科通芯城
Cogobuy.com

Cogobuy Group 科通芯城集團

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

INTERIM REPORT 2017

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 Directors

KIM Jin Ha, Jason *(appointed on June 2, 2017)*
GUO Jiang *(resigned on September 1, 2017)*

Independent Non-Executive Directors

ZHONG Xiaolin, Forrest
YE Xin
MA Qiyuan *(appointed on June 2, 2017)*

Audit Committee

ZHONG Xiaolin, Forrest (Chairman)
YE Xin
MA Qiyuan

Remuneration Committee

ZHONG Xiaolin, Forrest *(Chairman)*
YE Xin
MA Qiyuan

Nomination Committee

ZHONG Xiaolin, Forest *(Chairman)*
YE Xin
MA Qiyuan

Registered Office

Offices of Conyers 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

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

Corporate Information (Continued)

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: 00400

Company Website

www.cogobuy.com

HIGHLIGHTS

Financial Performance Highlights

	Unaudited Six months ended June 30, 2017	June 30, 2016	Year-on-year change
	(RMB in millions, unless specified)		
Revenue	**6,121.6**	5,651.0	8.3%
Gross profit	**540.0**	462.5	16.8%
Profit for the period	**287.1**	218.0	31.7%
Profit attributable to equity shareholders of the Company	**270.5**	203.4	33.0%
Earnings per share ("**EPS**") (RMB per share)			
— basic	**0.185**	0.152	21.7%
— diluted	**0.184**	0.150	22.7%
Interim dividend per share (HKD per Share)	**0.05**	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business and Financial Performance of the Group

We are a leading e-commerce company dedicated to serving the electronics manufacturing industry in China. We operate the largest transaction-based e-commerce platform for 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. There were no material changes in our business during the six months ended June 30, 2017. For the six months ended June 30, 2017, we fulfilled orders and derived a GMV of approximately RMB12.9 billion, of which 46.6% was derived from direct sales value, 33.5% from transaction value in online marketplace and 19.9% 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 some of the top brand-name suppliers in key product categories.

According to research institute ASKCI Consulting Co., Ltd. (中商產業研究院), the size of the IC market in China is expected to grow to RMB3.9 trillion by 2017. 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 and the industry's growing demand for upgrade and innovation. To better serve and support various aspects of the electronics manufacturing industry in China, we have extended beyond the IC and other electronic components procurement market and commenced 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. For the six months ended June 30, 2017, we derived 34.6% and 65.4% for our direct sales revenue from bluechip customers and SME customers respectively. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. 0.91% of our revenue in the first half of 2017 represented commission fees that we charged these third-party merchants. We plan to further enhance our marketplace platform to complement our direct sales platform.

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

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

We also launched INGDAN.com in September 2013. The Internet of Things ("**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. As reported by researcher International Data Corporation (IDC), global IoT spending will reach US$1.29 trillion by 2020, representing a compound annual growth rate (CAGR) of 15.6% between 2015 and 2020. Meanwhile, the Ministry of Industry and Information Technology of the PRC sets a target for the size of the IoT industry to exceed RMB1.5 trillion by 2020. Positioning as a major innovation business platform in the IoT era, INGDAN.com has now become the largest intelligent hardware innovation business platform in China, 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.

Previously, we have defined five markets to be developed in depth to build an ecosystem, including robotics, smart cars, smart homes, healthcare and new materials, etc. Cogobuy.com and INGDAN.com have entered these industries, the deepened development of which will not only bring us more new business opportunities, but also further improve INGDAN.com's monetization strategies and enhance its industry reputation. INGDAN.com contributed 16.1% of our total GMV during the Reporting Period, and we believe that it will generate more GMV to the Group in coming years.

Well-positioned to offer more value-added services, we commenced our supply chain financing business in September 2014 whereby we earn interest income for providing certain financial services to third-party manufacturers, including provision of working capital financing programs. In December 2016, we extended our supply chain financing business and established a new business unit — IngFin Financing Services. With our newly launched IngFin Financing Services business, we aim to increase investments in the big-data based enterprise financing business, including loans to third parties for investment initiatives and other enterprise financing services. IngFin Financing Services is a good demonstration to show our strengths to generate new revenue stream by providing additional services based on the Company's existing platform. During the Reporting Period, GMV contributed by the provision of loans through our IngFin Financing Services reached RMB2.6 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 to diversify our service offerings. We will invest more resources in the research and development of technologies to acquire additional analytical power and deeper understanding of customer 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. Expand and Develop New Business Platforms

We intend to further increase the monetization rate of INGDAN.com by developing it to a ten billion-sized innovation and entrepreneurship platform. INGDAN.com acquires a myriad of customers, demands and data online, and monetizes transactions by supply chain resources and other corporate services offline. This creates synergy that drives a greater contribution by INGDAN.com to the Group in the future. On the other hand, we have established a new business unit, namely IngFin Financing Services, through which, we will conduct big-data based supply chain financing products as well as other corporate financing products.

VI. 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, including overseas targets. 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, crossmarketing and licensing opportunities. In 2014, we became a Microsoft Gold Certified Partner, and started promoting Microsoft Cloud services to our customers.

Financial Review

First half of 2017 compared to first half of 2016

The following table sets forth the comparative figures for the first half of 2017 and the first half of 2016:

	Unaudited Six months ended June 30, 2017	June 30, 2016
	(RMB in millions)	
Revenue	**6,121.6**	5,651.0
Cost of sales	**(5,581.6)**	(5,188.5)
Gross profit	**540.0**	462.5
Other income	**55.8**	12.1
Selling and distribution expenses	**(80.8)**	(89.8)
Research and development expenses	**(51.1)**	(22.7)
Administrative and other operating expenses	**(78.0)**	(82.5)
Profit from operations	**385.9**	279.6
Finance costs	**(51.1)**	(24.4)
Share of profit of an associate	**2.7**	—
Profit before taxation	**337.5**	255.2
Income tax	**(50.4)**	(37.2)
Profit for the period	**287.1**	218.0
Attributable to:		
Equity shareholders of the Company	**270.5**	203.4
Non-controlling interests	**16.6**	14.6
Profit for the period	**287.1**	218.0

Management Discussion and Analysis (Continued)

1. Overview

For the six months ended June 30, 2017, profit of the Group increased to RMB287.1 million, representing an increase of RMB69.1 million as compared with RMB218.0 million for the corresponding period of 2016. Profit attributable to equity Shareholders of the Company amounted to RMB270.5 million, representing an increase of RMB67.1 million compared with RMB203.4 million for the corresponding period of 2016.

2. Revenue

For the six months ended June 30, 2017, revenue of the Group amounted to RMB6,121.6 million, representing an increase of RMB470.6 million or 8.3% as compared with RMB5,651.0 million for the corresponding period of 2016. The Group's revenue comprised RMB5,996.3 million of direct sales revenue, RMB55.7 million of marketplace revenue and RMB69.6 million of IngFin Financing Services revenue. The increase was primarily due to product sales as a result of more variety of product types. Increase in revenue was also contributed by increase in marketplace income and interest income for providing IngFin Financing Services.

3. Cost of Sales

Cost of sales for the six months ended June 30, 2017 was RMB5,581.6 million, representing an increase of 7.6% from RMB5,188.5 million for the six months ended June 30, 2016. Cost of sales during the same period was partially offset by supplier rebates and discounts of RMB178.7 million. The increase was due to increase in revenue and sales to customers for the reasons described above.

4. Gross Profit

Gross profit for the six months ended June 30, 2017 was RMB540.0 million, representing an increase of 16.8% from RMB462.5 million for the six months ended June 30, 2016. The marketplace income and IngFin Financing Services interest income normally involve minimal cost of services. The growth of marketplace income and IngFin Financing Services interest income contributed to the improvement of gross profit margin. The increase in gross profit 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, 2017, other income of the Group amounted to RMB55.8 million, representing an increase of RMB43.7 million or 361.2% as compared with RMB12.1 million for the corresponding period of 2016. This was primarily due to more gain on disposal of available-for-sale investments realized for the first half of 2017.

6. Selling and Distribution Expenses

Selling and distribution expenses of the Group for the six months ended June 30, 2017 amounted to RMB80.8 million, representing a decrease of RMB9.0 million or 10.0% from RMB89.8 million over the corresponding period of 2016. This was primarily due to adjustments in marketing strategies.

7. Research and Development Expenses

For the six months ended June 30, 2017, research and development expenses of the Group amounted to RMB51.1 million, representing an increase of RMB28.4 million or 125.1% from RMB22.7 million over the corresponding period of 2016. This was primarily due to more expenses spent for online platform technology enhancement during the Reporting Period.

8. Administrative and Other Operating Expenses

Administrative and other operating expenses for the six months ended June 30, 2017 were RMB78.0 million, representing a decrease of RMB4.5 million or 5.5% from RMB82.5 million over the corresponding period of 2016. This was primarily due to decrease in general administrative costs such as office related expenses.

9. Income Tax

Our income tax increased by 35.5% from approximately RMB37.2 million for the six months ended June 30, 2016 to approximately RMB50.4 million for the six months ended June 30, 2017. The effective tax rate for the six months ended June 30, 2017 was 14.9%, as compared to 14.6% for the six months ended June 30, 2016.

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

For the six months ended June 30, 2017, profit attributable to equity Shareholders of the Company amounted to RMB270.5 million, representing an increase of RMB67.1 million or 33.0% as compared with RMB203.4 million for the corresponding period of 2016. The increase was primarily due to increase in gross profit amount primarily driven by the results of revenue for the reasons described above.

11. Liquidity and Source of Funding

As of June 30, 2017, the current assets of the Group amounted to RMB8,237.9 million, which mainly comprised cash and bank balances (including pledged deposits and restricted cash), inventories, loans receivable and trade and other receivables, in the amount of RMB3,295.2 million, RMB967.6 million, RMB2,403.8 million and RMB1,558.3 million, respectively. Current liabilities of the Group amounted to RMB4,726.7 million, of which RMB3,693.5 million was bank loans and RMB919.8 million was trade and other payables. As of June 30, 2017, the current ratio (the current assets to current liabilities ratio) of the Group was 1.74, representing an increase of 0.07 as compared with 1.67 as of December 31, 2016.

The Group does not have other debt financing obligations as of June 30, 2017 or the date of this interim report and does not have any breaches of financial covenants.

12. Capital Expenditure

For the six months ended June 30, 2017, the capital expenditure of the Group amounted to approximately RMB0.6 million, representing a decrease of RMB3.6 million or 85.7% compared with RMB4.2 million for the corresponding period in 2016. The decrease in capital expenditure was primarily due to decrease in spending for office equipment.

13. Net Gearing Ratio

As of June 30, 2017, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents, pledged deposits and restricted cash) by total equity was 10.5% as compared with 8.7% as of December 31, 2016. The increase was primarily due to more funding spent on IngFin Financing Services business.

14. Pledge of Assets

Except for the pledged bank deposits and restricted cash of RMB2,679.1 million and RMB1,652.4 million as of June 30, 2017 and December 31, 2016, respectively, the Group did not pledge any assets for the six months ended June 30, 2017. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

15. Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of June 30, 2017.

16. 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.

17. Material Investments

The Group did not make any material investments for the six months ended June 30, 2017.

18. Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals during the Reporting Period.

19. Events after the Reporting Period

Disposal of a subsidiary

On July 12, 2017, the Group entered into a sale and purchase agreement to transfer 51.0% equity interest of World Style Technology Holdings Limited ("**World Style**"), a subsidiary of the Group, to a third party for a consideration of RMB55.5 million. Upon the completion of the transfer, the Group will not hold any equity interest in World Style.

For the six months ended June 30, 2017, the consolidated net profit of World Style and its subsidiaries amounted to RMB11.9 million. As of June 30, 2017, the consolidated net assets of World Style and its subsidiaries amounted to RMB51.5 million.

Repayment of bank loans

Subsequent to the end of the Reporting Period, the Group has repaid bank loans amounting to RMB1,472.4 million.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation

As at June 30, 2017, the interests and short positions of the Directors and the chief executive 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 recorded in the register maintained by the Company referred to therein; (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) disclosed according to the knowledge of the Directors of the Company were as follows:

(i) Interests in the Shares of our Company

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding[3]
Mr. Kang	Interest of controlled corporation[2]	700,200,000	47.48%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Mr. Wu	Beneficial owner	1,800,000	0.12%

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 June 30, 2017.

(ii) Interests in the associated corporation

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

Save as disclosed above, as at June 30, 2017, 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, 2017, so far as the Directors are aware, the following substantial Shareholders have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding(4)
Envision Global	Beneficial owner	700,200,000	47.48%
Mr. Kang(2)	Interest of a controlled corporation	700,200,000	47.48%
Mr. Kang	Beneficial owner	1,800,000	0.12%
Da Cheng	Investment Manager	73,747,000	5.00%
Total Dynamic	Beneficial owner	182,888,000	12.40%
Ms. Yao(3)	Interest of a controlled corporation	182,888,000	12.40%

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) 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.

(4) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as at June 30, 2017.

Save as disclosed above, as at June 30, 2017, 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, 2017, the Group had 798 full-time employees (June 30, 2016: 731). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

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

The Company also has an RSU Scheme.

The total remuneration cost incurred by the Group for the six months ended June 30, 2017 was RMB57.53 million (for the six months ended June 30, 2016: RMB98.6 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, 2017 are set out below:

Name of participants	Date of award	Number of Shares underlying the RSUs granted	Vested as at June 30, 2017	Unvested as at June 30, 2017	Vesting Period
Directors					
Mr. Kang	March 1, 2014	1,800,000	1,800,000	–	600,000 Shares in each of 2014, 2015 and 2016 (in quarterly installments)
Mr. Wu	March 1, 2014	1,800,000	1,800,000	–	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	18,071,300	–	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	9,992,500	6,387,500	12 quarterly installments (from July 8, 2015 to July 7, 2018)
Other grantees with a vesting period of three years	February 1, 2017	6,000,000	500,000.00	5,500,000	12 quarterly installments (from February 1, 2017 to January 31, 2020)

Note 1: As at June 30, 2017, 1,275,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 2: As at June 30, 2017, 830,500 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Note 3: As at June 30, 2017, 1,560,000 awarded Shares lapsed prior to its vesting date as a result of staff resignation.

Corporate Governance

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, 2017 to June 30, 2017.

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, 2017, 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 of conduct for dealings in the 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, 2017.

The Board has also adopted the Securities Dealing Code 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 Dr. Ma Qiyuan, 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, 2017. 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.

The interim financial report of the Group for the six months ended June 30, 2017 has been reviewed by the audit committee of the Company.

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:

Ms. NI Hong, Hope

Ms. Ni has resigned as a director of KongZhong Corporation, a NASDAQ listed company (NASDAQ: KZ) with effect from March 2017.

She was appointed as a director of ATA Online (Beijing) Education Technology Co., Limited (全美在綫(北京)教育科技股份有限公司), a company listed on the National Equities Exchange and Quotations System of China (NEEQ: 835079).

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of publication of the 2016 annual report.

Purchase, Sale or Redemption of Company's Listed Securities

During the six months ended June 30, 2017, the Company repurchased an aggregate of 12,227,000 shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$117.8 million (equivalent to RMB105.0 million).

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders. During the six months ended June 30, 2017, the Company had repurchased a total of 12,227,000 shares, of which 413,000 shares, 1,470,000 shares, 6,949,000 shares and 3,395,000 shares were cancelled on February 3, 2017, March 3, 2017, June 9, 2017 and July 6, 2017 respectively.

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

Material Litigation

As of June 30, 2017, 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.

Other Information (Continued)

Use of Proceeds From the Listing

The net proceeds from the Company's issue of new Shares in its initial public offering (after deducting expenses relating specifically to the issue of new Shares in the initial public offering and expenses relating generally to the listing of all the shares of the Company, whether existing or new, included underwriting fee of approximately RMB49,466,000) amounted to approximately HK$1,313,168,000 (equivalent to approximately RMB1,046,070,000). As at June 30, 2017, the net proceeds from the initial public offering had been utilized as follows:

	Planned amount per Prospectus	Amount utilized up to December 31, 2016	Amount utilized up to June 30, 2017	Balance as at June 30, 2017
		(RMB in millions, unless specified)		
Expanding our marketing and promotion activities	366.1	366.1	—	—
Expanding and enhancing of our e-commerce platform, investing in our technology infrastructure, as well as for conducting other research and development activities	313.8	143.8	192.5	121.3
Funding potential acquisition of, or investment in, technologies and complementary online business, partnerships and licensing opportunities	261.5	261.5	—	—
Working capital and other general corporate purposes	104.6	104.6	—	—

Use of Proceeds From the Placing

On September 22, 2016, the Company had completed a placing of an aggregate of 160,420,232 new Shares at a placing price of HK$12.5 per Share. An aggregate of 160,420,232 new placing shares, representing approximately 10.60% of the enlarged issued share capital of the Company immediately after completion, have been successfully placed to not less than six placees who and whose ultimate beneficial owner(s) are third parties independent of the Company. Placees included Da Cheng, Lindeman Asia Global Pioneer Private Equity Fund No. 11 (with the National pension service, Korea Development Bank, Korea Teachers' Credit Union, Korea Post being its ultimate investors), China Reinsurance (Group) Corporation, The People's Insurance Company (Group) of China Limited, New China Asset Management (Hong Kong) Limited and 重慶高新創投兩江品牌汽車產業投資中心(有限合夥).

The net proceeds from the placing of new Shares amounted to approximately HK$2,000 million (equivalent to approximately RMB1,720 million), after deduction of the placing commission and other related expenses. The Company intends to use, and has used the net proceeds from the placing as general working capital of the Group. The position for changes in working capital was disclosed in the consolidated cash flow statement for the year ended December 31, 2016 as set out in the annual report 2016 of the Company. As set out in the consolidated cash flow statement, for the year ended December 31, 2016, approximately RMB765 million was used in inventories, approximately RMB675 million was used in trade and other receivables, and approximately RMB523 million was used in loans to third parties.

For indicative purpose only, for the year ended December 31, 2016, approximately RMB401 million of the proceeeds was used in inventories, approximately RMB354 million of the proceeds was used in trade and other receivables, and approximately RMB274 million of the proceeds was used in loans to third parties. As at December 31, 2016, approximately RMB691 million of the net proceeds from the placing of new Shares remained unutilised and it will be used for general working capital of the Group.

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of HK$0.05 per share for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil) which will be payable on October 23, 2017 to shareholders of the Company whose names appear on the Register of Members as at the close of business on Friday, October 6, 2017. The dividend of HK$0.05 per share is payable on the existing 1,471,276,732 Shares in issue.

The Register of Members will be closed from Wednesday, October 4, 2017 to Friday, October 6, 2017 (both days inclusive), during which period no transfer of shares will be registered. To qualify for entitlement of the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, October 3, 2017.

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**").

Other Information (Continued)

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

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

Currently, none of the applicable PRC laws, regulations or rules provides clear guidance on the interpretation of the Qualification Requirement. As a matter of practice, the interpretation of the Qualification Requirement will mainly be subject to the administrative discretion of the MIIT, and there do exist practical uncertainties as to whether the Company will be regarded as having fulfilled the Qualification Requirement by the MIIT, even though the Company has taken measures to build up its track record of overseas telecommunications business operations as detailed below. According to the Information Disclosure System of MIIT, since promulgation of the 196 Circular, nationwide only a very limited number of foreign invested companies have obtained the Electronic Data Interchange License (the "**EDI license**"), which is the license required for the e-commerce business under the 196 Circular, taking place of the previously required ICP license. Therefore, it is uncertain whether the Company could directly hold Shenzhen Cogobuy through equity ownership without having any adverse impact on the e-commerce business conducted by Shenzhen Cogobuy or otherwise on the ICP license held by Shenzhen Cogobuy or the EDI license which Shenzhen Cogobuy is currently applying for.

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, 2017, 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 January 1, 2017 and June 30, 2017, 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, 2017 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 31, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

	Note	Six months ended June 30, 2017 RMB'000	2016 RMB'000
Revenue	3, 4	**6,121,617**	5,650,952
Cost of sales		**(5,581,602)**	(5,188,460)
Gross profit		**540,015**	462,492
Other income	5	**55,751**	12,098
Selling and distribution expenses		**(80,750)**	(89,792)
Research and development expenses		**(51,080)**	(22,648)
Administrative and other operating expenses		**(78,017)**	(82,520)
Profit from operations		**385,919**	279,630
Finance costs	6(a)	**(51,133)**	(24,406)
Share of profit of an associate		**2,740**	—
Profit before taxation	6	**337,526**	255,224
Income tax	7	**(50,415)**	(37,213)
Profit for the period		**287,111**	218,011
Attributable to:			
Equity shareholders of the Company		**270,464**	203,440
Non-controlling interests		**16,647**	14,571
Profit for the period		**287,111**	218,011

Consolidated Statement of Comprehensive Income — Unaudited (Continued)

	Note	Six months ended June 30, 2017 RMB'000	2016 RMB'000
Profit for the period		**287,111**	218,011
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		**(64,962)**	29,007
— Net movement in the fair value reserve of available-for-sale investments		**(4,904)**	—
Other comprehensive income for the period		**(69,866)**	29,007
Total comprehensive income for the period		**217,245**	247,018
Attributable to:			
Equity shareholders of the Company		**202,338**	232,702
Non-controlling interests		**14,907**	14,316
		217,245	247,018
Earnings per share	8		
Basic (RMB)		**0.185**	0.152
Diluted (RMB)		**0.184**	0.150

The notes on pages 31 to 54 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

	Note	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	**12,766**	14,189
Intangible assets		**44,337**	51,286
Goodwill		**197,360**	201,659
Available-for-sale investments	10	**21,473**	107,426
Other non-current assets		**1,929**	2,247
Investment in an associate and a joint venture	11	**18,782**	16,446
		296,647	393,253
Current assets			
Inventories	12	**967,630**	1,394,835
Trade and other receivables	13	**1,558,342**	2,095,591
Loans receivable	14	**2,403,830**	794,596
Available-for-sale investments	10	**—**	471,212
Short term deposits		**12,943**	12,649
Restricted cash	17	**1,065,611**	—
Pledged deposit	17	**1,613,474**	1,652,434
Cash and cash equivalents	15	**616,097**	1,825,543
		8,237,927	8,246,860
Current liabilities			
Trade and other payables	16	**919,814**	1,027,076
Bank loans	17	**3,693,530**	3,797,382
Amount due to a related party	18	**38,066**	38,985
Current taxation		**75,311**	81,776
		4,726,721	4,945,219
Net current assets		**3,511,206**	3,301,641
Total assets less current liabilities		**3,807,853**	3,694,894

Consolidated Statement of Financial Position — Unaudited (Continued)

	Note	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Non-current liabilities			
Deferred tax liabilities		**7,705**	8,959
NET ASSETS		**3,800,148**	3,685,935
CAPITAL AND RESERVES	20		
Share capital		**1**	1
Reserves		**3,699,799**	3,600,493
Total equity attributable to equity shareholders of the Company		**3,699,800**	3,600,494
Non-controlling interests		**100,348**	85,441
TOTAL EQUITY		**3,800,148**	3,685,935

The notes on pages 31 to 54 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to equity shareholders of the Company												
	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, 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	–	(80,611)	–	–	–	–	–	–	–	–	(80,611)	–	(80,611)
Issue of shares under the RSU Scheme	–	17,905	–	(17,905)	–	–	–	–	–	–	–	–	–
Balance at June 30, 2016 and July 1, 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
Changes in equity for the six months ended December 31, 2016:													
Profit for the period	–	–	–	–	–	–	–	–	–	275,359	275,359	16,237	291,596
Other comprehensive income for the period	–	–	–	–	–	–	4,904	103,695	–	–	108,599	2,055	110,654
Total comprehensive income	1	937,172	18,923	30,686	(8,845)	(26,286)	4,904	184,845	3,317	1,124,193	2,268,910	85,441	2,354,351
Equity-settled share-based compensation	–	–	–	12,610	–	–	–	–	–	–	12,610	–	12,610
Issue of new shares	–	1,719,913	–	–	–	–	–	–	–	–	1,719,913	–	1,719,913
Issue of shares under the RSU Scheme	–	19,511	–	(19,511)	–	–	–	–	–	–	–	–	–
Purchase of own shares	–	(301,063)	–	–	–	–	–	–	–	–	(301,063)	–	(301,063)
Purchase of shares held for RSU Scheme	–	–	–	–	(99,876)	–	–	–	–	–	(99,876)	–	(99,876)
Appropriations	–	–	–	–	–	–	–	–	1,285	(1,285)	–	–	–
Balance at December 31, 2016	1	2,375,533	18,923	23,785	(108,721)	(26,286)	4,904	184,845	4,602	1,122,908	3,600,494	85,441	3,685,935

Consolidated Statement of Changes in Equity — Unaudited (Continued)

	Note	Attributable to equity shareholders of the Company												
		Share capital (Note 20(b))	Share premium (Note 20(c))	Capital reserve (Note 20(d))	Share-based compensation reserve (Note 20(e))	Shares held for the Restricted Share Unit Scheme ("RSU Scheme") (Note 20(g))	Other reserve (Note 20(f))	Fair value reserve	Exchange reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017		1	2,375,533	18,923	23,785	(108,721)	(26,286)	4,904	184,845	4,602	1,122,908	3,600,494	85,441	3,685,935
Changes in equity for the six months ended June 30, 2017:														
Profit for the period		–	–	–	–	–	–	–	–	–	270,464	270,464	16,647	287,111
Other comprehensive income for the period		–	–	–	–	–	–	(4,904)	(63,222)	–	–	(68,126)	(1,740)	(69,866)
Total comprehensive income		–	–	–	–	–	–	(4,904)	(63,222)	–	270,464	202,338	14,907	217,245
Equity-settled share-based compensation	19	–	–	–	23,603	–	–	–	–	–	–	23,603	–	23,603
Purchase of own shares	20(b)(iii)	–	(105,507)	–	–	–	–	–	–	–	–	(105,507)	–	(105,507)
Purchase of shares held for RSU Scheme	20(b)(v)	–	–	–	–	(21,128)	–	–	–	–	–	(21,128)	–	(21,128)
Issue of shares under the RSU Scheme	20(b)(iv)	–	19,247	–	(19,247)	–	–	–	–	–	–	–	–	–
Balance at June 30, 2017		1	2,289,273	18,923	28,141	(129,849)	(26,286)	–	121,623	4,602	1,393,372	3,699,800	100,348	3,800,148

The notes on pages 31 to 54 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

	Note	Six months ended June 30, 2017 RMB'000	2016 RMB'000
Cash generated from operations		**415,115**	187,270
Tax paid		**(58,539)**	(28,775)
Net cash generated from operating activities		**356,576**	158,495
Investing activities			
Net increase/(decrease) in pledged deposits		**38,958**	(94,045)
Interest received		**14,511**	9,667
Dividend received		**1,908**	—
Proceeds from disposal of available-for-sale securities		**471,212**	56,246
Payment for business acquisition		**—**	(2,659)
Payment for the purchase of listed equity investments		**—**	(23,836)
Payment for acquisition of property, plant and equipment		**(561)**	—
Other cash flow arising from investing activities		**—**	(4,241)
Net cash generated from/(used in) investing activities		**526,028**	(58,868)
Financing activities			
Net (repayments of)/proceeds from bank loans		**(798,134)**	293,237
Interest paid		**(50,453)**	(23,879)
Payment for repurchase of issued ordinary shares		**(105,507)**	(80,611)
Payment for purchase of issued ordinary shares for RSU Scheme		**(21,128)**	—
Payment for acquisition of non-controlling interests		**—**	(54,474)
Increase in cash restricted from use		**(1,065,610)**	—
Net cash (used in)/generated from financing activities		**(2,040,832)**	134,273
Net (decrease)/increase in cash and cash equivalents		**(1,158,228)**	233,900
Cash and cash equivalents at the beginning of the period	15	**1,825,543**	1,024,269
Effect of foreign exchange rates changes		**(51,218)**	12,951
Cash and cash equivalents at the end of the period	15	**616,097**	1,271,120

The notes on pages 31 to 54 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Basis of Preparation

This interim financial report of Cogobuy Group (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issue on August 31, 2017.

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 two e-commerce platforms for the sales of IC and other electronic components and is engaged in providing financing services, with supply chain financing as the core. 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 financial information relating to the financial year ended December 31, 2016 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 annual consolidated financial statements for the year ended December 31, 2016 are available from the Company's registered office. The auditor has expressed an unqualified opinion on these financial statements in their report dated March 21, 2017.

2 Changes in Accounting Policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this 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. The Group also operates two e-commerce platforms for the sale of IC and other electronic components and is engaged in the provision of financing services.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. Information regarding the Group's reportable segments for the period is set out below.

	Sales of IC and other electronic components		**Financing Services**		**Total**	
For the six months ended 30 June	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**6,051,991**	5,643,405	**69,626**	7,547	**6,121,617**	5,650,952
Reportable segment profit before taxation	**285,481**	249,241	**52,045**	5,983	**337,526**	255,224
As at June 30/December 31						
Reportable segment assets	**6,076,037**	7,834,728	**2,458,537**	805,385	**8,534,574**	8,640,113
Reportable segment liabilities	**2,333,442**	4,164,106	**2,400,984**	790,072	**4,734,426**	4,954,178

Substantially all of the Group's operations are in the PRC (including 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 marketplaces ("marketplace income") and interest income generated from financing services. The amount of each significant category of revenue recognized for the periods is as follows:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Sales of IC and other electronic components	**5,996,332**	5,605,611
Marketplace income	**55,659**	37,794
Financing services interest income	**69,626**	7,547
	6,121,617	5,650,952

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

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended June 30, 2017. Revenue from sales of IC and other electronic components to this customer amounted to approximately RMB657 million (six months ended June 30, 2016: RMB384 million). For the six months ended June 30, 2016, there is no single customer with whom transactions have excessed 10% of the Group's revenue.

5 Other Income

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Available-for-sale investments:		
— On impairment	**—**	(34,120)
— Reclassified from equity on disposal	**4,904**	—
— Net gain on disposal	**31,553**	32,410
Bank interest income	**14,511**	9,667
Dividend income from listed securities	**1,908**	2,143
Government grants	**1,148**	1,998
Others	**1,727**	—
	55,751	12,098

6 Profit before Taxation

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

	Six months ended June 30, 2017 RMB'000	2016 RMB'000
(a) Finance costs		
Interest expense on bank loans	**43,174**	19,506
Factoring costs (note 13)	**7,959**	4,900
	51,133	24,406
(b) Staff costs		
Contributions to defined contribution retirement plan	**9,443**	7,420
Salaries, wages and other benefits	**49,915**	67,077
Equity-settled shared-based compensation expenses (note 19)	**23,603**	24,143
	82,961	98,640
(c) Other items		
Amortization of intangible assets	**6,753**	6,649
Depreciation of property, plant and equipment	**1,054**	717
Cost of inventories	**5,581,602**	5,188,460
Impairment loss on trade receivables	**9,639**	4,920
Net foreign exchange (gain)/loss	**(8,780)**	1,539
Operating lease charges in respect of property rentals	**8,593**	6,570
Research and development expenses (note)	**51,080**	22,648

Note: Research and development expenses include staff costs of employees in the design, research and development function of RMB34,362,000 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB17,449,000), which are included in the staff costs as disclosed in note 6(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB2,457,000 (six months ended June 30, 2016: RMB1,558,000), and amortization and depreciation charge of RMB462,000 (six months ended June 30, 2016: RMB251,000), for the six months ended June 30, 2017.

7 Income Tax

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Current tax		
PRC Corporation Income Tax	**15,440**	17,298
Hong Kong Profits Tax	**35,114**	20,748
Overseas current tax	**975**	264
	51,529	38,310
Deferred taxation		
Origination and reversal of temporary differences	**(1,114)**	(1,097)
	50,415	37,213

(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, 2017 (six months ended June 30, 2016: 16.5%).

(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.

Cogobuy.com E-commerce Services (Shenzhen) Limited, Shenzhen Cogobuy Information Technologies Limited and FOXSAAS Information Technology (Shenzhen) Limited, being qualified software enterprises, are each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations ("2+3 tax holiday") during 2013. As a result, they are exempted from CIT for 2013 and 2014, and are subject to CIT at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

7 Income Tax (Continued)

Qianhai Cogobuy.com (Shenzhen) Limited and INGDAN.com (Shenzhen) Limited, being qualified software enterprises, are granted a 2+3 tax holiday under the then effective tax regulations during 2015. As a result, they are exempted from CIT for 2015 and 2016, and are subject to CIT at 12.5% from 2017 to 2019 and 25% from 2020 onwards.

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 RMB270,464,000 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB203,440,000) and the weighted average number of ordinary shares of 1,462,043,000 shares (six months ended June 30, 2016: 1,338,310,000 shares).

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

Weighted average number of ordinary shares

	Six months ended June 30, 2017	2016
Issued ordinary shares at the beginning of the period	**1,465,357,000**	1,340,679,000
Issue of shares under the RSU Scheme	**2,343,000**	2,975,000
Repurchases of shares	**(5,657,000)**	(5,344,000)
Weighted average number of ordinary shares as of the end of the period	**1,462,043,000**	1,338,310,000

(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 RMB270,464,000 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB203,440,000) and the weighted average number of ordinary shares of 1,472,940,000 shares (six months ended June 30, 2016: 1,355,073,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended June 30, 2017	2016
Weighted average number of ordinary shares as of the end of the period	**1,462,043,000**	1,338,310,000
Effect of deemed issue of shares under the Company's RSU Scheme for nil consideration (note 19)	**10,897,000**	16,763,000
Weighted average number of ordinary shares (diluted) as of the end of the period	**1,472,940,000**	1,355,073,000

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

9 Property, Plant and Equipment

During the six months ended June 30, 2017, the Group acquired property, plant and equipment with a cost of RMB561,000 (six months ended June 30, 2016: RMB4,242,000).

10 Available-for-sale Investments

	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Available-for-sale equity securities		
— Listed in Hong Kong	**—**	85,535
— Unlisted	**21,473**	21,891
	21,473	107,426
Investment in unlisted funds	**—**	471,212
	21,473	578,638
Divided into		
Non-current portion	**21,473**	107,426
Current portion	**—**	471,212

As of June 30, 2017, the above unlisted investment represents investment in unlisted equity securities issued by private entities. 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 and a Joint Venture

INGDAN.com Limited, a subsidiary of the Group, holds 15% equity interest of Zim Hong Kong Limited ("Zim") and appoints a director to the Board of Directors of Zim. The directors of the Company consider the Group is able to exert a significant influence over Zim, thus, the investment is accounted for as an investment in associate and subsequently accounted for using the equity method.

The joint venture is a newly set up limited liability company in the PRC, in which the Group has 50% equity interest acquired by capital contribution of RMB1,000,000 upon its establishment. The joint venture has not yet started operations as of June 30, 2017.

12 Inventories

During the six months ended June 30, 2017, 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, 2016: Nil).

13 Trade and Other Receivables

	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Trade receivables	**1,510,524**	2,079,935
Bills receivable	**36,993**	38,436
Trade and bills receivables	**1,547,517**	2,118,371
Less: allowance for doubtful debts	**(99,843)**	(90,204)
	1,447,674	2,028,167
Loan interest receivables	**49,038**	3,665
Deposits and prepayments	**40,635**	56,441
Other receivables	**20,995**	7,318
	1,558,342	2,095,591

13 Trade and Other Receivables (Continued)

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 2.1% to 3.0% (six months ended June 30, 2016: 2.2% to 2.9%) of the balances transferred and are included in "finance costs" for the six months ended June 30, 2017. 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.

For the six months ended June 30, 2017, the Group received proceeds of RMB1,979,257,000 (six months ended June 30, 2016: RMB1,513,956,000) from sales of trade receivables. The Group recognized discounts of RMB7,959,000 (six months ended June 30, 2016: RMB4,900,000) in finance costs for trade receivables sold to the banks for the six months ended June 30, 2017.

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, 2017 RMB'000	As of December 31, 2016 RMB'000
Within 1 month	**1,048,890**	1,272,570
1 to 2 months	**243,239**	466,007
2 to 3 months	**122,286**	206,970
Over 3 months	**33,259**	82,620
	1,447,674	2,028,167

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

14 Loans Receivable

	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Unsecured loans	**175,536**	64,612
Secured loans	**2,228,294**	729,984
	2,403,830	794,596

Loans receivable comprise unsecured loans without collateral and secured loans secured by the borrowers' inventories, receivables, investment in securities, etc.

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, 2017 RMB'000	As of December 31, 2016 RMB'000
Past due	**124,933**	—
Within 1 month	**563,464**	—
1 to 2 months	**67,572**	150,618
2 to 3 months	**658,054**	64,691
Over 3 months	**989,807**	579,287
	2,403,830	794,596

As of June 30, 2017, none of the loans receivable was determined to be individually impaired (December 31, 2016: Nil). All loans receivable will be mature within one year.

As of the date of approval of this interim financial report, RMB2,064,036,000 of the loans receivable were subsequently collected.

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, 2017 RMB'000	As of December 31, 2016 RMB'000
Cash at bank and on hand	**616,097**	1,825,543

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, 2017 RMB'000	As of December 31, 2016 RMB'000
Within 1 month	**597,410**	776,136
1 to 3 months	**46,896**	157,271
Over 3 months	**1,924**	34,000
Trade payables	**646,230**	967,407
Accrued staff costs	**1,486**	23,566
Other payables	**272,098**	36,103
	919,814	1,027,076

17 Pledged Deposit, Restricted Cash and Bank Loans

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

As of June 30, 2017 and December 31, 2016, 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 and restricted cash

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, 2017 RMB'000	As of December 31, 2016 RMB'000
Aggregate credit limit	**7,203,006**	6,304,244
Outstanding loans	**(3,693,530)**	(3,797,382)
Trade receivables factoring facilities utilized	**(1,158,271)**	(629,475)
Unutilized facilities	**2,351,205**	1,877,387

As of June 30, 2017, the banking facilities were secured by cash of RMB1,613,474,000 (December 31, 2016: RMB1,652,434,000) pledged by the Group.

As of June 30, 2017, the Group's cash at bank amounting to RMB1,065,611,000 (December 31, 2016: Nil) was restricted by banks from use and was included in restricted cash in the consolidated statement of financial position.

(b) Bank covenants

As of June 30, 2017, 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. As of June 30, 2017, none of covenants relating to the banking facilities had been breached (December 31, 2016: Nil).

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 restricted cash of the Group.

18 Amount due to a Related Party

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

	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Amount due to non-controlling interests holder	**38,066**	38,985

As of June 30, 2017, the amount due to non-controlling interests holder represented the purchase consideration payable of RMB18,121,000 for the acquisition of the business operation of World Style Technology Holdings Limited and its subsidiaries and advance from non-controlling interests of RMB19,945,000 to a subsidiary of the Group. The amount is unsecured, interest-free and repayable on demand.

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(s) 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 purpose of the RSU Scheme.

On February 1, 2017, the Company granted an additional 6,000,000 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 purpose 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 and the fair value of RSU granted on February 1, 2017 to be RMB56,212,000 (HK$63,360,000) or RMB9.37 (HK$10.56) per unit.

(Expressed in Renminbi unless otherwise indicated)

19 Equity-settled Share-based Transactions (Continued)

Share-based payment expense of RMB23,603,000 (six months ended June 30, 2016: RMB24,143,000) was recognized as staff costs in the Company's profit or loss for the six months ended June 30, 2017 and the remaining balance is to be recognized in 2017, 2018, 2019 and 2020 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)
— on February 1, 2017	6,000,000	Notes (vi), (vii)
Total RSUs granted	54,140,000	

Notes:

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

- — One-third of which have vested for the year ended December 31, 2014 in equal quarterly installments.
- — One-third of which have vested for the year ended December 31, 2015 in equal quarterly installments.
- — One-third of which have vested for the year ended December 31, 2016 in equal quarterly installments.

(ii) The RSUs granted have a one-year vesting period ended 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 have vested for the 12 months ended July 7, 2016 in equal quarterly installments.
- — One-third of which will vest for the 12 months ending July 7, 2017 in equal quarterly installments.
- — One-third of which will vest for the 12 months ending July 7, 2018 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)

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

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

- One-third of which will vest for the 12 months ending January 31, 2018 in equal quarterly installments.
- One-third of which will vest for the 12 months ending January 31, 2019 in equal quarterly installments.
- One-third of which will vest for the 12 months ending January 31, 2020 in equal quarterly installments.

(vii) Employees who leave the Group before January 31, 2020 forfeit their right to any unvested RSUs.

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

	As of June 30, 2017 Number of RSUs	As of December 31, 2016 Number of RSUs
Outstanding as of the beginning of the period/year	**9,555,000**	23,630,500
Granted during the period/year	**6,000,000**	—
Vested during the period/year	**(3,475,833)**	(12,720,400)
Forfeited during the period/year	**(297,500)**	(1,355,100)
Outstanding as of the end of the period/year	**11,781,667**	9,555,000

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 and February 1, 2017 was measured by the reference to quoted market price of the Company's shares at the grant date, being HK$4.91 per share and HK$10.56 per share, respectively.

20 Capital, Reserves and Dividends

(a) Dividends

Dividends payable to equity shareholders attributable to the interim period.

	2017 RMB'000	2016 RMB'000
Interim dividend declared and to be paid after the interim period of HK$0.05 per share (2016: Nil)	**63,891**	—

The interim dividend has not been recognized as a liability at the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

20 Capital, Reserves and Dividends (Continued)

(b) Share capital

	As of June 30, 2017		As of December 31, 2016	
	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	**1,501,272,732**	**150**	1,362,262,500	136
Issue of new shares (notes (i))	**—**	**—**	160,420,232	16
Repurchase of shares (notes (ii) and (iii))	**(26,601,000)**	**(3)**	(21,410,000)	(2)
At the end of the period/year	**1,474,671,732**	**147**	1,501,272,732	150

Notes:

(i) On September 22, 2016, the Company had completed a placing of an aggregate of 160,420,232 new shares at a placing price of HK$12.5 each share. The net proceed from the placing of new share amounted to HKD2,000,603,000 (equivalently RMB1,719,913,000), of which RMB1,719,913,000 was charged to share premium within consolidated equity.

20 Capital, Reserves and Dividends (Continued)

(b) Share capital (Continued)

Notes: (Continued)

(ii) During the year ended December 31, 2016, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate amount paid
		HK$	HK$	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
October 2016	4,536,000	12.30	12.04	55,088
November 2016	7,632,000	12.50	11.42	91,533
December 2016	17,083,000	12.00	11.22	200,849
	39,179,000			441,583

Of the 39,179,000 shares repurchased, 21,410,000 shares were cancelled as of December 31 2016, and the remaining 17,769,000 shares were cancelled during the six months ended June 30, 2017. The issued share capital of the Company was reduced by the nominal value of US$3.92. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$3.92 (equivalent to RMB26.57) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$441,583,000 (equivalent to RMB381,674,000) was charged to share premium.

(iii) During the six months ended June 30, 2017, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate amount paid
		HK$	**HK$**	**HK$'000**
January 2017	**1,215,000**	**11.70**	**10.32**	**13,364**
February 2017	**668,000**	**10.78**	**10.30**	**7,008**
May 2017	**10,344,000**	**10.40**	**7.67**	**97,417**
	12,227,000			**117,789**

Of the 12,227,000 shares repurchased, 8,832,000 shares were cancelled as of June 30, 2017. The issued share capital of the Company was reduced by the nominal value of US$1.22. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of US$0.88 (equivalent to RMB5.97) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$117,789,000 (equivalent to RMB105,007,000) was charged to share premium.

(iv) For the six months ended June 30, 2017, 3,475,833 units of RSUs were vested to the beneficiaries, RMB19,247,000 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)

(b) Share capital (Continued)

Notes: (Continued)

(v) During the six month ended June 30, 2017, 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 2017	1,250,000	11.05	10.73	13,631
February 2017	500,000	10.90	10.77	5,425
May 2017	500,000	9.78	9.78	4,892
	2,250,000			23,948

These repurchased shares were held by the RSU Scheme trustee for the purpose of the RSU Scheme (note 19). The consideration paid on the repurchase of the shares of HK$23,948,000 (equivalent to RMB21,128,000) is presented as shares held for the RSU Scheme in the consolidated statement of changes in equity and deducted from total equity.

(c) Share premium

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

(d) Capital reserve

An amount of US$3,000,000 (equivalent to RMB18,923,000) was contributed by the shareholder in the form of cash during 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.

20 Capital, Reserves and Dividends (Continued)

(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 April 29, 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 share of the carrying amount of the net assets of Comtech Digital, amounting to RMB212,482,000 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

21 Fair Value Measurement (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

As of June 30, 2017, there were no financial instruments measured at fair value on a recurring basis.

	Fair value at December 31, 2016	Fair value measurements as at December 31, 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 securities	85,535	85,535	—	—
— Investments in unlisted funds	471,212	—	471,212	—

During the six months ended June 30, 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (the year ended December 31, 2016: 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.

(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, 2017 and December 31, 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As of June 30, 2017 RMB'000	As of December 31, 2016 RMB'000
Within one year	**12,846**	12,525
After one year but within five years	**5,568**	10,106
	18,414	22,631

The Group leases properties under operating leases. 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, 2017 and December 31, 2016, the Group had outstanding purchase orders for components from suppliers in the amount of approximately RMB1,299,944,000 and RMB2,538,852,000, 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, 2017 and December 31, 2016, respectively.

23 Contingent Liabilities

As of June 30, 2017 and December 31, 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 (see note 17). As of June 30, 2017 and December 31, 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.

24 Material Related Party Transactions

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

		Six months ended June 30,	
		2017	2016
	Note	**RMB'000**	RMB'000
Interest income from a related party		**–**	277
Provision of agency services, administrative and consultancy services to a company controlled by a director of the Company	(i)	**4,429**	4,587

Note:

(i) Pursuant to the series of agreements entered between the Group and Comtech Communication Technology (Shenzhen) Company Limited and Shenzhen Comtech Small Loan Company Limited ("Comtech Small Loan"), 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 RMB4,255,000 and RMB174,000 (six months ended June 30, 2016: RMB4,530,000 and RMB57,000), respectively, for the six months ended June 30, 2017.

25 Events after the Reporting Period

Disposal of subsidiaries

On July 12, 2017, the Group entered into a sale and purchase agreement to transfer 51% equity interest of World Style Technology Holdings Limited, a subsidiary of the Group, to a third party for a consideration of RMB55,500,000. Upon the completion of the transfer, the Group will not hold any equity interest in World Style Technology Holdings Limited.

For the six months ended June 30, 2017, the consolidated net profit of World Style Technology Holdings Limited and its subsidiaries amounted to RMB11,920,000. As of June 30, 2017, the consolidated net assets of World Style Technology Holdings Limited and its subsidiaries amounted to RMB51,458,000.

Repayment of bank loans

Subsequent to the end of the reporting period, the Group has repaid bank loans amounting to RMB1,472,420,000.

DEFINITIONS

"associate"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the Board of Directors of our Company
"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 6, 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
"Da Cheng"	Da Cheng International Asset Management Company Limited (大成國際資產管理有限公司), a limited liability company incorporated in Hong Kong on March 19, 2009 which is our Shareholder
"Director(s)"	the director(s) of our Company
"Envision Global"	Envision Global Investments Limited, a limited liability company incorporated in the BVI on February 1, 2012 which is wholly-owned by Mr. Kang and is our immediate Controlling Shareholder
"Group", "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

Definitions (Continued)

"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)
"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 or 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
"PRC Legal Advisor"	Broad & Bright Law Firm
"RMB"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2017
"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$0.0000001 each
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Shenzhen Cogobuy"	Shenzhen Cogobuy Information Technologies Limited (深圳市可購百信息技術有限公司), a limited liability company established in the PRC on December 13, 2012, wholly-owned by Ms. Yao and, by virtue of the contractual arrangements, accounted for as our subsidiary
"SME"	small and medium enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Dynamic"	Total Dynamic Holdings Limited, a limited liability company incorporated in the BVI on December 4, 2012 which is wholly-owned by Ms. Yao and is our substantial Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States