvested as at June 30, 2015	Vesting Period
Directors					
Mr. Kang	March 1, 2014	1,800,000	900,000	900,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2015	Unvested as at June 30, 2015	Vesting Period
Mr. Wu	March 1, 2014	1,800,000	900,000	900,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees					
Other grantees with a vesting period of three years (note 1)	March 1, 2014	19,346,300	9,498,200	9,848,100	One-third of the entitlement in each of 2014, 2015 and 2016 (in quarterly installments)

Note 1: During the six months ended June 30, 2015, no awarded Share lapsed prior to its vesting date as a result of staff resignation.

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2015, the Group had 643 full-time employees (June 30, 2014: 507). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has an RSU Scheme.

The total remuneration cost incurred by the Group for the six months ended June 30, 2015 was RMB54.7 million (for the six months ended June 30, 2014: RMB60.9 million).

CORPORATE GOVERNANCE

The Company was incorporated in the Cayman Islands on February 1, 2012 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on July 18, 2014 (the "**Listing Date**").

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Save for a deviation from code provision A.2.1, the Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the period from January 1, 2015 to June 30, 2015.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Kang Jingwei, Jeffrey currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended June 30, 2015, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate all dealings by Directors of the securities in the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the six months ended June 30, 2015.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted after making reasonable enquiry throughout the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board. The audit committee comprises three members, namely, Mr. Zhong Xiaolin, Forrest, Mr. Ye Xin and Mr. Yan Andrew Y, all being independent non-executive Directors. Mr. Zhong Xiaolin, Forrest is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2015. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, KPMG.

The interim financial report of the Group for the six months ended June 30, 2015 has been reviewed by the audit committee of the Company and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

Mr. KANG Jingwei, Jeffrey

Mr. Kang has ceased to be a director of the following companies:

— Alphalink Global Limited

— Comtech (HK) Holding Limited

— Comtech International (Hong Kong) Limited

— Hong Kong JJT Limited

Mr. YAN Andrew Y

Mr. Yan has been appointed as an independent director of TCL Corporation, a company listed on the Shenzhen Stock Exchange (stock code: 000100) with effect from March 24, 2015.

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of publication of the 2014 annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2015, the Company repurchased an aggregate of 23,690,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$100.4 million (equivalent to RMB80.5 million).

Subsequent to the period end date, the Company repurchased an aggregate of 200,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$980.5 thousand (equivalent to RMB784.3 thousand).

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders. As of June 30, 2015, the Company had repurchased a total of 25,645,000 Shares, of which 4,935,000 Shares were cancelled on January 16, 2015, 8,867,000 Shares were cancelled on February 3, 2015 and 11,843,000 Shares were cancelled on February 23, 2015.

During the six months ended June 30, 2015, the RSU Scheme trustee purchased an aggregate of 800,000 Shares of the Company's issued ordinary share capital on the Stock Exchange at an aggregate consideration of HK$3.3 million (equivalent to RMB2.6 million) for the purpose of the RSU Scheme.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2015. (Six months ended June 30, 2014: nil)

LITIGATION

As of June 30, 2015, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The total gross proceeds from the listing of the Shares amounted to approximately HK$1,375 million. During the period between the Listing Date and June 30, 2015, the net proceeds were utilized in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated July 8, 2014. The balance of funds would be utilized according to the purposes as set out in the prospectus.

CONTRACTUAL ARRANGEMENTS

At the time of adoption of the contractual arrangements by the Company, under the then effective PRC law, the value-added telecommunications business of Shenzhen Cogobuy (i.e., the e-commerce business) was subject to restriction on the percentage of foreign ownership under the Guiding Catalogue for Foreign Investment Industries of 2011 (the "**2011 Catalogue**") and the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises promulgated by the State Council on December 11, 2001, which were subsequently amended on September 10, 2008 (the "**FITE Regulations**"), that is, foreign investors were not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provision services.

In addition, a foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("**Qualification Requirement**").

On March 10, 2015, the Guiding Catalogue for Foreign Investment Industries of 2015 (the "**2015 Catalogue**") was promulgated and has replaced the 2011 Catalogue after it came into effect on April 10, 2015. Further, on June 19, 2015, the Ministry of Industry and Information Technology ("**MIIT**") promulgated the Circular on Lifting the Restriction on Foreign Shareholding in Online Data Processing and Transaction Processing Services (Operational E-commerce Businesses) (MIIT [2015] No. 196) (the "**196 Circular**"), which came into immediate effect on the date of promulgation. According to the 2015 Catalogue and the 196 Circular, the restriction on foreign ownership (i.e., not to exceed 50%) has been lifted for e-commerce businesses, which means that foreign-invested companies with 100% foreign ownership are now able to carry out the e-commerce business.

However, even though the 2015 Catalogue and the 196 Circular have come into force, it is not certain whether the Company can operate the business of Shenzhen Cogobuy without the contractual arrangements because the Qualification Requirement remains existent and unchanged.

Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. Accordingly, the interpretation of the Qualification Requirement will mainly be subject to the administrative discretion of the local counterpart of MIIT, and there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by the local MIIT, even though the Company has taken measures to build up its track record of overseas telecommunications business operations as detailed below. Therefore, it is uncertain whether the Company could directly hold Shenzhen Cogobuy through equity ownership without having any adverse impact on the e-commerce business conducted by Shenzhen Cogobuy or otherwise on the ICP license held by Shenzhen Cogobuy.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of Shenzhen Cogobuy.

The Company has four operating subsidiaries incorporated in Hong Kong whose principal business activities are sales of electronic components and related products, including Comtech International, Broadband Corporation, Comtech Industrial and Comtech Digital HK. These Hong Kong subsidiaries maintain the Group's cloud service and database, provide services that support our cogobuy.com e-commerce platform including technical support for overseas users of our e-commerce platform, including suppliers, and also engage in the operation of our online data analysis system, inventory management system and delivery tracking system. We believe that such business activities help to demonstrate our experience in areas related to overseas value-added telecommunications business. In particular, according to the Catalogue of Telecommunications Businesses attached to the Telecommunications Regulations of the PRC, value-added telecommunication services include, among others, online data and transaction handling businesses.

These services provided by our Hong Kong subsidiaries are important components of our e-commerce platform and relate directly to online data and transaction handling. Going forward, our Hong Kong subsidiaries will play a greater role in serving the overseas users of our e-commerce platform, including the provision of mobile application services. As of June 30, 2015, the Company has no further update to disclose in relation to the Qualification Requirement.

Reference is made to pages 23 to 27 of the Company's annual report for the year ended December 31, 2014 regarding the contractual arrangements entered into among the Company (through Cogobuy E-commerce), Shenzhen Cogobuy, and Ms. Yao Yi. The revenue and the total assets of Shenzhen Cogobuy as at December 31, 2014 was RMB27.9 million and RMB26.2 million, respectively. Pursuant to the master exclusive service agreement dated March 13, 2014 entered into between Shenzhen Cogobuy and Cogobuy E-commerce, Shenzhen Cogobuy agreed to engage Cogobuy E-commerce as its exclusive provider for the provision of a number of services in exchange for a service fee. The service fee is determined by Cogobuy E-commerce at its sole discretion taking into account the working capital requirements of Shenzhen Cogobuy and a number of other factors.

UPDATE ON NON-COMPLIANCE MATTERS

Under relevant PRC laws and regulations, holders of the ICP License must also hold trademarks used for conducting the value-added telecommunication service. We conduct value-added telecommunication service through Shenzhen Cogobuy, which holds the ICP License. However, we submitted applications for registration of certain PRC trademarks used for conducting Shenzhen Cogobuy's value-added telecommunication service through our Hong Kong subsidiary, Cogobuy. Due to administrative oversight, since the date on which Shenzhen Cogobuy obtained the ICP License and up to April 18, 2015, those PRC trademarks (including one pending application for the trademark "科通芯城") had not been transferred to Shenzhen Cogobuy from Cogobuy.

To rectify the non-compliance relating to trademark ownership, we had submitted the applications to transfer six registered trademarks and one pending trademark application to Shenzhen Cogobuy. All trademark transfer steps have been completed on April 18, 2015.

Certain lease agreements we entered into with respective PRC landlords had not been registered with the relevant government authorities due to the non-cooperation of the relevant landlords. Under relevant PRC laws and regulations, the relevant governmental authority may ask the parties to a lease to register the lease within a given period, and a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to a lease for failing to rectify within the given period. During the period between the Listing Date and June 30, 2015, we had not been ordered by any authorities to register the lease agreements within a given period. In addition, the fine which may potentially be imposed as a result of the failure to register the relevant leases would be immaterial.

Our PRC Legal Advisor is of the view that the above incident is not material to our Group as a whole, and all the PRC governmental authorities referred to are the competent authorities for the matters mentioned.

Our Directors are of the view that this non-compliance incident will not have a material operational or financial impact on us, given that the potential maximum fine for failure to register lease agreements for properties we leased would be immaterial.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company's subsequent interim and annual reports.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2015 containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and made available for review on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cogobuy.com) in due course.

For and on behalf of the Board

KANG Jingwei, Jeffrey
Chairman and Executive Director
Hong Kong
August 19, 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

	Note	Six months ended June 30, 2015 RMB'000	2014 RMB'000
Revenue	4	**4,284,413**	2,993,149
Cost of sales		**(3,939,944)**	(2,762,809)
Gross profit		**344,469**	230,340
Other revenue	5	**13,475**	203
Selling and distribution expenses		**(64,606)**	(39,496)
Research and development expenses		**(23,469)**	(16,955)
Administrative and other operating expenses		**(53,529)**	(76,725)
Profit from operations		**216,340**	97,367
Finance costs	6(a)	**(14,794)**	(17,244)
Profit before taxation	6	**201,546**	80,123
Income tax	7	**(25,613)**	(9,900)
Profit for the period		**175,933**	70,223
Attributable to:			
Equity Shareholders of the Company		**166,219**	62,424
Non-controlling interests		**9,714**	7,799
Profit for the period		**175,933**	70,223

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED (CONTINUED)

	Note	Six months ended June 30, 2015 RMB'000	2014 RMB'000
Profit for the period		**175,933**	70,223
Other comprehensive income for the period, net of nil tax			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi		**(1,726)**	5,581
— Net movement in the fair value reserve of available-for-sale investments		**3,323**	—
Other comprehensive income for the period		**1,597**	5,581
Total comprehensive income for the period		**177,530**	75,804
Attributable to:			
Equity Shareholders of the Company		**167,880**	67,946
Non-controlling interests		**9,650**	7,858
		177,530	75,804
Earnings per share	8		
Basic (RMB)		**0.124**	0.062
Diluted (RMB)		**0.123**	0.062

The notes on pages 28 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

	Note	**As of June 30, 2015 RMB'000**	As of December 31, 2014 RMB'000
Non-current assets			
Property, plant and equipment	9	**4,325**	1,635
Intangible assets		**69,951**	23,703
Goodwill		**173,462**	154,136
Available-for-sale investments	17	**169,833**	—
Other non-current assets		**728**	14,803
		418,299	194,277
Current assets			
Inventories	10	**938,915**	501,340
Trade and other receivables	11	**1,053,689**	748,507
Loans to third parties	12	**307,810**	208,629
Amount due from related party	13	**6,200**	11,478
Short term deposits		**11,000**	11,000
Pledged deposits	16	**908,945**	742,152
Cash and cash equivalents	14	**896,758**	1,222,700
		4,123,317	3,445,806
Current liabilities			
Trade and other payables	15	**881,456**	565,564
Bank loans	16	**1,809,271**	1,411,424
Amount due to related party	13	**34,813**	12,434
Current taxation		**44,909**	21,792
		2,770,449	2,011,214
Net current assets		**1,352,868**	1,434,592
Total assets less current liabilities		**1,771,167**	1,628,869
Non-current liabilities			
Deferred tax liabilities		**11,542**	3,912
NET ASSETS		**1,759,625**	1,624,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED (CONTINUED)

	Note	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
CAPITAL AND RESERVES	19		
Share capital		**1**	1
Reserves		**1,693,334**	1,603,149
Total equity attributable to equity Shareholders of the Company		**1,693,335**	1,603,150
Non-controlling interests		**66,290**	21,807
TOTAL EQUITY		**1,759,625**	1,624,957

The notes on pages 28 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Note	Share capital (Note 19(b)) RMB'000	Share premium (Note 19(c)) RMB'000	Capital reserve (Note 19(d)) RMB'000	Share-based compensation reserve (Note 19(e)) RMB'000	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") (Note 19(b)(viii)) RMB'000	Other reserve (Note 19(f)) RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity Shareholders of the Company												
As of January 1, 2014		1	—	18,923	—	—	186,196	—	8,190	354	111,364	325,028	4,238	329,266
Changes in equity for the six months ended June 30, 2014:														
Profit for the period		—	—	—	—	—	—	—	—	—	62,424	62,424	7,799	70,223
Other comprehensive income for the period		—	—	—	—	—	—	—	5,522	—	—	5,522	59	5,581
Total comprehensive income		—	—	—	—	—	—	—	5,522	—	62,424	67,946	7,858	75,804
Equity-settled share-based compensation		—	—	—	18,373	—	—	—	—	—	—	18,373	—	18,373
As of June 30, 2014		1	—	18,923	18,373	—	186,196	—	13,712	354	173,788	411,347	12,096	423,443
As of January 1, 2015		**1**	**1,064,067**	**18,923**	**10,814**	**—**	**186,196**	**—**	**17,313**	**1,851**	**303,985**	**1,603,150**	**21,807**	**1,624,957**
Changes in equity for the six months ended June 30, 2015:														
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**166,219**	**166,219**	**9,714**	**175,933**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**3,323**	**(1,662)**	**—**	**—**	**1,661**	**(64)**	**1,597**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**3,323**	**(1,662)**	**—**	**166,219**	**167,880**	**9,650**	**177,530**
Arising from business combination		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**28,583**	**28,583**
Contribution from non-controlling interest		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,250**	**6,250**
Equity-settled share-based compensation		**—**	**—**	**—**	**5,434**	**—**	**—**	**—**	**—**	**—**	**—**	**5,434**	**—**	**5,434**
Issue of shares under the RSU Scheme	19(b)(v)	**—**	**6,413**	**—**	**(6,413)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchase of own shares	19(b)(vii)	**—**	**(80,525)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(80,525)**	**—**	**(80,525)**
Purchase of shares held for RSU Scheme	19(b)(viii)	**—**	**—**	**—**	**—**	**(2,604)**	**—**	**—**	**—**	**—**	**—**	**(2,604)**	**—**	**(2,604)**
As of June 30, 2015		**1**	**989,955**	**18,923**	**9,835**	**(2,604)**	**186,196**	**3,323**	**15,651**	**1,851**	**470,204**	**1,693,335**	**66,290**	**1,759,625**

The notes on pages 28 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

	Note	Six months ended June 30, 2015 RMB'000	2014 RMB'000
Cash generated from operations		**126,354**	154,399
Tax paid		**(3,571)**	(744)
Net cash generated from operating activities		**122,783**	153,655
Investing activities			
Increase in pledged deposits		**(167,357)**	(12,336)
Interest received		**13,475**	34
Payment for business acquisition		**(5,681)**	—
Payment for the purchase of available-for-sale investments		**(166,603)**	—
Other cash flow arising from investing activities		**(3,041)**	3,961
Net cash used in investing activities		**(329,207)**	(8,341)
Financing activities			
Net (repayments of)/proceeds from bank loans		**(39,360)**	21,559
Interest and guarantee fees paid		**(14,794)**	(17,244)
Increase in amount due to non-controlling interest		**17,393**	—
Payment for repurchase of issued ordinary shares		**(80,525)**	—
Payment for purchase of issued ordinary shares for RSU Scheme		**(2,604)**	—
Other cash flow arising from financing activities		**—**	(1,000)
Net cash (used in)/generated from financing activities		**(119,890)**	3,315
Net (decrease)/increase in cash and cash equivalents		**(326,314)**	148,629
Cash and cash equivalents at the beginning of the period	14	**1,222,700**	281,542
Effect of foreign exchange rates changes		**372**	6,618
Cash and cash equivalents at the end of the period	14	**896,758**	436,789

The notes on pages 28 to 50 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Cogobuy Group (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issue on August 19, 2015.

The Company was incorporated in the Cayman Islands on February 1, 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the sales of integrated circuits ("IC") and other electronic components in the People's Republic of China ("PRC"). The Group also operates an e-commerce platform for the sales of IC and other electronic components and is engaged in providing supply chain financing. The shares of the Company have been listed on the Main Board of the Stock Exchange since July 18, 2014 (the "Listing").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 51.

The financial information relating to the financial year ended December 31, 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

— *Annual Improvements to HKFRSs 2010–2012 Cycle*

— *Annual Improvements to HKFRSs 2011–2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the interim financial report, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is principally engaged in the sales of IC and other electronic components. Starting from 2014, the Group is also engaged in the provision of supply chain financing services. Management considers that the revenue and profit are derived almost entirely from the wholesales of IC and other electronic components for the six months ended June 30, 2015 and 2014 and financial information regularly provided to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations does not meet the quantitative thresholds as set out in HKFRS 8, *Operating segments*, to be reportable. Accordingly, no segment information is presented in the interim financial report.

Substantially all of the Group's operations are in the PRC and Hong Kong. Consequently, no geographic information is presented.

4 REVENUE

Revenue mainly represents the sales value of goods delivered to customers, commission fees charged to third-party merchants for using the e-commerce marketplace and interest income generated from the supply chain financing business. The amount of each significant category of revenue recognized for the periods is as follows:

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Sales of IC and other electronic components	**4,256,128**	2,982,580
Marketplace income	**21,212**	10,569
Supply chain financing interest income	**7,073**	—
	4,284,413	2,993,149

The Group's operations are not subject to significant seasonality fluctuations.

The Group's customer base included one customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended June 30, 2014. For the six months ended June 30, 2014, revenue from sales of electronic components to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB353,695,000. For the six months ended June 30, 2015, there was no single customer who accounted for 10% or more of the Group's revenue.

5 OTHER REVENUE

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Other revenue		
Bank interest income	**13,475**	203

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended June 30, 2015 RMB'000	2014 RMB'000
(a) Finance costs		
Interest expense on bank loans	**14,794**	14,142
Guarantee fees (note 23)	**—**	3,102
	14,794	17,244
(b) Staff costs		
Contributions to defined contribution retirement plan	**4,521**	4,121
Salaries, wages and other benefits	**44,707**	38,415
Equity-settled shared-based compensation expenses (note 18)	**5,434**	18,373
	54,662	60,909
(c) Other items		
Amortization of intangible assets	**6,849**	3,794
Cost of inventories	**3,935,758**	2,762,559
Impairment loss on trade receivables	**18,240**	2,800
Write down of inventories	**4,186**	250
Depreciation of property, plant and equipment	**456**	243
Listing expenses	**—**	28,800
Net foreign exchange (gain)/loss	**(1,019)**	3,189
Operating lease charges in respect of property rentals	**4,733**	3,674
Research and development expenses (note)	**23,469**	16,955

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB15,360,000 for the six months ended June 30, 2015 (six months ended June 30, 2014: RMB14,452,000), which are included in the staff costs as disclosed in note 6(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB2,191,000 for the six months ended June 30, 2015 (six months ended June 30, 2014: RMB730,000).

7 INCOME TAX

	Six months ended June 30, 2015 RMB'000	2014 RMB'000
Current tax		
PRC Corporation Income Tax	**16,808**	847
Hong Kong Profits Tax	**9,935**	9,680
	26,743	10,527
Deferred tax		
Origination and reversal of temporary differences	**(1,130)**	(627)
	25,613	9,900

(a) Cayman Islands and the British Virgin Island (the "BVI")

Under the current laws of the Cayman Islands and the BVI, the entities that are incorporated in the Cayman Islands and the BVI are not subject to tax on income or capital gains.

(b) Hong Kong

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended June 30, 2015 (six months ended June 30, 2014: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(c) The PRC

Effective from January 1, 2008, the PRC statutory income tax rate is 25%. The PRC subsidiaries are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, unless otherwise specified.

In addition, Cogobuy.com E-commerce Services (Shenzhen) Limited, Shenzhen Cogobuy Information Technologies Limited and Envision Communication Technology (Shenzhen) Company Limited being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations during 2013. As a result, they are exempted from income tax for 2013 and 2014, and are subject to income tax at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

7 INCOME TAX (Continued)

(c) The PRC (Continued)

According to the prevailing PRC CIT law and its relevant regulations, non-PRC-resident enterprises are levied withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax.

Under the Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

For the purpose of the interim financial report, the Directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity Shareholders of the Company of RMB166,219,000 for the six months ended June 30, 2015 (six months ended June 30, 2014: RMB62,424,000) and the weighted average number of ordinary shares of 1,336,020,000 shares (six months ended June 30, 2014: 1,000,000,000 shares). For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected the effects of the share subdivision of the Company in June 2014, as disclosed in note 19(b), on a retrospective basis as if the events had occurred on January 1, 2014.

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

Basic earnings per share during the periods are calculated as follows:

Weighted average number of ordinary shares

	Six months ended June 30, 2015	2014
Issued ordinary shares at the beginning of the period	**1,355,884,000**	100
Effect of share subdivision of the share capital of the Company in June 2014 (note 19(b)(iii))	**—**	999,999,900
Issue of shares under the RSU Scheme (note 19(b)(v))	**926,000**	—
Repurchases of shares	**(20,790,000)**	—
Weighted average number of ordinary shares as of the end of the period	**1,336,020,000**	1,000,000,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity Shareholders of the Company of RMB166,219,000 for the six months ended June 30, 2015 (six months ended June 30, 2014: RMB62,424,000) and the weighted average number of ordinary shares of 1,347,068,000 shares (six months ended June 30, 2014: 1,000,000,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended June 30, 2015	2014
Weighted average number of ordinary shares as of the end of the period	**1,336,020,000**	1,000,000,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration (note 18)	**11,048,000**	—
Weighted average number of ordinary shares (diluted) as of the end of the period	**1,347,068,000**	1,000,000,000

For the six months ended June 30, 2014, RSUs were not considered as dilutive potential ordinary shares as they were issuable contingently upon the occurrence of the Listing as described in note 18.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2015, the Group acquired property, plant and equipment of RMB3,145,000 (six months ended June 30, 2014: RMB264,000).

10 INVENTORIES

During the six months ended June 30, 2015, RMB4,186,000 has been recognized as a reduction in the amounts of inventories recognized as an expense in profit or loss during the periods, being the write-down of inventories to estimated net realisable value (six months ended June 30, 2014: RMB250,000).

11 TRADE AND OTHER RECEIVABLES

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Trade receivables	**1,046,971**	749,694
Bills receivables	**27,626**	14,397
Trade and bills receivables	**1,074,597**	764,091
Less: allowance for doubtful debts	**(44,524)**	(26,284)
	1,030,073	737,807
Loan interest receivables	**3,229**	1,535
Deposits and prepayments	**12,845**	6,342
Other receivables	**7,542**	2,823
	1,053,689	748,507

During the reporting period, the Group was subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers. The costs of the factoring arrangement ranged from 1.7% to 2.5% (six months ended June 30, 2014: 1.7% to 2.4%) of the balances transferred and are included in "finance costs" for the six months ended June 30, 2015. The Group considered it has transferred the contractual rights to receive the cash flows of the trade receivables being factored and therefore records the transfers of trade receivables pursuant to the factoring agreements as sales. All of the factored trade receivables were accounted for as sales and derecognized upon transfer.

11 TRADE AND OTHER RECEIVABLES (Continued)

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Within 1 month	**691,792**	446,374
1 to 2 months	**188,410**	196,083
2 to 3 months	**108,838**	85,285
Over 3 months	**41,033**	10,065
	1,030,073	737,807

Trade and bills receivables are normally due within 30 to 60 days from the date of billing.

12 LOANS TO THIRD PARTIES

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Unsecured loans	**266,011**	199,974
Secured loans	**41,799**	8,655
	307,810	208,629

Loans to third parties comprise unsecured loans without collateral and secured loans secured by the third-party borrowers' inventories and receivables or listed securities.

12 LOANS TO THIRD PARTIES (Continued)

As of the end of the reporting period, the aging analysis of loans to third parties, based on maturity date, is as follows:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Within 1 month	**77,440**	140,536
1 to 2 months	**109,350**	31,921
2 to 3 months	**81,020**	36,172
Over 3 months	**40,000**	—
	307,810	208,629

As of June 30, 2015, none of the loans to third parties was determined to be individually impaired (December 31, 2014: Nil). All loans to third parties will be matured within one year.

13 AMOUNT DUE FROM/(TO) RELATED PARTY

An analysis of the amount due from related party is as follows:

	Note	**As of June 30, 2015 RMB'000**	As of December 31, 2014 RMB'000
Amount due from non-controlling interest	(i)	**6,200**	11,478

Note:

(i) As of December 31, 2014, the amount due from non-controlling interest represented advance from the Group to non-controlling interest. The amount was unsecured, interest-free and recoverable on demand.

As of June 30, 2015, the amount due from non-controlling interest represented contribution to a subsidiary of the Group due from non-controlling interest. The amount was unsecured, interest-free and recoverable on demand.

13 AMOUNT DUE FROM/(TO) RELATED PARTY (Continued)

An analysis of the amount due to related party is as follows:

	Note	**As of June 30, 2015 RMB'000**	As of December 31, 2014 RMB'000
Amount due to non-controlling interest	(i)	**34,813**	12,434

Note:

(i) As of December 31, 2014, the amount due to non-controlling interest represented advance from non-controlling interest to a subsidiary of the Group. The amount was unsecured, interest-free and repayable on demand.

As of June 30, 2015, the amount due to non-controlling interest mainly represented the purchase consideration of RMB16,573,000 for acquisition of business operation from a third party (see note 24) and advances from non-controlling interest to a subsidiary of the Group. The amount was unsecured, interest-free and repayable on demand.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement comprise:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Cash at bank and in hand	**896,758**	1,222,700

15 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Within 1 month	**843,798**	450,439
1 to 3 months	**16,045**	76,275
Over 3 months	**4,367**	5,657
Trade payables	**864,210**	532,371
Accrued staff costs	**8,166**	15,765
Other payables	**9,080**	17,428
	881,456	565,564

16 PLEDGED DEPOSITS AND BANK LOANS

All of the bank loans were secured and repayable within one year.

As of December 31, 2014 and June 30, 2015, the Group had entered into several banking facilities including letters of guarantee, bank loans, trade receivables factoring facilities and irrecoverable letters of credit.

(Expressed in Renminbi unless otherwise indicated)

16 PLEDGED DEPOSITS AND BANK LOANS (Continued)

(a) Banking Facilities

Details of the banking facilities and the borrowings drawn by the Group as of the end of the reporting period are set out below:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Aggregate credit limit	**2,889,216**	2,581,114
Outstanding loans	**(1,809,271)**	(1,411,424)
Trade receivables factoring facilities utilized	**(375,901)**	(308,573)
Unutilized facilities	**704,044**	861,117

As of June 30, 2015, the banking facilities were secured by cash of RMB908,945,000 (as of December 31, 2014: RMB742,152,000) pledged by the Group.

(b) Bank covenants

As of June 30, 2015, the banking facilities contain various covenants, including the Group's consolidated net borrowing ratio not exceeding 30% of consolidated tangible net worth and the Group maintaining a tangible net worth of not less than RMB1,000,000,000. Other conditions include the Company retaining its listing status on the Stock Exchange, Mr. Kang Jingwei, Jeffrey ("Mr. Kang"), the Controlling Shareholder of the Company, remaining as the single largest Shareholder of the Company and retaining at least 40% equity interest of the Company.

17 AVAILABLE-FOR-SALE INVESTMENTS

	As of June 30, 2015 RMB'000
Available-for-sale equity securities listed in Hong Kong	
As of the beginning of the period	—
Additions	166,603
Change in fair value, recognized in other comprehensive income	3,323
Exchange differences	(93)
As of the end of the period	169,833

18 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On March 1, 2014, the Company's Shareholders and Directors adopted the RSU Scheme and granted 30,200,000 RSUs to directors and employees of the Company and its subsidiaries. The purpose of the RSU Scheme is to reward the fidelity and performance of the directors and employees of the Company and its subsidiaries. The RSUs are the rights to receive Company's shares when they vest pursuant to the conditions provided for under the RSU Scheme. Each RSU gives the holder a right to receive a share at the end of the respective vesting period. Immediately after the Listing, 30,200,000 ordinary shares were issued by the Company under the RSU Scheme and they represented 2.20% of the total issued share capital of the Company. The shares will be held on trust by the RSU Scheme trustee until their release to the grantees upon vesting of the RSUs.

The Directors estimated the fair value of the RSUs granted to be RMB51,963,000 (US$8,456,000) in total or RMB1.72 (US$0.28) per unit. Share-based payment expense of RMB5,434,000 was recognized as staff costs in the Company's profit or loss for the six months ended June 30, 2015 and the remaining balance is to be recognized in 2015 and 2016 based on the respective vesting periods.

(Expressed in Renminbi unless otherwise indicated)

18 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting condition
RSUs granted to directors:		
— on March 1, 2014	3,600,000	Notes (i), (iii)
RSUs granted to employees:		
— on March 1, 2014	19,346,300	Notes (i), (iii)
— on March 1, 2014	7,253,700	Notes (ii), (iii)
Total RSUs granted	30,200,000	

Notes:

(i) The RSUs granted have a vesting period of three years as follows:

— One-third of which will vest for the year ended December 31, 2014 in equal quarterly installments.

— One-third of which will vest for the year ended December 31, 2015 in equal quarterly installments.

— One-third of which will vest for the year ended December 31, 2016 in equal quarterly installments.

(ii) The RSUs granted have a vesting period of one year at the end of December 31, 2014.

(iii) Vesting of the RSUs is conditional upon the Listing and after a share subdivision of the share capital of the Company from US$1 per share to 10,000,000 shares of US$0.0000001 per share. Directors and employees who leave the Group before or after the Listing forfeit their right to any unvested RSUs.

(Expressed in Renminbi unless otherwise indicated)

18 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The movement of the RSUs is as follows:

	As of June 30, 2015 Number of RSUs	As of December 31, 2014 Number of RSUs
Outstanding as of the beginning of the period/year	**14,730,800**	—
Granted during the period/year	**—**	30,200,000
Vested during the period/year	**(3,682,700)**	(14,038,700)
Forfeited during the period/year	**—**	(1,430,500)
Outstanding as of the end of the period/year	**11,048,100**	14,730,800

(c) Fair value of RSUs and assumptions

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted was determined using the discounted cash flow method and adopting an equity allocation method to determine the fair value of the RSUs as at the grant date. Key assumptions are set out as below:

	Granted on March 1, 2014
Fair value of RSUs and assumptions	
Discount rate	17.5%
Risk-free interest rate	3.265%
Volatility	16.0%
Dividend yield	0.0%

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Directors do not recommend a payment of an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: RMB Nil).

(b) Share capital

	As of June 30, 2015		As of December 31, 2014	
	No. of shares	**Amount US$**	No. of shares	Amount US$
Authorized:				
Ordinary shares of US$0.0000001 each (notes (i), (ii) and (iii))	**500,000,000,000**	**500,000**	500,000,000,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	**1,372,045,000**	**137**	100	100
Subdivision of share capital of the Company (note (iii))	**—**	**—**	999,999,900	—
Issue of new shares in connection with the Listing (note (iv))	**—**	**—**	343,800,000	34
Issue of new shares under the RSU Scheme (note (v))	**—**	**—**	30,200,000	3
Repurchase of shares (notes (vi) and (vii))	**(23,690,000)**	**(2)**	(1,955,000)	—
At the end of the period/year	**1,348,355,000**	**135**	1,372,045,000	137

Notes:

(i) The Company was incorporated on February 1, 2012 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, one share of US$1.00 was allocated and issued at par.

(ii) By an ordinary resolution passed at the annual general meeting held on March 15, 2013, a total of 99 ordinary shares of US$1.00 each were allocated and issued at par.

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Notes: (Continued)

(iii) Pursuant to the written resolutions of the Shareholders of the Company passed on June 27, 2014, the Shareholders of the Company approved the subdivision of ordinary share of US$1.00 each in the authorized and issued share capital of the Company into 10,000,000 ordinary shares of US$0.0000001 each. Immediately following the share subdivision, the Company is authorized to issue a maximum of 500,000,000,000 ordinary shares of par value of US$0.0000001 and the issued share capital of the Company became US$100 comprising 1,000,000,000 shares of US$0.0000001 each.

All the per share information in "Earnings per share" (note 8) and "Equity-settled share-based transactions" (note 18) has been adjusted retrospectively as if the share subdivision had occurred on January 1, 2014.

(iv) On July 18, 2014, the shares of the Company become listed on the Main Board of the Stock Exchange, pursuant to which 343,800,000 ordinary shares of US$0.0000001 each were issued at a price of HK$4.00 per share by the Company. The gross proceeds from the issue of these shares amounted to HK$1,375,200,000 (equivalent to approximately RMB1,095,536,000). Proceeds of HK$287 (equivalent to US$37), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of approximately HK$1,313,168,000 (equivalent to approximately RMB1,046,070,000) after deducting the listing expenses included underwriting fee of approximately RMB49,466,000, were credited to the share premium account.

(v) Pursuant to the RSU Scheme, 30,200,000 ordinary shares were issued by the Company immediately after the Listing. For the year ended December 31, 2014, 14,038,700 units of RSUs were vested to the beneficiaries and RMB24,222,000 were credited to the share premium account. For the six months ended June 30, 2015, 3,682,700 units of RSUs were vested to the beneficiaries, RMB6,413,000 were credited to the share premium account. The remaining outstanding shares are held on trust by the RSU Scheme trustee until their release to the beneficiaries upon the vesting of the RSUs (see note 18).

(vi) During the year ended December 31, 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price per share** HK$	**Lowest price per share** HK$	**Aggregate amount paid** HK$'000
December 2014	1,955,000	4.10	3.90	7,833

The repurchased shares were cancelled in January 2015. The issued share capital of the Company was reduced by the nominal value of US$0.20. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.20 (equivalent to RMB1.24) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$7,833,000 (equivalent to RMB6,225,000) was charged to share premium.

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Notes: (Continued)

(vii) During the six months ended June 30, 2015, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate amount paid HK$'000
January 2015	15,791,000	4.43	4.08	67,760
February 2015	7,899,000	4.50	3.95	32,603
	23,690,000			100,363

These repurchased shares were cancelled subsequently. The issued share capital of the Company was reduced by the nominal value of US$2.37. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.37 (equivalent to RMB14.69) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$100,363,000 (equivalent to RMB80,525,000) was charged to share premium.

(viii) During the six months ended June 30, 2015, the RSU Scheme trustee purchased the Company's shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate amount paid HK$'000
February 2015	800,000	4.15	3.95	3,257

These purchased shares were held by the RSU Scheme trustee for the purpose of the RSU Scheme (note 25). The consideration paid on the purchase of the shares of HK$3,257,000 (equivalent to RMB2,604,000) is presented as shares held for the RSU Scheme in the consolidated statement of changes in equity and deducted from total equity.

(c) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to Shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(d) Capital reserve

An amount of US$3,000,000 (equivalent to RMB18,923,000) was contributed by the Shareholder in the form of cash during the period from February 1, 2012 (date of inception) to December 31, 2012. The amount has been recorded as capital reserve.

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Company and its subsidiaries that has been recognized in accordance with the accounting policy adopted for share-based payments.

(f) Other reserve

On March 15, 2013, 99 new shares of the Company were issued in connection with the acquisition of Total Dynamic Entities. The fair value of the Company's new shares was estimated to be approximately RMB186,196,000 and was credited to share capital (nominal value) and other reserve.

20 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at June 30, 2015	Fair value measurements as at June 30, 2015 categorized into		
		Level 1	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
— Listed	169,833	169,833	—	—

No financial instruments were measured at fair value as of December 31, 2014.

During the six months ended June 30, 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

20 FAIR VALUE MEASUREMENT (Continued)

(b) Fair values

All financial instruments are carried at amounts not materially different from their fair values as of the end of the reporting period.

21 COMMITMENTS

(a) Operating lease commitments

As of December 31, 2014 and June 30, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As of June 30, 2015 RMB'000	As of December 31, 2014 RMB'000
Within one year	**9,124**	9,834
After one year but within five years	**2,834**	6,338
	11,958	16,172

The Group leases properties under operating lease. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

(b) As of December 31, 2014 and June 30, 2015, the Group had outstanding purchase orders for components from suppliers in the amount of approximately RMB890,387,000 and RMB726,306,000 respectively. The Group does not have any minimum purchase obligations with these suppliers. Other than as described above and in note 22, the Group had no other material contractual obligations, off-balance sheet guarantees or arrangements as of and December 31, 2014 and June 30, 2015, respectively.

22 CONTINGENT LIABILITIES

As of December 31, 2014 and June 30, 2015, the Company issued several guarantees to banks in respect of the banking facilities granted to subsidiaries of the Company. The maximum liability of the Company at the end of the reporting period under these guarantees issued is the outstanding amount of the bank loans drawn down by the subsidiaries (see note 16). As of December 31, 2014 and June 30, 2015, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

23 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following significant related party transactions during the reporting periods:

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Guarantee fee paid/payable (note)	—	3,102

Note: Pursuant to the terms of the acquisition agreements signed with Viewtran Group, Inc. ("Viewtran"), of which the Chairman and Chief Executive Officer was Mr. Kang, dated October 23, 2012, the Company was to pay a guarantee fee to Viewtran amounting to US$250,000 each quarter for acting as the guarantors for the banking facilities of the Group for a transitional period up to December 31, 2014.

The guarantee fee has been recognized as administrative and other operating expenses in the consolidated statement of comprehensive income. The guarantee arrangements were terminated on July 18, 2014.

24 BUSINESS COMBINATIONS

Acquisition of the business operation of World Style Limited and Shenzhen Huaxinke Technologies Co., Ltd. ("World Style Group")

On January 1, 2015, Cogobuy Group, Inc., a wholly owned subsidiary of the Company, completed the acquisition of the business operations of World Style Group from a third party at a total consideration of RMB35,700,000. Pursuant to the sale and purchase agreement, Cogobuy Group, Inc. acquired 51% equity interest of World Style Technology Holdings Limited ("World Style Technology") from the third party and the business operations of World Style Group were transferred to World Style Technology and its subsidiaries.

24 BUSINESS COMBINATIONS (Continued)

Acquisition of the business operation of World Style Limited and Shenzhen Huaxinke Technologies Co., Ltd. ("World Style Group") (Continued)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value RMB'000
Supplier relationships	45,507
Customer relationships	2,374
Non-compete agreement with seller	3,130
Non-compete agreement with employees	2,086
Other receivables	621
Deferred tax liabilities	(8,761)
Identifiable net assets	44,957
Fair value of non-controlling interests	(28,583)
Goodwill	19,326
Total consideration	35,700

The fair value of the non-controlling interests in the business was estimated by the purchase price paid for acquisition of 51% stake in the business. This purchase price was adjusted for the lack of control that market participants would consider when the estimating the fair value of the non-controlling interests in the business.

As of December 31, 2014, a prepayment of RMB13,446,000 was made by the Group for the acquisition. A further payment of RMB5,681,000 was made during the six months ended June 30, 2015. The remaining consideration of RMB16,573,000 was not yet settled as of June 30, 2015 (note 13).

The acquired business operation contributed a revenue of RMB86,200,000 and net profit of approximately RMB3,900,000 to the Group for the six months from January 1, 2015 to June 30, 2015.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On July 8, 2015, the Company granted an additional 17,940,000 RSUs to employees of the Company and its subsidiaries under the RSU Scheme. The RSUs granted have a vesting period of three years as follows:

— One-third of which will vest for the year ended July 7, 2016 in equal quarterly installments.

— One-third of which will vest for the year ended July 7, 2017 in equal quarterly installments.

— One-third of which will vest for the year ended July 7, 2018 in equal quarterly installments.

Review report to the board of directors of Cogobuy Group
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 50 which comprises the consolidated statement of financial position of Cogobuy Group (the "Company") as of June 30, 2015 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

August 19, 2015

DEFINITIONS

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the Board of Directors of our Company
"Brilliant"	Brilliant Group Global Limited, a limited liability company incorporated in the BVI on June 13, 2013, a wholly-owned subsidiary of Envision Global and an associate of Mr. Kang
"Broadband Corporation"	Comtech Broadband Corporation Limited, a company incorporated in Hong Kong on March 23, 2005 and our indirect subsidiary owned as to 70%
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Cogobuy"	Cogobuy Limited, a limited liability company incorporated in Hong Kong on October 6, 2011 and our indirectly wholly-owned subsidiary
"Cogobuy E-commerce"	Cogobuy.com E-commerce Services (Shenzhen) Limited (庫購網電子商務(深圳)有限公司), a company established in the PRC on July 31, 2012, and our indirectly wholly-owned subsidiary
"Company", "our Company", "the Company"	Cogobuy Group (科通芯城集團), an exempted company incorporated in the Cayman Islands with limited liability on February 1, 2012 and formerly known as Envision Global Group
"Comtech Digital HK"	Comtech Digital Technology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on February 11, 2010, and our indirect subsidiary owned as to 60%
"Comtech Industrial"	Comtech Industrial (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on April 8, 2009, and our indirectly wholly-owned subsidiary
"Comtech International"	Comtech International (Hong Kong) Limited, a company incorporated in Hong Kong on July 14, 2000 and our indirectly wholly-owned subsidiary
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this interim report, means Mr. Kang and Envision Global
"Director(s)"	the director(s) of our Company

"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and Shenzhen Cogobuy (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) or, where the context requires, the companies that currently comprise the subsidiaries of the Company prior to their acquisition by the Company
"GMV"	Gross Merchandise Value
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IC"	integrated circuits
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Kang"	Mr. Kang Jingwei, Jeffrey (康敬偉), Chairman of the Board, Chief Executive Officer and Executive Director of our Company and our Controlling Shareholder
"Mr. Wu"	Mr. Wu Lun Cheung Allen (胡麟祥), Chief Financial Officer, Executive Director and Company Secretary of our Company
"Ms. Yao"	Ms. Yao Yi (姚怡), our substantial Shareholder, the sole shareholder of Shenzhen Cogobuy, and the wife of Mr. Li Feng, one of our members of senior management
"PRC", "China" or "mainland China"	the People's Republic of China and, except where the context requires and only for the purpose of this report, references in this report to the PRC or China do not include Taiwan, Hong Kong or Macau; the term "Chinese" has a similar meaning

"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2015
"RSU Scheme"	the scheme adopted by the Company to grant RSUs to directors, senior management and employees and those of subsidiaries which took effect as at March 1, 2014 and amended on December 21, 2014
"RSU(s)"	Restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"SME"	small and medium enterprise
"Total Dynamic"	Total Dynamic Holdings, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States