Cogobuy.com 科通芯城

Cogobuy Group 科通芯城集團

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

Interim Report 2016

科通芯城
Cogobuy.com

Cogobuy is the leading e-commerce platform serving the electronics manufacturing industry in China. We provide our customers with a vast array of comprehensive online and offline services through our direct sales platform, online marketplace and dedicated team of technical consultants and professional sales representatives.

With its core being the supply chain, INGDAN.com platform is our one-stop hardware innovation business platform. The platform is leading the way in connecting hardware and Internet of Things (IoT) entrepreneurs from around the world with China's best supply chain resources. It provides information on hardware innovation, supply chain data and supply chain demand docking for global IoT innovators and entrepreneurs.

CONTENTS

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)*

Non-Executive Director

GUO Jiang

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, Forest *(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

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: 400

COMPANY WEBSITE

www.cogobuy.com

Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited Six months ended June 30, 2016	June 30, 2015	Year-on-year change
	(RMB in millions, unless specified)		
Revenue	**5,651.0**	4,284.4	31.9%
Gross profit	**462.5**	344.5	34.3%
Profit for the period	**218.0**	175.9	23.9%
Profit attributable to equity shareholders of the Company	**203.4**	166.2	22.4%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.152**	0.124	22.6%
— diluted	**0.150**	0.123	22.0%

OVERALL BUSINESS AND FINANCIAL PERFORMANCE OF THE GROUP

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. Through the e-commerce platform, which includes a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, the Company provides customers with comprehensive online and offline services across pre-sale, sale, and post-sale stages. In addition, we operate INGDAN.com platform, which is dedicated to connecting global intelligent hardware entrepreneurs and China-based supply chain resources. The platform provides information on hardware innovation, supply chain data and supply chain demand docking for global Internet of Things ("**IoT**") innovators and entrepreneurs. It is a one-stop hardware innovation business platform with its core being the "supply chain." We also provide supply chain financing services to third-party manufacturers through the provision of our working capital financing programs.

We operate the largest transaction-based e-commerce platform for integrated circuits ("**IC**") and other electronic components in China as measured by Gross Merchandise Value ("**GMV**") since 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. For the six months ended June 30, 2016, we fulfilled orders and derived a GMV of approximately RMB9.2 billion, of which 60.6% was derived from direct sales value, 26.5% from transaction value in online marketplace and 12.9% from loan value in supply chain financing business. We serve electronics manufacturers including small and medium enterprises ("**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 8,000 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 operation of our customers and suppliers as a whole.

We derive our revenue substantially 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. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. 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 INGDAN.com in September 2013. The IoT is leading the information industry into a new era. The development of the IoT industry has now been raised as a national strategy by various countries, and many Information Technology ("**IT**") giants have been accelerating their pace to enter into this promising industry. According to International Data Corporation, worldwide spending on IoT reached US$698.6 billion in 2015, while the Ministry of Industry and Information Technology of the People's Republic of China ("**MIIT**") projected an overall Chinese IoT market to reach RMB750 billion in 2015. Positioning as a major innovation business platform in the IoT era, INGDAN.com has become the largest intelligent hardware innovation business platform in China by the number of registered projects, and is committed to becoming the most successful one of its kind in the world to provide one-stop service on supply chain to innovation startups worldwide. By the end of June 2016, INGDAN.com has registered more than 13,000 intelligent hardware projects and over 12.5 million followers. Previously, we have defined five markets to be developed in depth to build an ecosystem, including robotics, smart cars, smart homes, new materials, and etc. Cogobuy and INGDAN.com have entered these industries, the deepen development of which will not only bring us more new business opportunities, but will also further improve INGDAN.com's monetization strategies and enhance its industry reputation. INGDAN.com currently contributes 22.4% of our total GMV, and we believe that it will generate more GMV to the Group in the second half of the year.

We commenced supply chain financing business in September 2014 whereby we earn interest and service income for providing certain financial services to third parties 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 reached RMB1.2 billion.

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:

I. Expand 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.

II. Enhance 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.

III. Further Enhance Customer Loyalty and Increase 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 service, order fulfilment 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 allows 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.

IV. Foster 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 supply chain financing, 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. We will invest more resources in the research and development of technologies to acquire additional analytical power and deeper understanding of customer behaviours, 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, fulfilment management and third-party data services.

V. Pursue 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 2016 compared to first half of 2015

The following table sets forth the figures for the first half of 2016 and the first half of 2015:

	Unaudited Six months ended June 30, 2016	Unaudited Six months ended June 30, 2015
	(RMB in millions)	(RMB in millions)
Revenue	**5,651.0**	4,284.4
Cost of sales	**(5,188.5)**	(3,939.9)
Gross profit	**462.5**	344.5
Other income	**12.1**	13.4
Selling and distribution expenses	**(89.8)**	(64.6)
Research and development expenses	**(22.7)**	(23.5)
Administrative and other operating expenses	**(82.5)**	(53.5)
Profit from operations	**279.6**	216.3
Finance costs	**(24.4)**	(14.8)
Profit before taxation	**255.2**	201.5
Income tax	**(37.2)**	(25.6)
Profit for the period	**218.0**	175.9
Attributable to:		
Equity shareholders of the Company	**203.4**	166.2
Non-controlling interests	**14.6**	9.7
Profit for the period	**218.0**	175.9

1. Overview

For the six months ended June 30, 2016, profit of the Group increased and amounted to RMB218.0 million, representing an increase of RMB42.1 million as compared with RMB175.9 million for the corresponding period of 2015. Profit attributable to equity Shareholders of the Company amounted to RMB203.4 million, representing an increase of RMB37.2 million compared with RMB166.2 million for the corresponding period of 2015.

2. Revenue

For the six months ended June 30, 2016, revenue of the Group amounted to RMB5,651.0 million, representing an increase of RMB1,366.6 million or 31.9% as compared with RMB4,284.4 million for the corresponding period of 2015. The Group's revenue comprised of RMB5,605.6 million of direct sales revenue, RMB37.8 million of marketplace revenue and RMB7.6 million of supply chain financing revenue. The increase was primarily due to the strong growth in product sales, especially in sales to new SME customers. More variety of product types also drove the demand in different markets, which resulted in an increase in revenue.

3. Cost of Sales

Cost of sales for the six months ended June 30, 2016 was RMB5,188.5 million, representing an increase of 31.7% from RMB3,939.9 million for the six months ended June 30, 2015. Cost of sales during the same period were partially offset by supplier rebates and discounts of RMB175.8 million. The increase was due to an increase in revenue and sales to customers for the reasons described above.

4. Gross Profit

Gross profit for the six months ended June 30, 2016 was RMB462.5 million, representing an increase of 34.3% from RMB344.5 million for the six months ended June 30, 2015. The marketplace income and supply chain financing interest income normally involve minimal or nil cost of services. The growth of marketplace income and supply chain financing interest income contributed to the improvement of gross profit margin. The increase in gross profit amount was primarily driven by the results of revenue and cost of sales for the reasons described above.

5. Other Income

For the six months ended June 30, 2016, other income of the Group amounted to RMB12.1 million, representing a decrease of RMB1.3 million as compared with RMB13.4 million for the corresponding period of 2015. This was primarily due to a decrease in interest income as a result of a decrease in average interest rate.

6. Selling and Distribution Expenses

For the six months ended June 30, 2016, selling and distribution expenses of the Group amounted to RMB89.8 million, representing an increase of RMB25.2 million or 39.0% from RMB64.6 million over the corresponding period of 2015. This was primarily due to an increase in marketing related expenses for acquiring new customers as well as attracting followers of INGDAN.com and its related Internet of Things project entries. As a result of an increase in revenue, other indirect selling expenses such as staff costs and product logistics costs also contributed to the increase in selling and distribution expenses.

7. Research and Development Expenses

For the six months ended June 30, 2016, research and development expenses of the Group amounted to RMB22.7 million, representing a decrease of RMB0.8 million or 3.4% from RMB23.5 million over the corresponding period of 2015. The expenses spent for online platform technology enhancement were consistent in the first half of both 2015 and 2016.

8. Administrative and Other Operating Expenses

Administrative and other operating expenses for the six months ended June 30, 2016 were RMB82.5 million, representing an increase of RMB29.0 million or 54.2% from RMB53.5 million over the corresponding period of 2015. This was primarily due to an increase in number of head count and office locations for further business expansion of the Group.

9. Income Tax

For the six months ended June 30, 2016, income tax of the Group amounted to RMB37.2 million, representing an increase of RMB11.6 million or 45.3% as compared with RMB25.6 million for the corresponding period of 2015. The effective tax rate for the six months ended June 30, 2016 was 14.6%, as compared to 12.7% for the six months ended June 30, 2015. The increase was due to the expiry of tax holiday of some PRC subsidiaries in 2015.

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

For the six months ended June 30, 2016, profit attributable to equity Shareholders of the Company amounted to RMB203.4 million, representing an increase of RMB37.2 million or 22.4% as compared with RMB166.2 million for the corresponding period of 2015. The increase was primarily due to an increase in direct sales revenue and an increase in sales through our marketplace platform.

11. Liquidity and Source of Funding

As of June 30, 2016, the current assets of the Group amounted to RMB5,200.5 million, which comprised bank balances and cash (including pledged deposits), inventories and trade and other receivables, in the amount of RMB2,640.2 million, RMB1,095.3 million and RMB1,306.7 million, respectively. Current liabilities of the Group amounted to RMB3,595.3 million, of which RMB2,626.0 million was bank loans and RMB877.9 million was trade and other payables. As of June 30, 2016, the current ratio (the current assets to current liabilities ratio) of the Group was 1.4, as compared with 1.6 as of December 31, 2015.

The Group does not have other debt financing obligations as of June 30, 2016 or the date of the interim results announcement published on August 17, 2016 and does not have any breaches of financial covenants.

12. Capital Expenditure

For the six months ended June 30, 2016, the capital expenditure of the Group amounted to approximately RMB4.2 million, representing an increase of RMB1.1 million or 35.5% compared with RMB3.1 million for the corresponding period in 2015. The increase was primarily due to the enhancement of the information system for online platform.

13. Net Gearing Ratio

As of June 30, 2016, 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 −0.7% as compared with −7.8% as of December 31, 2015. The decrease was primarily due to an increase in bank borrowings for the expanding business of the Group.

14. Material Investments

The Group did not make any material investments for the six months ended June 30, 2016.

15. Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals for the six months ended June 30, 2016.

16. Pledge of Assets

Except for the pledged bank deposits of RMB1,369.1 million and RMB1,247.0 million as of June 30, 2016 and December 31, 2015, respectively, the Group did not pledge any assets as of June 30, 2016. 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, 2016. As of June 30, 2016, 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. As of June 30, 2016, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

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 hot adopted any foreign currency hedging policy.

19. Material Events

I. Being selected as a constituent of Hang Seng Largecap & Midcap Index

The Company was selected as a constituent of the Hang Seng Composite LargeCap & MidCap Index with effect from March 14, 2016. This has enabled the Shares of the Company to be traded under the Shanghai-Hong Kong Stock Connect Scheme. Please refer to the announcement of the Company dated March 11, 2016.

II. Strategic cooperation

In April 2016, the Company's INGDAN.com collaborated with Mobileye (NYSE: MBLY), a leading global manufacturer of advanced driver assistance systems from Israel, to promote Online to Offline services in the Chinese auto market. For further details, please refer to the announcement of the Company dated May 19, 2016 concerning the unaudited operation summary of the Group for the first quarter of 2016.

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, 2016, 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 they have taken or deemed to have taken under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered 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 of our Company

Name of Director	Capacity/ Nature of interest	Number of Shares[1]	Approximate percentage of shareholding[3]
Mr. Kang	Interest of controlled corporation[2]	700,000,000	51.76%
Mr. Kang	Beneficial owner	1,500,000	0.11%
Mr. Wu	Beneficial owner	1,500,000	0.11%
Mr. Kang	Beneficiary of a trust	300,000	0.02%
Mr. Wu	Beneficiary of a trust	300,000	0.02%

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.

(3) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at 30 June 2016.

(ii) Interests in the associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of securities[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 directly as to 100% and Envision Global owns Brilliant directly as to 100%.

Save as disclosed above, as at June 30, 2016, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive 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, 2016, 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, which have been recorded in the register of substantial Shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares[1]	Approximate percentage of interest in the Company[5]
Envision Global	Beneficial owner	700,000,000	51.76%
Mr. Kang[2]	Interest of a controlled corporation	700,000,000	51.76%
Mr. Kang	Beneficial owner	1,500,000	0.11%
Mr. Kang[3]	Beneficiary of a trust	300,000	0.02%
Total Dynamic	Beneficial owner	220,184,000	16.28%
Ms. Yao[4]	Interest of a controlled corporation	220,184,000	16.28%

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, 2016.

Save as disclosed above, as at June 30, 2016, 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.

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2016, the Group had 731 full-time employees (June 30, 2015: 643). The number of employees employed by the Group varies from time to time depending on need. Employees' 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, 2016 was RMB98.6 million (for the six months ended June 30, 2015: RMB54.7 million).

RSU SCHEME

The Company has adopted a restrictive share unit scheme. 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, 2016 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2016	Unvested as at June 30, 2016	Vesting Period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,500,000	300,000	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,500,000	300,000	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	15,363,600	2,932,700	One-third of the entitlement in each of 2014, 2015 and 2016 (in quarterly installments)
Other grantees with a vesting period of one year (note 2)	March 1, 2014	7,253,700	6,423,200	—	December 31, 2014
Other grantees with a vesting period of three years (note 3)	July 8, 2015	17,940,000	4,410,000	13,230,000	12 quarterly installments (from July 8, 2015 to July 7, 2018)

Note 1: As at June 30, 2014, 2015 and 2016, nil, 600,000 and 1,050,000 awarded Shares, respectively, were lapsed prior to its vesting date as a result of staff resignation.

Note 2: As at December 31, 2014, 830,500 awarded Shares were lapsed prior to its vesting date as a result of staff resignation.

Note 3: As at June 30, 2016, 300,000 awarded Shares were lapsed prior to its vesting date as a result of staff resignation.

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, 2016 to June 30, 2016.

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, 2016, 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 as its own code for dealings in securities of the Company by the Directors (the "**Securities Dealing Code**"). Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Securities Dealing Code for the six months ended June 30, 2016.

The Securities Dealing Code is also adopted by the Company to regulate all securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Securities Dealing Code by the Company's relevant employees was 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, risk management and internal control systems 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, 2016. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, risk management 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, 2016 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 13.51(B)(1)

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

Mr. Guo Jiang

Mr. Guo has been appointed as an executive director of Digital China Group Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000034), with effect from March 28, 2016.

Mr. Yan Andrew Y

Mr. Yan has ceased to be a non-executive director of Digital China Holdings Limited, a company listed on the Stock Exchange (stock code: 861), with effect from July 1, 2016.

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51(B)(1) of the Listing Rules since the date of publication of the 2015 annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2016, the Company repurchased an aggregate of 9,928,000 Shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$94.1 million (equivalent to RMB80.6 million).

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders. All the Shares repurchased during the six months ended June 30, 2016 were cancelled, of which 3,417,000 Shares were cancelled on February 12, 2016, 1,095,000 Shares were cancelled on February 19, 2016, 3,604,000 Shares were cancelled on May 31, 2016 and 1,812,000 Shares were cancelled on June 3, 2016.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange for the six months ended June 30, 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: nil).

LITIGATION

As of June 30, 2016, 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, 2016, the net proceeds were utilized in accordance with the purpose 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, 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. The issuance of the Electronic Data Interchange License ("**EDI License**", previously generally referred to as "ICP license"), which is required for the e-commerce business, to foreign-invested companies should be approved by MIIT and MIIT will have discretion over interpretation of the Qualification Requirement. According to the Information Disclosure System of MIIT, nationwide only a very limited number of foreign invested companies have obtained the EDI License from MIIT since promulgation of the 196 Circular. Therefore, there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by 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.

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 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, 2016, the Company has no further update to disclose in relation to the Qualification Requirement.

UPDATE ON NON-COMPLIANCE MATTERS

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, 2016, 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, 2016 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 17, 2016

Consolidated Statement of Comprehensive Income — Unaudited

		Six months ended June 30,	
	Note	**2016** **RMB'000**	2015 RMB'000
Revenue	4	**5,650,952**	4,284,413
Cost of sales		**(5,188,460)**	(3,939,944)
Gross profit		**462,492**	344,469
Other income	5	**12,098**	13,475
Selling and distribution expenses		**(89,792)**	(64,606)
Research and development expenses		**(22,648)**	(23,469)
Administrative and other operating expenses		**(82,520)**	(53,529)
Profit from operations		**279,630**	216,340
Finance costs	6(a)	**(24,406)**	(14,794)
Profit before taxation	6	**255,224**	201,546
Income tax	7	**(37,213)**	(25,613)
Profit for the period		**218,011**	175,933
Attributable to:			
Equity shareholders of the Company		**203,440**	166,219
Non-controlling interests		**14,571**	9,714
Profit for the period		**218,011**	175,933

	Note	Six months ended June 30, 2016 RMB'000	2015 RMB'000
Profit for the period		**218,011**	175,933
Other comprehensive income for the period (after tax and reclassification adjustments)			
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		**29,007**	(1,726)
— Net movement in the fair value reserve of available-for-sale investments		**—**	3,323
Other comprehensive income for the period		**29,007**	1,597
Total comprehensive income for the period		**247,018**	177,530
Attributable to:			
Equity shareholders of the Company		**232,702**	167,880
Non-controlling interests		**14,316**	9,650
Total comprehensive income for the period		**247,018**	177,530
Earnings per share	8		
Basic (RMB)		**0.152**	0.124
Diluted (RMB)		**0.150**	0.123

The notes on pages 28 to 49 form part of this interim financial report.

Consolidated Statement of Financial Position — Unaudited

	Note	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Non-current assets			
Property, plant and equipment	9	**8,934**	5,653
Intangible assets		**57,472**	63,508
Goodwill		**193,857**	184,260
Available-for-sale investments	10	**82,362**	114,330
Other non-current assets		**756**	670
Investment in an associate	11	**12,848**	—
		356,229	368,421
Current assets			
Inventories	12	**1,095,322**	609,172
Trade and other receivables	13	**1,306,741**	1,430,191
Loans receivable	14	**146,080**	276,754
Short term deposits		**12,149**	11,000
Pledged deposits	17	**1,369,055**	1,246,977
Cash and cash equivalents	15	**1,271,120**	1,024,269
		5,200,467	4,598,363
Current liabilities			
Trade and other payables	16	**877,897**	749,574
Bank loans	17	**2,625,977**	2,125,876
Amount due to a related party	18	**37,159**	35,687
Current taxation		**54,258**	43,334
		3,595,291	2,954,471
Net current assets		**1,605,176**	1,643,892
Total assets less current liabilities		**1,961,405**	2,012,313
Non-current liabilities			
Deferred tax liabilities		**9,304**	10,762
		9,304	10,762
NET ASSETS		**1,952,101**	2,001,551

	Note	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
CAPITAL AND RESERVES	20		
Share capital		1	1
Reserves		1,884,951	1,921,199
Total equity attributable to equity shareholders of the Company		1,884,952	1,921,200
Non-controlling interests		67,149	80,351
TOTAL EQUITY		1,952,101	2,001,551

The notes on pages 28 to 49 form part of this interim financial report.

Consolidated Statement of Changes in Equity — Unaudited

		Attributable to equity shareholders of the Company												
	Note	Share capital (Note 20(b)) RMB'000	Share premium (Note 20(c)) RMB'000	Capital reserve (Note 20(d)) RMB'000	Share-based compensation reserve (Note 20(e)) RMB'000	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") (Note 20(g)) RMB'000	Other reserve (Note 20(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
Balance at 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		–	6,413	–	(6,413)	–	–	–	–	–	–	–	–	–
Purchase of own shares		–	(80,525)	–	–	–	–	–	–	–	–	(80,525)	–	(80,525)
Purchase of shares held for RSU Scheme		–	–	–	–	(2,604)	–	–	–	–	–	(2,604)	–	(2,604)
Balance at June 30, 2015 and July 1, 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
Changes in equity for the six months ended December 31, 2015:														
Profit for the period		–	–	–	–	–	–	–	–	–	176,656	176,656	13,892	190,548
Other comprehensive income for the period		–	–	–	–	–	–	(3,323)	36,237	–	–	32,914	169	33,083
Total comprehensive income		–	–	–	–	–	–	(3,323)	36,237	–	176,656	209,570	14,061	223,631
Equity-settled share-based compensation		–	–	–	26,611	–	–	–	–	–	–	26,611	–	26,611
Issue of shares under the RSU Scheme		–	11,998	–	(11,998)	–	–	–	–	–	–	–	–	–
Purchase of own shares		–	(2,075)	–	–	–	–	–	–	–	–	(2,075)	–	(2,075)
Purchase of shares held for RSU Scheme		–	–	–	–	(6,241)	–	–	–	–	–	(6,241)	–	(6,241)
Appropriations		–	–	–	–	–	–	–	–	1,466	(1,466)	–	–	–
Balance at December 31, 2015 and January 1, 2016		**1**	**999,878**	**18,923**	**24,448**	**(8,845)**	**186,196**	**–**	**51,888**	**3,317**	**645,394**	**1,921,200**	**80,351**	**2,001,551**
Changes in equity for the six months ended June 30, 2016:														
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**203,440**	**203,440**	**14,571**	**218,011**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,262**	**–**	**–**	**29,262**	**(255)**	**29,007**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,262**	**–**	**203,440**	**232,702**	**14,316**	**247,018**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(212,482)**	**–**	**–**	**–**	**–**	**(212,482)**	**(27,518)**	**(240,000)**
Equity-settled share-based compensation		**–**	**–**	**–**	**24,143**	**–**	**–**	**–**	**–**	**–**	**–**	**24,143**	**–**	**24,143**
Purchase of own shares	20(b)(iii)	**–**	**(80,611)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80,611)**	**–**	**(80,611)**
Issue of shares under the RSU Scheme	20(b)(iv)	**–**	**17,905**	**–**	**(17,905)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at June 30, 2016		**1**	**937,172**	**18,923**	**30,686**	**(8,845)**	**(26,286)**	**–**	**81,150**	**3,317**	**848,834**	**1,884,952**	**67,149**	**1,952,101**

The notes on pages 28 to 49 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement — Unaudited

		Six months ended June 30,	
	Note	**2016 RMB'000**	2015 RMB'000
Cash generated from operations		**187,270**	126,354
Tax paid		**(28,775)**	(3,571)
Net cash generated from operating activities		**158,495**	122,783
Investing activities			
Increase in pledged deposits		**(94,045)**	(167,357)
Interest received		**9,667**	13,475
Payment for business acquisition		**(2,659)**	(5,681)
Payment for the purchase of listed equity investments		**(23,836)**	(166,603)
Proceeds from disposal of listed equity investments		**56,246**	—
Other cash flow arising from investing activities		**(4,241)**	(3,041)
Net cash used in investing activities		**(58,868)**	(329,207)
Financing activities			
Net proceeds from/(repayments of) bank loans		**293,237**	(39,360)
Interest paid		**(23,879)**	(14,794)
Increase in amount due to non-controlling interest		**—**	17,393
Payment for repurchase of issued ordinary shares		**(80,611)**	(80,525)
Payment for purchase of issued ordinary shares for RSU Scheme		**—**	(2,604)
Payment for acquisition of non-controlling interests		**(54,474)**	—
Net cash generated from/(used in) financing activities		**134,273**	(119,890)
Net increase/(decrease) in cash and cash equivalents		**233,900**	(326,314)
Cash and cash equivalents at the beginning of the period	15	**1,024,269**	1,222,700
Effect of foreign exchange rates changes		**12,951**	372
Cash and cash equivalents at the end of the period	15	**1,271,120**	896,758

The notes on pages 28 to 49 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

(a) 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 17, 2016.

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 services. 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 2015 annual financial statements, except for 1) new accounting policy applied by the Group as set out in note 1(b); and 2) the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 50.

The financial information relating to the financial year ended December 31, 2015 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. Statutory financial statements for the year ended December 31, 2015 are available from the Company's registered office. The auditor has expressed an unqualified opinion on these financial statements in their report dated March 26, 2016.

1 BASIS OF PREPARATION (continued)

(b) Associates

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

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.

— *Annual Improvements to HKFRSs 2012–2014 Cycle*

— *Amendments to HKAS 1, Presentation of financials statements: Disclosure initiative*

The amendments do not have an impact on the presentation and disclosure of the Group's interim financial report.

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, 2016 and 2015 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 services. The amount of each significant category of revenue recognized for the periods is as follows:

	Six months ended June 30, 2016 RMB'000	Six months ended June 30, 2015 RMB'000
Sales of IC and other electronic components	**5,605,611**	4,256,128
Marketplace income	**37,794**	21,212
Supply chain financing interest income	**7,547**	7,073
	5,650,952	4,284,413

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

For the six months ended June 30, 2016 and 2015, there was no single customer who accounted for 10% or more of the Group's revenue.

5 OTHER INCOME

	Six months ended June 30, 2016 RMB'000	Six months ended June 30, 2015 RMB'000
Realized gain from disposal of listed equity securities	**32,410**	—
Impairment loss on available-for-sale securities	**(34,120)**	—
Bank interest income	**9,667**	13,475
Dividend income from listed securities	**2,143**	—
Government grants	**1,998**	—
	12,098	13,475

6 PROFIT BEFORE TAXATION

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

		Six months ended June 30, 2016 RMB'000	2015 RMB'000
(a)	**Finance costs**		
	Interest on bank loans	24,406	14,794
(b)	**Staff costs**		
	Contributions to defined contribution retirement plan	7,420	4,521
	Salaries, wages and other benefits	67,077	44,707
	Equity-settled shared-based compensation expenses (note 19)	24,143	5,434
		98,640	54,662
(c)	**Other items**		
	Amortization of intangible assets	6,649	6,849
	Cost of inventories	5,188,460	3,935,758
	Impairment loss on trade receivables	4,920	18,240
	Inventory write-down (note 12)	—	4,186
	Depreciation of property, plant and equipment	717	456
	Net foreign exchange loss/(gain)	1,539	(1,019)
	Operating lease charges in respect of property rentals	6,570	4,733
	Research and development expenses (note)	22,648	23,469

Note:

Research and development expenses include staff costs of employees in the design, research and development function of RMB17,449,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB15,360,000), 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 RMB1,558,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB2,191,000).

7 INCOME TAX

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Current tax		
PRC Corporation Income Tax	**17,298**	16,808
Hong Kong Profits Tax	**20,748**	9,935
Overseas current tax	**264**	—
	38,310	26,743
Deferred taxation		
Origination and reversal of temporary differences	**(1,097)**	(1,130)
	37,213	25,613

(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% for the six months ended June 30, 2016 (six months ended June 30, 2015: 16.5%).

7 INCOME TAX (continued)

(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, were 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. During 2015, Qianhai Cogobuy.com (Shenzhen) Limited was also granted the same tax holiday, which exempts it from income tax for 2015 and 2016 and reduces the income tax rate to 12.5% from 2017 to 2019.

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.

(Expressed in Renminbi unless otherwise indicated)

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 RMB203,440,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB166,219,000) and the weighted average number of ordinary shares of 1,338,310,000 shares (six months ended June 30, 2015: 1,336,020,000 shares).

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

Weighted average number of ordinary shares

	Six months ended June 30,	
	2016	2015
Issued ordinary shares at the beginning of the period	**1,340,679,000**	1,355,884,000
Issue of shares under the RSU Scheme	**2,975,000**	926,000
Repurchases of shares	**(5,344,000)**	(20,790,000)
Weighted average number of ordinary shares as of the end of the period	**1,338,310,000**	1,336,020,000

(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 RMB203,440,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB166,219,000) and the weighted average number of ordinary shares of 1,355,073,000 shares (six months ended June 30, 2015: 1,347,068,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended June 30,	
	2016	2015
Weighted average number of ordinary shares as of the end of the period	**1,338,310,000**	1,336,020,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration (note 19)	**16,763,000**	11,048,000
Weighted average number of ordinary shares (diluted) as of the end of the period	**1,355,073,000**	1,347,068,000

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2016, the Group acquired property, plant and equipment with a cost of RMB4,242,000 (six months ended June 30, 2015: RMB3,145,000).

10 AVAILABLE-FOR-SALE INVESTMENTS

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Available-for-sale equity securities		
— Listed in Hong Kong	**79,362**	111,330
— Unlisted	**3,000**	3,000
As of the end of the period	**82,362**	114,330

The above unlisted investment represents investment in unlisted equity security issued by a private entity. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

11 INVESTMENT IN AN ASSOCIATE

On February 1, 2016, INGDAN.com Limited, a subsidiary of the Group, entered into a Share Subscription Agreement with Zim Hong Kong Limited ("Zim") and its existing shareholders for subscribing 2,973,529 new ordinary shares of Zim for a consideration of HKD15 million.

After the completion of the subscription, the Group owned 15% of the issued share capital of Zim. The directors of the Company considered the Group was able to exert a significant influence over Zim, thus, the investment was accounted for as an investment in associate and subsequently accounted for using the equity method.

12 INVENTORIES

During the six months ended June 30, 2016, no provision was recognized as a reduction in the amounts of inventories recognized as an expense in profit or loss during the period, being the write-down of inventories to estimated net realizable value (six months ended June 30, 2015: RMB4,186,000).

13 TRADE AND OTHER RECEIVABLES

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Trade receivables	**1,304,428**	1,424,497
Bills receivables	**19,426**	29,799
Trade and bills receivables	**1,323,854**	1,454,296
Less: allowance for doubtful debts	**(63,084)**	(58,164)
	1,260,770	1,396,132
Loan interest receivables	**110**	4,393
Deposits and prepayments	**39,452**	25,048
Other receivables	**6,409**	4,618
	1,306,741	1,430,191

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 without recourse. The costs of the factoring arrangement ranged from 2.2% to 2.9% (six months ended June 30, 2015: 1.7% to 2.5%) of the balances transferred and are included in "finance costs" for the six months ended June 30, 2016. 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.

13 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, 2016 RMB'000	As of December 31, 2015 RMB'000
Within 1 month	**968,762**	813,575
1 to 2 months	**179,989**	369,716
2 to 3 months	**91,301**	128,554
Over 3 months	**20,718**	84,287
	1,260,770	1,396,132

Trade and bills receivables are normally due within 30 to 90 days from the date of billing.

14 LOANS RECEIVABLE

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Unsecured loans	**42,450**	112,168
Secured loans	**103,630**	164,586
	146,080	276,754

Loans receivable comprise unsecured loans without collateral and secured loans secured by the borrowers' inventories and receivables.

14 LOANS RECEIVABLE (continued)

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

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Within 1 month	405	—
1 to 2 months	—	22,477
2 to 3 months	131,991	219,247
Over 3 months	13,684	35,030
	146,080	276,754

As of June 30, 2016, none of the loans receivable was determined to be individually impaired (December 31, 2015: Nil). All loans receivable will be mature within one year.

15 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, 2016 RMB'000	As of December 31, 2015 RMB'000
Cash at bank and in hand	1,271,120	1,024,269

16 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, 2016 RMB'000	As of December 31, 2015 RMB'000
Within 1 month	**619,042**	673,406
1 to 3 months	**9,362**	22,235
Over 3 months	**10,188**	11,773
Trade payables	**638,592**	707,414
Accrued staff costs	**20,866**	22,006
Other payables	**218,439**	20,154
	877,897	749,574

17 PLEDGED DEPOSITS AND BANK LOANS

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

As of June 30, 2016 and December 31, 2015, the Group had entered into several banking facilities including letters of guarantee, bank loans, trade receivables factoring facilities and irrecoverable letters of credit.

(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, 2016 RMB'000	As of December 31, 2015 RMB'000
Aggregate credit limit	**4,690,679**	3,486,999
Outstanding loans	**(2,625,977)**	(2,125,876)
Trade receivables factoring facilities utilized	**(535,937)**	(414,001)
Unutilized facilities	**1,528,765**	947,122

As of June 30, 2016, the banking facilities were secured by cash of RMB1,369,055,000 (December 31, 2015: RMB1,246,977,000) pledged by the Group.

17 PLEDGED DEPOSITS AND BANK LOANS (continued)

(b) Bank covenants

As of June 30, 2016, the banking facilities contain various covenants, including the Group's consolidated net borrowing 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.

Consolidated net borrowing is defined as the aggregate amount of all obligations of the Group in respect of borrowings deducting cash and cash equivalent investments and pledged deposits of the Group.

18 AMOUNT DUE TO A RELATED PARTY

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

	Note	**As of June 30, 2016 RMB'000**	As of December 31, 2015 RMB'000
Amount due to non-controlling interests holder	(i)	**37,159**	35,687

Note:

(i) As of June 30, 2016 and December 31, 2015, the amount due to non-controlling interests holder mainly represented the purchase consideration of RMB16,573,000 for acquisition of business operation from a third party and advances from the non-controlling interests holder to a subsidiary of the Group. The amount was unsecured, interest-free and repayable on demand.

(Expressed in Renminbi unless otherwise indicated)

19 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.

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. Shares repurchased by the Company on the Stock Exchange were held by one of the RSU Scheme trustees for the purchase of the RSU Scheme.

The Directors estimated the fair value of the RSUs granted on March 1, 2014 to be RMB51,963,000 (US$8,456,000) in total or RMB1.72 (US$0.28) per unit and the fair value of RSU granted on July 8, 2015 to be RMB69,861,000 (HK$88,085,000) in total or RMB3.89 (HK$4.91) per unit.

Share-based payment expense of RMB24,143,000 (six months ended June 30, 2015: RMB5,434,000) was recognized as staff costs in the Company's profit or loss for the six months ended June 30, 2016 and the remaining balance is to be recognized in 2016, 2017 and 2018 based on the respective vesting periods.

(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)
— on July 8, 2015	17,940,000	Notes (iv), (v)
Total RSUs granted	48,140,000	

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 ending December 31, 2016 in equal quarterly installments.

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

Notes: (continued)

(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.

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

— One-third of which will vest for the twelve months ending July 7, 2016 in equal quarterly installments.

— One-third of which will vest for the twelve months ending July 7, 2017 in equal quarterly installments.

— One-third of which will vest for the twelve months ending July 7, 2018 in equal quarterly installments.

(v) Employees who leave the Group before July 7, 2018 forfeit their right to any unvested RSUs.

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

	As of June 30, 2016 Number of RSUs	As of December 31, 2015 Number of RSUs
Outstanding as of the beginning of the period/year	**23,235,400**	14,730,800
Granted during the period/year	**—**	17,940,000
Vested during the period/year	**(6,472,700)**	(8,685,400)
Forfeited during the period/year	**—**	(750,000)
Outstanding as of the end of the period/year	**16,762,700**	23,235,400

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of RSUs and assumptions

The fair value of services received in return for RSUs granted was 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%

The fair value of RSUs granted on July 8, 2015 was measured by the reference to quoted market price of the Company's shares at the grant date, being HK$4.91 per share.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Directors do not recommend a payment of an interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB Nil).

(b) Share capital

	As of June 30, 2016		As of December 31, 2015	
	No. of shares	**Amount US$**	No. of shares	Amount US$
Authorized:				
Ordinary shares of US$0.0000001 each	**500,000,000,000**	**50,000**	500,000,000,000	50,000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	**1,362,262,500**	**136**	1,372,045,000	137
Issue of new shares under the RSU Scheme (note (i))	**—**	**—**	14,107,500	1
Repurchase of shares (notes (ii) and (iii))	**(9,928,000)**	**(1)**	(23,890,000)	(2)
At the end of the period/year	**1,352,334,500**	**135**	1,362,262,500	136

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital (continued)

Notes:

(i) For the year ended December 31, 2015, an additional 14,107,500 ordinary shares were issued by the Company under the RSU Scheme. 8,685,400 units of RSUs were vested to the account. The remaining shares are held on trust by the RSU Scheme trustees until their release to the beneficiaries upon the vesting of the RSUs (see note 19). No new shares were issued for the six months ended June 30, 2016.

(ii) During the year ended December 31, 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
July 2015	200,000	5.00	4.83	980
	23,890,000			101,343

These repurchased shares were cancelled subsequently. The issued share capital of the Company was reduced by the nominal value of US$2.39. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$2.39 (equivalent to RMB14.81) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$101,343,000 (equivalent to RMB80,600,000) was charged to share premium.

(iii) During the six months ended June 30, 2016, 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 2016	3,075,000	8.28	7.90	24,824
February 2016	1,437,000	8.30	7.92	11,650
May 2016	5,416,000	10.96	10.50	57,639
	9,928,000			94,113

These repurchased shares were cancelled subsequently after repurchase. The issued share capital of the Company was reduced by the nominal value of US$0.99. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.99 (equivalent to RMB6.47) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$94,113,000 (equivalent to RMB80,611,000) was charged to share premium.

(iv) For the six months ended June 30, 2016, 6,472,700 units of RSUs were vested to the beneficiaries, RMB17,905,000 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 on the RSUs (see note 19).

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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.

(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.

On 29 April, 2016, Gold Tech Holdings Limited ("Gold Tech"), a wholly owned subsidiary of the Group, purchased the remaining 40% equity interest of Comtech Digital Technology (Hong Kong) Limited ("Comtech Digital"), a subsidiary of the Group, at a consideration of RMB240,000,000. The difference between the consideration and the relevant shares of the carrying amount of the net assets of Comtech Digital, amounting to RMB 212,482,000 was debited to other reserve.

(g) Shares held for RSU Scheme

The consideration paid for purchasing the Company's shares from the market is presented as "Shares held for RSU Scheme" and the amount is deducted from total equity.

When the Company's shares are transferred to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Share held for RSU Scheme", with a corresponding adjustment made to "Share premium".

21 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, 2016	Fair value measurements as at June 30, 2016 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	79,362	79,362	—	—

	Fair value at December 31, 2015	Fair value measurements as at December 31, 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	111,330	111,330	—	—

During the six months ended June 30, 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (the year ended December 31, 2015: Nil). The Group's policy is to recognize transfer between levels of fair value hierarchy as at end of the reporting period in which they occur.

21 FAIR VALUE MEASUREMENT (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

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

22 COMMITMENTS

(a) Operating lease commitments

As of June 30, 2016 and December 31, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Within one year	**2,556**	8,400
After one year but within five years	**23,966**	4,599
	26,522	12,999

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

(b) As of June 30, 2016 and December 31, 2015, the Group had outstanding purchase orders for components from suppliers in the amount of approximately RMB1,089,089,000 and RMB1,082,445,000, respectively. The Group does not have any minimum purchase obligations with these suppliers. Other than as described above and in note 23, the Group had no other material contractual obligations, off-balance sheet guarantees or arrangements as of June 30, 2016 and December 31, 2015, respectively.

23 CONTINGENT LIABILITIES

As of June 30, 2016 and December 31, 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 17). As of June 30, 2016 and December 31, 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.

24 MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	Six months ended June 30, 2016 RMB'000	2015 RMB'000
Interest income from a related party	(i)	**277**	—
Provision of agency services to a company controlled by a director of the Company	(ii)	**4,530**	—
Provision of administrative and consultancy services to a company controlled by a director of the Company	(ii)	**57**	—

(i) As of June 30, 2016, the Group has provided a loan of US$2,000,000 to Zim, an associate of the Group since February 2016, at an interest rate of 7% for the purpose of supply chain financing. The Group has obtained security assignment of receivables and inventories as collateral. For the six months ended 30 June, 2016, the Group has earned interest income of RMB277,000 from the loan.

On May 18, 2016, the Group has also provided a one year stand-by letter of credit of US$4,000,000 to Zim, at an interest rate of 7% with collaterals of security assignment of receivables and inventories. During the six months period ended June 30, 2016, the stand-by letter of credit was not drawn by Zim.

(ii) Pursuant to the series of agreements entered between the Group and Comtech Communication Technology (Shenzhen) Company Limited and Shenzhen Comtech Small Loan Company Limited, which are all owned by Mr. Kang, the Group provided client referral service and administrative and consultancy services to Comtech Small Loan for service fee amounting to RMB4,530,000 and RMB57,000, respectively.

25 EVENTS AFTER THE REPORTING PERIOD

Disposal of subsidiaries

On July 15, 2016, the Group entered into a sale and purchase agreement and disposed of 3 subsidiaries, including Shanghai Comtech Electronic Technology Limited, Shanghai E&T System Co. Ltd. and Shanghai Comtech Intelligent Home Company Limited, to a third party for a consideration of US$1.

Pursuant to the above agreement, the Group agreed to transfer all equity interest of the 3 subsidiaries to the buyer. As at July 15, 2016, the total net liabilities of the 3 subsidiaries amounted to approximately RMB16,200,000.

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 49 which comprises the consolidated statement of financial position of Cogobuy Group (the "**Company**") as of June 30, 2016 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months 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, 2016 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 17, 2016

"associate"	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
"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 indirectly wholly-owned subsidiary
"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
"Gold Tech"	Gold Tech Holdings Limited, a limited liability company incorporated in the BVI on January 25, 2010, and our directly wholly-owned subsidiary
"Group", "our 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

"IC"	integrated circuits
"IoT"	Internet of Things
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong 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, 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, 2016
"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
"RSUs"	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$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"SME"	small and medium enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States