FORTUNET E-COMMERCE GROUP LIMITED
鑫網易商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 153% to RMB234.2 million for the six months ended 30 June 2016 (30 June 2015: RMB92.5 million).

- The Group recorded a loss of RMB31.2 million for the six months ended 30 June 2016 (30 June 2015: RMB467.2 million).

- Net loss attributable to equity shareholders of the Company amounted to RMB6.1 million for the six months ended 30 June 2016 (30 June 2015: RMB454.8 million).

- Cash and cash equivalents decreased by RMB72.4 million for the six months ended 30 June 2016.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

- Certain prior period's adjustments were made to rectify errors relating to the Group's interim financial report for the six months ended 30 June 2015.

The board (the "**Board**") of directors (the "**Directors**") of Fortunet e-Commerce Group Limited (the "**Company**") presents herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016. The interim financial information have not been audited, but have been reviewed by the Company's auditors, KPMG, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, and the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
			(restated)
Revenue	*5*	**234,240**	92,490
Cost of sales		**(223,630)**	(188,144)
Gross profit/(loss)	*5(a)*	**10,610**	(95,654)
Other income	*6*	**20,315**	6,653
Selling and distribution expenses		**(18,591)**	(17,426)
Administrative expenses		**(26,875)**	(50,028)
Research and development costs		**(15,945)**	(11,198)
Reversal/(recognition) of impairment losses	*7*	**14,221**	(217,357)
Loss from operations		**(16,265)**	(385,010)
Finance costs	*8(a)*	**(23,780)**	(86,639)
Loss before taxation	*8*	**(40,045)**	(471,649)
Income tax	*9*	**8,831**	4,453
Loss and total comprehensive income for the period		**(31,214)**	(467,196)
Attributable to:			
Equity shareholders of the Company		**(6,136)**	(454,758)
Non-controlling interests		**(25,078)**	(12,438)
Loss and total comprehensive income for the period		**(31,214)**	(467,196)
Loss per share			
Basic and diluted (RMB)	*10*	**(0.004)**	(0.380)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited
(Expressed in RMB)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	11	**97,844**	109,528
Lease prepayments		**11,347**	11,484
Intangible assets	12	**27,499**	18,124
Goodwill	13	**61,013**	61,013
Deferred tax assets	22	**35,363**	26,270
		233,066	226,419
Current assets			
Inventories	14	**67,002**	63,604
Trade and other receivables	15	**104,650**	49,490
Assets classified as held-for-sale	16	**70,398**	240,920
Pledged bank deposits		**48**	53
Cash and cash equivalents	17	**123,215**	195,632
		365,313	549,699
Current liabilities			
Trade and other payables	18	**152,289**	150,924
Bank and other loans	19(a)	**185,989**	171,904
Secured notes	20	**131,819**	–
Liabilities classified as held-for-sale	16	**–**	167,278
Income tax payable		**908**	–
		471,005	490,106
Net current (liabilities)/assets		**(105,692)**	59,593
Total assets less current liabilities		**127,374**	286,012
Non-current liabilities			
Secured notes	20	**–**	128,271
Convertible bonds	21	**81,870**	80,409
Deferred tax liabilities	22	**4,595**	5,241
		86,465	213,921
NET ASSETS		**40,909**	72,091
CAPITAL AND RESERVES			
Share capital		**98,557**	98,557
Reserves		**(7,939)**	(4,696)
Total equity attributable to equity shareholders of the Company		**90,618**	93,861
Non-controlling interests		**(49,709)**	(21,770)
TOTAL EQUITY		**40,909**	72,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Shares held under share award scheme	Capital reserve	Surplus reserves	Other reserve	Accumulated losses	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015										
As previously reported	53,560	599,296	(1,627)	226,982	149,020	(7,703)	(327,098)	692,430	–	692,430
Prior period's adjustments (Note 4)	–	–	–	–	–	–	(259,202)	(259,202)	–	(259,202)
As restated	53,560	599,296	(1,627)	226,982	149,020	(7,703)	(586,300)	433,228	–	433,228
Changes in equity for the six months ended 30 June 2015:										
Loss and total comprehensive income for the period (restated)	–	–	–	–	–	–	(454,758)	(454,758)	(12,438)	(467,196)
Issuance of shares to equity shareholders of the Company	37,498	119,466	–	–	–	–	–	156,964	–	156,964
Issuance of shares on acquisition of a subsidiary	7,499	68,376	–	–	–	–	–	75,875	19,205	95,080
Shares granted under the share award scheme	–	–	–	1,772	–	–	–	1,772	–	1,772
Shares vested under the share award scheme	–	–	1,627	(1,772)	–	–	145	–	–	–
	44,997	187,842	1,627	–	–	–	145	234,611	19,205	253,816
Balance at 30 June 2015 and 1 July 2015	98,557	787,138	–	226,982	149,020	(7,703)	(1,040,913)	213,081	6,767	219,848
Changes in equity for the six months ended 31 December 2015:										
Loss and total comprehensive income for the period	–	–	–	–	–	–	(119,220)	(119,220)	(28,537)	(147,757)
Balance at 31 December 2015	98,557	787,138	–	226,982	149,020	(7,703)	(1,160,133)	93,861	(21,770)	72,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Surplus reserves *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	98,557	787,138	226,982	149,020	(7,703)	(1,160,133)	93,861	(21,770)	72,091
Changes in equity for the six months ended 30 June 2016:									
Loss and total comprehensive income for the period	–	–	–	–	–	(6,136)	(6,136)	(25,078)	(31,214)
Acquisition of additional interest in a subsidiary	–	–	–	–	2,893	–	2,893	(2,893)	–
Capital injection from non-controlling equity shareholder into a subsidiary	–	–	–	–	–	–	–	32	32
	–	–	–	–	2,893	–	2,893	(2,861)	32
Balance at 30 June 2016	98,557	787,138	226,982	149,020	(4,810)	(1,166,269)	90,618	(49,709)	40,909

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 – unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
			(restated)
Operating activities			
Cash used in operations		**(48,270)**	(5,740)
Income tax paid		**–**	–
Net cash used in operating activities		**(48,270)**	(5,740)
Investing activities			
Payments for purchase of property, plant and equipment and intangible assets		**(23,526)**	(38,767)
Proceeds from disposal of property, plant and equipment		**–**	9,528
Proceeds from disposal of assets and liabilities classified as held-for-sale		**4**	82,027
Deposits received for disposal of assets classified as held-for-sale		**–**	19,202
Other cash flows arising from investing activities		**16**	1,275
Net cash (used in)/generated from investing activities		**(23,506)**	73,265
Financing activities			
Proceeds of new bank and other loans		**104,636**	57,940
Repayment of bank and other loans		**(90,551)**	(186,150)
Proceeds from the issuance of shares, net of transaction costs		**–**	156,964
Capital injection from non-controlling equity shareholder		**32**	–
Proceeds from the issuance of secured notes, net of transaction costs		**–**	118,683
Proceeds from the issuance of convertible bonds, net of transaction costs		**–**	59,278
Other cash flows arising from financing activities		**(17,832)**	(7,529)
Net cash (used in)/generated from financing activities		**(3,715)**	199,186
Net (decrease)/increase in cash and cash equivalents		**(75,491)**	266,711
Cash and cash equivalents at 1 January	*17*	**195,632**	6,858
Effect of foreign exchange rate changes		**3,074**	–
Cash and cash equivalents at 30 June	*17*	**123,215**	273,569

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Fortunet e-Commerce Group limited (formerly Changfeng Axle (China) Company Limited) (the "Company") was incorporated in the Cayman Islands on 21 May 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 September 2010. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The principal activities of the Group are the manufacture and sale of axles and related components, and the trading of goods through operation of electronic distribution platforms, mobile applications and other related means in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on 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 (the "HKICPA"). It was authorised for issue on 19 August 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the interim financial information 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 information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The Company's auditors have expressed an unqualified opinion with an emphasis of matter paragraph on those financial statements in their report dated 31 March 2016.

For the six months ended 30 June 2016, the Group had incurred net loss of RMB31,214,000 and net cash used in operating activities of RMB48,270,000, and as at 30 June 2016, the Group had net current liabilities of RMB105,692,000. These condensed consolidated interim financial statements have been prepared on a going concern basis notwithstanding the net loss and net cash used in operating activities for the six months ended 30 June 2016 because the directors of the Company are of the opinion that based on a cash flow forecast of the Group for the twelve months ending 30 June 2017 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

4 CORRECTION OF PRIOR PERIOD'S ERRORS

In the course of the preparation of the Group's annual financial statements for the year ended 31 December 2015, the directors of the Company made certain adjustments to rectify errors relating to the Group's annual financial statements for the year ended 31 December 2014 and the Group's interim financial report for the six months ended 30 June 2015.

The following tables disclose the adjustments that were made by the directors of the Company in order to rectify the errors stated in Note 4(a) to each of the line items in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

	Six months ended 30 June 2015 (as previously reported in the 2015 Interim Financial Report)	Effect of prior period's adjustments	Six months ended 30 June 2015 (as restated)
	RMB'000	*RMB'000* *(Note 4(a))*	*RMB'000*
Revenue	92,490	–	92,490
Cost of sales	(220,839)	32,695	(188,144)
Gross loss	(128,349)	32,695	(95,654)
Other income	6,653	–	6,653
Selling and distribution expenses	(17,426)	–	(17,426)
Administrative expenses	(50,028)	–	(50,028)
Research and development costs	(11,198)	–	(11,198)
Impairment losses	(443,864)	226,507	(217,357)
Loss from operations	(644,212)	259,202	(385,010)
Finance costs	(86,639)	–	(86,639)
Loss before taxation	(730,851)	259,202	(471,649)
Income tax	4,453	–	4,453
Loss and total comprehensive income for the period	(726,398)	259,202	(467,196)
Attributable to:			
Equity shareholders of the Company	(713,960)	259,202	(454,758)
Non-controlling interests	(12,438)	–	(12,438)
Loss and total comprehensive income for the period	(726,398)	259,202	(467,196)
Loss per share			
Basic and diluted (RMB)	(0.597)	0.217	(0.380)

(a) Impairment in respect of property, plant and equipment and lease prepayments and write-down of inventories in connection with the Group's axle and train businesses

The predecessor auditor's report issued on the consolidated financial statements of the Group for the year ended 31 December 2014 (the "Group's 2014 Financial Statements") prepared in accordance with HKFRSs and current auditor's review report issued on the interim financial report of the Group for the six months ended 30 June 2015 (the "Group's 2015 Interim Financial Report") prepared in accordance with HKAS 34, *Interim financial reporting*, were qualified by the predecessor auditor and the present auditor, respectively, due to the auditors' inability to satisfy themselves that certain of the management's assumptions were reasonable. These assumptions related to whether the Group's property, plant and equipment and inventories as at 31 December 2014 were impaired or required to be written down to their net realisable value, respectively.

In view of the concerns that the existing shareholders and stakeholders, and future and potential investors of the Company may have on this matter, the directors of the Company considered it was necessary to address this matter appropriately in the preparation of the Group's annual financial statements for the year ended 31 December 2015. Accordingly, in the course of the preparation of the Group's annual financial statements for the year ended 31 December 2015, the directors of the Company revisited the information previously prepared, including but not limited to the then cash flow forecasts prepared by the management, and further investigated whether any of the Group's non-current and current assets were impaired or required to be written-down as at 31 December 2014.

During this process, the Company, through various channels, was able to obtain information that should have been available during the preparation of the Group's 2014 Financial Statements. The directors of the Company considered such additional information, if made available to the directors of the Company at that time, would have resulted in a different conclusion on whether or not the Group's non-current and current assets were impaired or required to be written-down. From the foregoing, the directors of the Company concluded that the Group's 2014 Financial Statements and the Group's 2015 Interim Financial Report contained various errors.

After taking into account the information previously used and the newly acquired information which should have been made available to the directors of the Company during the preparation of the Group's 2014 Financial Statements, the directors of the Company estimated the recoverable amounts of the relevant assets at the greater of their fair value less costs of disposal and value in use determined based on revised cash flow forecasts prepared by the directors of the Company. Based on the above results, the directors of the Company concluded that additional impairment losses on the Group's property, plant and equipment and lease prepayments of approximately RMB226,507,000 and write-down on inventories of approximately RMB32,695,000, which were recognised in the Group's 2015 Interim Financial Report, should have been recorded in the Group's 2014 Financial Statements.

5 SEGMENT REPORTING

The Group manages its businesses by lines of business. 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 presented the following two reportable segments:

- Axle and train business: this segment manufactures and sells axles and related components to truck manufacturers and after-sales services market, and train and railway components.

- E-commerce business: this segment trades goods through electronic distribution platforms, mobile applications and other related means.

No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments. No inter-segment sales have occurred for the six months ended 30 June 2016 and 2015. The Group's other operating expenses, such as selling and distribution expenses, administrative expenses, research and development costs, impairment losses and finance costs, are not measured under individual segments. The measure used for reporting segment result is gross profit/(loss).

Segment assets and liabilities include all assets and liabilities with the exception of assets and liabilities classified as held-for-sale, bank and other loans, secured notes, convertible bonds and unallocated corporate assets and liabilities.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below.

	Six months ended 30 June 2016		
	Axle and train business	**E-commerce business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers and reportable segment revenue	35,141	199,099	234,240
Reportable segment gross profit/(loss)	11,968	(1,358)	10,610

	At 30 June 2016		
	Axle and train business	**E-commerce business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment assets	242,445	298,837	541,282
Reportable segment liabilities	142,652	32,193	174,845

	Six months ended 30 June 2015		
	Axle and train business	E-commerce business	Total
	RMB'000	*RMB'000*	*RMB'000*
	(restated)		(restated)
Revenue from external customers and reportable segment revenue	91,865	625	92,490
Reportable segment gross (loss)/profit	(95,708)	54	(95,654)

	At 31 December 2015		
	Axle and train business	E-commerce business	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	189,824	342,551	532,375
Reportable segment liabilities	126,143	24,014	150,157

(b) Reconciliations of reportable segment assets and liabilities

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**541,282**	532,375
Assets classified as held-for-sale	**70,398**	240,920
Unallocated head office and corporate assets	**54,497**	54,950
Elimination of receivables between segments, and segments and head office	**(67,798)**	(52,127)
Consolidated total assets	**598,379**	776,118
Liabilities		
Reportable segment liabilities	**174,845**	150,157
Bank and other loans	**185,989**	171,904
Liabilities classified as held-for-sale	**–**	167,278
Secured notes	**131,819**	128,271
Convertible bonds	**81,870**	80,409
Unallocated head office and corporate liabilities	**50,745**	58,135
Elimination of payables between segments, and segments and head office	**(67,798)**	(52,127)
Consolidated total liabilities	**557,470**	704,027

6 OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment and assets and liabilities classified as held-for-sale	**19,457**	5,747
Government grants	**385**	550
Others	**473**	356
	20,315	6,653

7 (REVERSAL)/RECOGNITION OF IMPAIRMENT LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(restated)
Impairment losses on property, plant and equipment *(Note 11(b))*	**9,662**	51,290
(Reversal)/recognition of impairment losses on trade and other receivables *(Note 15(b))*	**(25,292)**	166,067
Impairment losses on assets classified as held-for-sale	**1,409**	–
	(14,221)	217,357

8 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank and other loans	**8,638**	10,696
Finance charges on secured notes	**9,436**	1,516
Finance charges on convertible bonds *(Note 21)*	**5,314**	851
Total borrowing costs	**23,388**	13,063
Net foreign exchange loss	**1,641**	–
Changes in fair value on the derivative components of convertible bonds *(Note 21)*	**(1,249)**	73,576
	23,780	86,639

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**27,328**	28,894
Contributions to defined contribution retirement plans	**2,072**	2,360
Equity-settled share-based payment expenses in respect of share award scheme	**–**	1,772
	29,400	33,026

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories *(Note 14(b))*	**223,110**	188,144
Depreciation and amortisation	**13,996**	18,765
Operating lease charges in respect of properties	**4,076**	2,076

9 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current taxation	**908**	–
Deferred taxation *(Note 22)*	**(9,739)**	(4,453)
	(8,831)	(4,453)

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2016 (six months ended 30 June 2015: 16.5%).

The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%). One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2013 to 2015.

10 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2016 is calculated based on the loss attributable to the equity shareholders of the Company of RMB6,136,000 (six months ended 30 June 2015: RMB454,758,000 (restated)) and the weighted average of 1,532,727,000 ordinary shares (six months ended 30 June 2015: 1,195,395,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**1,532,727**	800,000
Effect of shares issued to equity shareholders of the Company	**–**	330,604
Effect of shares issued on the acquisition of a subsidiary	**–**	66,121
Effect of shares purchased and vested under a share award scheme	**–**	(1,330)
Weighted average number of ordinary shares at 30 June	**1,532,727**	1,195,395

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2016 and 2015. The Group's convertible bonds (see Note 21) could potentially dilute basic earnings/(loss) per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the six months ended 30 June 2016 and 2015.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2016, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB8,475,000 (six months ended 30 June 2015: RMB60,225,000). Items of property, plant and machinery with a net book value of RMB1,087,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB15,744,000), resulting in a loss on disposal of RMB519,000 (six months ended 30 June 2015: RMB6,216,000).

(b) Impairment losses

During the six months period ended 30 June 2016, due to the continuous depressed axle and related components business in the PRC, the directors of the Company concluded further impairment losses on the property, plant and equipment related to the Group's axle and train business (the "Axle and Train CGU") are required. The directors of the Company determined the recoverable amount of the Axle and Train CGU on the basis of fair value less costs of disposal. Accordingly, impairment loss of RMB9,662,000 on the Group's property, plant and equipment were recognised for the six months ended 30 June 2016.

(c) Title ownership

At 30 June 2016, property certificates of certain properties with a carrying amount of RMB115,000 (31 December 2015: RMB132,000) are yet to be obtained.

12 INTANGIBLE ASSETS

The intangible assets represent the Group's electronic distribution platform, www.CCIGMALL.com, which the Group acquired through the acquisition of a business in 2015, and an exclusive right obtained in the current period in developing a tailor-made e-commerce platform for a property developer to earn revenue from this property developer by assisting its property sales through the platform.

13 GOODWILL

On 25 March 2015, the Group acquired the 51% equity interests of Century Network Holding Limited ("Century Network") for a consideration of RMB76,392,000. The excess of the cost of the purchase over the net fair value of the identifiable net assets acquired of RMB61,013,000 was recorded as goodwill and allocated to the Century Network's E-commerce business (the "E-commerce CGU").

The recoverable amount of the E-commerce CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted annual growth rates ranging from 65% to 392%, which are based on the Group's experience and future business plans for this business and adjusted for other factors that are specific to the E-commerce CGU. Cash flows beyond the five-year period are extrapolated using a 3% long-term growth rate, which is based on the relevant industry growth forecasts. The cash flows are discounted using a discount rate of 33%. The discount rates used are pre-tax and reflect specific risks relating to the E-commerce CGU.

14 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Raw materials	**40,253**	47,014
Work in progress	**13,081**	7,496
Finished goods	**51,388**	85,247
Merchandises for trading	**10,399**	14,013
	115,121	153,770
Less: write-down of inventories	**(48,119)**	(90,166)
	67,002	63,604

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(restated)
Carrying amount of inventories sold	**223,731**	67,423
Write-down/(reversal of write-down) of inventories	**(621)**	120,721
	223,110	188,144

15 TRADE AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**294,639**	305,721
Bills receivables	**29,836**	12,941
	324,475	318,662
Less: allowance for doubtful debts	**(272,766)**	(287,583)
	51,709	31,079
Prepayments, deposits and other receivables:		
– Advances to suppliers	**71,430**	78,658
– Value added tax refundable	**6,498**	5,577
– Others	**67,016**	36,654
	144,944	120,889
Less: allowance for doubtful debts	**(92,003)**	(102,478)
	52,941	18,411
	104,650	49,490

All of the trade and other receivables, net of allowance for doubtful debts, are expected to be recovered or recognised as expenses within one year. For trade receivables arising from the Group's E-commerce business, cash before delivery is generally required for all customers. Trade receivables arising from the Group's axle and train business are generally due within three to four months from the date of billings.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (net of allowance for doubtful debts), included in trade and other receivables, based on the invoice date, is as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**24,295**	15,606
Over 3 months but within 6 months	**24,022**	14,821
Over 6 months	**3,392**	652
	51,709	31,079

At 30 June 2016, trade and bills receivables of RMB14,094,000 (31 December 2015: RMB14,422,000) have been pledged to a lender or bank to secure the Group's short-term bank and other loans (Notes 19(a) and 19(c)).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movements in the allowance for doubtful debts during the period/year are as follows:

	Six months ended 30 June 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
At 1 January	**390,061**	288,538
(Reversal)/recognition of impairment losses	**(25,292)**	262,643
Reclassified as assets held-for-sale	–	(132,101)
Uncollectible amounts written off	–	(29,019)
At 30 June/31 December	**364,769**	390,061

At 30 June 2016, trade and other receivables of RMB364,769,000 (31 December 2015: RMB390,061,000) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

(a) The classes of assets and liabilities classified as held-for-sale at the end of the reporting period are as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Assets		
Property, plant and equipment	**49,572**	120,572
Lease prepayments	**20,826**	103,919
Trade and other receivables	**–**	381,988
Other current assets	**–**	6,619
	70,398	613,098
Less: Inter-company receivables eliminated in the consolidated financial statements	**–**	(372,178)
	70,398	240,920
Liabilities		
Trade and other payables	**–**	520,679
Bank and other loans	**–**	33,400
Other current liabilities	**–**	291
	–	554,370
Less: Inter-company payables eliminated in the consolidated financial statements	**–**	(387,092)
	–	167,278

(b) On 20 May 2016, the Group disposed of the entire equity interests in Kaifeng Changfeng Axle Co., Ltd. ("Kaifeng Changfeng") and its subsidiary (together the "Kaifeng Changfeng Group") and certain of the Group's receivables due from the Kaifeng Changfeng Group to a third party. The assets and liabilities of the Kaifeng Changfeng Group were classified as held-for-sale in 2015. The consideration for the disposal of the entire equity interests in Kaifeng Changfeng and the assignment of certain of the Group's receivables due from the Kaifeng Changfeng Group amounted to RMB4,000. The carrying value of the net liabilities disposed of as at 20 May 2016 amounted to RMB19,972,000. Accordingly, the Group recognised a gain on disposal of assets and liabilities classified as held-for-sale of RMB19,976,000 during the six months ended 30 June 2016.

Prior to the disposal of Kaifeng Changfeng, the Group has provided guarantees for bank loans drawn by Kaifeng Changfeng. Pursuant to the equity transfer agreement, these guarantees will continue to be valid until the maturities of the loans. The aggregate principal amount of the bank loans is RMB30,000,000 and are to be matured on 21 July 2016. Further details of the Group's exposure in respect of these guarantees are set out in Note 27.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Cash at bank and on hand	**123,215**	195,632

The Group's operations in the PRC (excluding Hong Kong) conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

18 TRADE AND OTHER PAYABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade payables *(Note (i))*	**32,993**	37,936
Payables for construction and purchase of property, plant and equipment	**6,570**	7,797
Payables for staff related costs	**6,815**	11,217
Payables for acquisitions of equity interests in subsidiaries of the Group	**3,760**	5,462
Payables for miscellaneous taxes	**3,744**	4,410
Interest payables	**7,974**	4,408
Others	**33,220**	26,355
Financial liabilities measured at amortised cost	**95,076**	97,585
Deposits received in connection with disposals of assets classified as held-for-sale and subsidiaries	**51,000**	51,000
Advances received from customers	**4,971**	1,411
Provision for warranties	**1,242**	928
	152,289	150,924

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade and bills payables included in trade and other payables, based on the invoice date, is as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**5,848**	7,475
3 to 6 months	**8,543**	6,519
Over 6 months	**18,602**	23,942
	32,993	37,936

Note (i): Certain subsidiaries of the Group engaged in the axle and train business are being sued by suppliers for payments on the Group's previous purchases of goods. The directors of the Company consider the amounts claimed by these suppliers have already been recognised by the respective subsidiaries under trade and other payables, and accordingly, no additional provision is provided in respect of these claims. Certain assets are pledged as securities for these on-going litigations.

19 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans are analysed as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Bank loans:		
– Secured by land use rights and property, plant and equipment of the Group	**52,400**	57,400
– Secured by trade receivables of the Group	**–**	12,000
	52,400	69,400
Other loans from third parties:		
– Guaranteed by subsidiaries of the Group	**50,500**	30,000
– Secured by bills receivables of the Group	**14,094**	–
– Unguaranteed and unsecured	**40,995**	44,504
	105,589	74,504
	157,989	143,904
Add: Current portion of long-term bank and other loans *(Note 19(b))*	**28,000**	13,000
Non-current portion of long-term bank loan repayable on demand *(Note 19(b))*	**–**	15,000
	185,989	171,904

The Group's short-term other loan with principal amount of RMB20,000,000 was overdued as at 30 June 2016. The directors of the Company confirm that the Group has commenced negotiations with the lender to renew the loan. The principal amount and any unpaid interest of the loan were included in the condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

(b) The Group's long-term bank loan is analysed as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Bank loan guaranteed by a subsidiary of the Group	**–**	15,000
Bank loan guaranteed by a third party	**15,000**	–
	15,000	15,000
Other loan from a third party:		
– Guaranteed by a third party	**13,000**	13,000
	28,000	28,000
Less: Current portion of long-term bank and other loans *(Note 19(a))*	**(28,000)**	(13,000)
Non-current portion of long-term bank loan repayable on demand *(Note 19(a))*	**–**	(15,000)
	–	–

The Group's long-term bank loan with principal amount of RMB15,000,000, which will mature on 8 February 2017, is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. At 31 December 2015, the Group has breached certain covenants as stipulated in the long-term bank loan agreement, and accordingly, this loan became repayable on demand and has been classified as short-term bank loan.

The Group's long-term other loan with principal amount of RMB13,000,000 was overdued as at 30 June 2016. The directors of the Company confirm that the Group has commenced negotiations with the lender to renew the loan, where a subsidiary of the Group has subsequently provided a guarantee for the loan on 14 July 2016. The principal amount and any unpaid interest of the loan were included in the condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

(c) The following assets and their respective carrying values as at the end of the reporting period are pledged to secure the Group's short-term bank loans:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Property, plant and equipment	**22,615**	26,233
Lease prepayments	**11,623**	11,761
Trade receivables	**–**	14,422
Bills receivables	**14,094**	–
	48,332	52,416

(d) As at 30 June 2016, the Group's banking facilities amounted to RMB52,400,000 (31 December 2015: RMB20,000,000) were utilised to the extent of RMB52,400,000 (31 December 2015: RMB12,000,000).

20 SECURED NOTES

On 3 June 2015, the Company issued secured notes (the "Notes") with an aggregate face value of USD20,000,000 (equivalent to approximately RMB122,352,000) to Chance Talent Management Limited ("Chance Talent"), a third party. The Notes bear interest at 13% per annum, payable semi-annually, and will mature on 3 June 2017. The Notes and the convertible bonds issued on 3 June 2015 (See Note 21) are secured by 505,581,818 ordinary shares in the Company owned by Century Investment (Holding) Limited ("Century Investment"), an equity shareholder of the Company.

21 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	Liability components	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	–	–	–
Convertible bonds issued	54,328	4,950	59,278
Accrued finance charges for the year	5,810	–	5,810
Interest paid	(4,159)	–	(4,159)
Exchange adjustments	3,449	4,841	8,290
Fair value changes on the derivative components	–	11,190	11,190
At 31 December 2015 and 1 January 2016	59,428	20,981	80,409
Accrued finance charges for the period *(Note 8(a))*	5,314	–	5,314
Interest paid	(4,253)	–	(4,253)
Exchange adjustments	1,219	430	1,649
Fair value changes on the derivative components *(Note 8(a))*	–	(1,249)	(1,249)
At 30 June 2016	61,708	20,162	81,870

On 3 June 2015, the Company has issued two secured convertible bonds with face value of USD6,000,000 (equivalent to approximately RMB36,706,000) ("CB1") and USD4,000,000 (equivalent to approximately RMB24,470,000) ("CB2") to Chance Talent. Both convertible bonds bear interest at 13% per annum and will mature on 3 June 2018. CB1, CB2 and the Notes (see Note 20) are secured by 505,581,818 ordinary shares in the Company owned by Century Investment.

Upon issuance of these convertible bonds, Chance Talent can convert CB1 into the Company's ordinary shares at HK$1.06 per share (i.e. the conversion option) and CB2 into the Company's ordinary shares at HK$1.50 per share (i.e. the conversion option) at any time from 3 June 2016 till 3 June 2018. The conversion options are classified as derivative financial instruments and have been included in the balance of the convertible bonds in the consolidated statement of financial position.

22 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets		Liabilities	
	Unrealised profit for inventories	Unused tax loss	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets and subsequent depreciation and amortisation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	890	–	(745)	145
Additions through acquisition of a subsidiary	–	10,099	(5,479)	4,620
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income	(890)	16,171	983	16,264
At 31 December 2015	–	26,270	(5,241)	21,029
Credited to the consolidated statement of profit or loss and other comprehensive income *(Note 9)*	–	9,093	646	9,739
At 30 June 2016	–	35,363	(4,595)	30,768

23 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2015 (2014: RMBNil).

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) 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, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

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

	Fair value measurements categorised into Level 3	
	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Recurring fair value measurement		
Financial liabilities		
– Derivative components of convertible bonds *(Note 21)*	**20,162**	20,981

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2015: none). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique	**Significant unobservable input**	**Weighted average**
Derivative components of convertible bonds	Binomial lattice model	Expected volatility	73.05%

The fair values of the conversion options embedded in the convertible bonds are determined using binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2016, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's net loss by RMB1,099,000, whereas a decrease in the expected volatility by 5% would have decreased the Group's net loss by RMB1,116,000.

The movements during the period/year in the balance of Level 3 fair value measurements are as follows:

	Six months ended 30 June 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Derivative components of convertible bonds:		
At 1 January	**20,981**	–
Addition through issuance of convertible bonds	**–**	4,950
Changes in fair value recognised in profit or loss during the period/year	**(1,249)**	11,190
Exchange adjustments	**430**	4,841
At 30 June/31 December	**20,162**	20,981

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2016 and 31 December 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	At 30 June 2016		At 31 December 2015	
	Carrying amount at 30 June *RMB'000*	**Fair value measurements at 30 June categorised into Level 3** *RMB'000*	Carrying amount at 31 December *RMB'000*	Fair value measurements at 31 December categorised into Level 3 *RMB'000*
Liabilities				
Secured notes *(Note (i))*	**131,819**	**126,515**	128,271	122,262
Convertible bonds				
– liability components *(Note (i))*	**61,708**	**58,306**	59,428	56,142

Note (i): Valuation techniques and inputs used in Level 3 fair value measurements

Secured notes and convertible bonds – liability components

The fair values are estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group used the risk free interest rates with reference to the Hong Kong government bonds and treasury bills as of 30 June 2016 and 31 December 2015 plus credit spread of comparable notes with similar credit rating, coupons and maturities to discount the secured notes and the liability components of the convertible bonds as of 30 June 2016 and 31 December 2015. The interest rates used are as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Secured notes	**20.72%**	19.57%
Convertible bonds		
– liability components	**22.72%**	21.57%

25 COMMITMENTS

(a) Capital commitments

Pursuant to the terms of the subscription and shareholders agreement entered into between the Company, Treasure Ease Holdings Limited ("Treasure Ease"), a subsidiary of the Group, and Chance Talent on 22 June 2016, the Company conditionally agreed to subscribe for 5,010 additional shares in Treasure Ease at the subscription price of RMB40,080,000.

(b) Operating lease commitments

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 year	**5,626**	5,940
After 1 year but within 5 years	**1,515**	2,024
After 5 years	**–**	47
	7,141	8,011

The Group leases certain office premises under operating leases. None of the leases includes contingent rentals.

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial information, the material related party transactions entered into by the Group during the period are set out below.

(a) Transactions with the equity shareholders of the Company

Details of guarantees provided by the equity shareholder of the Company for the Group's secured notes and convertible bonds are set out in Notes 20 and 21.

On 25 March 2015, the Company acquired Century East Network Limited's 51% equity interests in Century Network through the issuance of 122,121,000 ordinary shares in the Company as consideration.

(b) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Short-term employee benefits	**2,991**	2,055
Contributions to defined contribution retirement plans	**63**	42
Equity-settled share-based payment expenses in respect of share award scheme	**–**	1,772
	3,054	3,869

27 CONTINGENT LIABILITIES AND EVENT AFTER THE REPORTING PERIOD

As mentioned in Note 16(b), the Group has provided guarantees for bank loans drawn by Kaifeng Changfeng, a previous subsidiary of the Group disposed of on 20 May 2016. The aggregate principal amount of the bank loans is RMB30,000,000 and are to be matured on 21 July 2016. These bank loans are also secured by the land use right of Kaifeng Changfeng. Subsequent to the end of the current reporting period, Kaifeng Changfeng has notified the management of the Group that these bank loans were not repaid upon their original maturity on 21 July 2016, but Kaifeng Changfeng has commenced the application of new bank loans from the same bank to refinance these original bank loans. The Group's maximum exposure arising from these guarantees would be RMB30,000,000 plus accrued interest. As of the date of this interim financial information, the directors of the Company cannot reliably estimate the outcome of Kaifeng Changfeng's application of the new bank loans, but they are in the process of assessing the possible impact on the Group's finance performance or position in connection with the occurrence or non-occurrence of Kaifeng Changfeng's refinancing activities. Accordingly, no provision in this regard has therefore been provided in this interim financial information.

28 COMPARATIVE FIGURES

As a result of the correction of prior period's errors, certain comparative figures have been adjusted. Further details of these corrections are disclosed in Note 4.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in electronic commerce business through cross-border business-to-business electronic distribution platforms and mobile applications sourcing, importing and channeling authentic goods from suppliers abroad and then distributing and reselling such goods to domestic retailers and consumers in the People's Republic of China (the "**PRC**"), and other general trading businesses. The Group is also an independent axle component provider for the PRC's medium duty truck ("**MDT**") and heavy duty truck ("**HDT**") aftermarket, and also an independent axle assembly provider for the PRC's MDT and HDT original equipment manufacturers ("**OEMs**") market.

Due to the continued deterioration of the business environment of the HDT market, the demand for axle assembles has declined significantly. In addition, as a result of continued unstable political environment in the Commonwealth of Independent States, there has also been great uncertainty relating to the sales of train and railway components. In view of these circumstances, on 2 February 2016, the Group entered into a conditional agreement to sell the entire interest in 開封暢豐車橋有限公司(Kaifeng Changfeng Axle Co., Ltd.*) ("**Kaifeng Changfeng**") and its subsidiary, which were engaged in the business of axle assembles and railway components, and the related shareholder's loan advanced by the Group to Kaifeng Changfeng, at a total cash consideration of RMB4,000, details of which are disclosed in the Company's announcement dated 2 February 2016 and the circular dated 30 March 2016. Such disposal of Kaifeng Changfeng was completed on 20 May 2016.

On 22 June 2016, the Company entered into an agreement with Chance Talent Management Limited ("**Chance Talent**"), an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited, and Treasure Ease Holdings Limited ("**Treasure Ease**"). Pursuant to the agreement, the Company and Chance Talent conditionally agreed to subscribe for shares in Treasure Ease and to cooperate in the development of the business of the Treasure Ease and its subsidiaries (the "**Treasure Ease Group**"). The completion of the initial subscription took place on 27 June 2016 pursuant to the terms of the aforesaid agreement and Treasure Ease became a non wholly-owned subsidiary of the Company which is held as to 50.1% by the Company and 49.9% by Chance Talent. The Company and Chance Talent conditionally agreed to further subscribe for 5,010 and 4,990 additional shares in Treasure Ease at the subscription price of RMB40,080,000 and RMB39,920,000 respectively, subject to the terms of the agreement. For further details of these transactions, please refer to the announcements of the Company dated 22 June 2016 and 25 July 2016.

Electronic commerce business

The Group has started the electronic commerce business since March 2015, initially through the operation of business-to-business platform. This business-to-business mode is to set up a direct path between pre-identified overseas suppliers, distributors and domestic retailers in the PRC. The Group has commenced practical businesses with hundreds of brand suppliers in Europe, covering thousands of brand producers, and established strategic cooperation relationships with famous brand groups. The Group has launched a business-to-customer e-commerce platform since September 2015 in four main themes of product categories, namely affordable luxury, nursery, cosmetics and health. The Company has developed cooperation with well established partners in various regions around the world. Besides, the Group has other trading businesses in connection with the electronic commerce business.

For the six months ended 30 June 2016, revenue from electronic commerce business segment amounted to approximately RMB199.1 million (30 June 2015: RMB0.6 million). The total revenue from this segment accounted for approximately 85% (30 June 2015: approximately 0.7%) of the Group's total revenue.

Axle business

The Group sells axle assemblies directly to OEMs in the PRC on a made-to-order basis to match its customers' specification requirements. A small portion of axle components are occasionally sold to other axle assembly providers. The Group is an independent axle component provider for China's MDT and HDT aftermarket with diversified product offerings among independent axle component providers in the PRC.

The axle components are sold to customers in the aftermarket through its extensive sales, marketing and services network across the PRC. For the six months ended 30 June 2016, revenue from the OEM market and aftermarket business segment amounted to approximately RMB35.1 million (30 June 2015: approximately RMB91.9 million), representing a decrease of approximately 62% as compared with the corresponding period in 2015, and accounted for approximately 15% (30 June 2015: approximately 99.3%) of the Group's total revenue.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB234.2 million (30 June 2015: approximately RMB92.5 million), representing an increase of approximately 153% as compared with the corresponding period in 2015.

Revenue from the Group's axle business segment for the six months ended 30 June 2016 decreased by approximately 62% to RMB35.1 million (30 June 2015: RMB91.9 million). The revenue from this segment was diminishing as a result of the disposal of Kaifeng Changfeng and its subsidiary, and continuing depressed business environment of this segment together with the significant price competition among competitors.

Revenue from the Group's electronic commerce segment was RMB199.1 million for the six months ended 30 June 2016 (30 June 2015: RMB0.6 million), representing approximately 85% (30 June 2015: approximately 0.7%) of the Group's total revenue. The increase was due to development of trading businesses relating to the Group's electronic commerce business.

Gross profit/(loss)

Gross profit for the six months ended 30 June 2016 amounted to approximately RMB10.6 million, as compared with the gross loss of approximately RMB95.7 million for the corresponding period in 2015. The increase in gross profit was mainly due to the reversal of write-down of inventories of RMB0.6 million for the six months ended 30 June 2016, as compared with the write-down of inventories of RMB120.7 million during the corresponding period in 2015.

Other income

Other income of the Group for the six months ended 30 June 2016 amounted to approximately RMB20.3 million (30 June 2015: approximately RMB6.7 million). This was mainly attributable to the net gain on disposal of Kaifeng Changfeng and its subsidiary.

(Reversal)/recognition of impairment losses

Reversal of impairment losses of the Group for the six months ended 30 June 2016 amounted to RMB14.2 million, mainly including the impairment losses on property, plant and equipment amounting to RMB9.7 million, the impairment losses on assets held for sale amounting to RMB1.4 million and reversal of the impairment losses on trade and other receivables amounting to RMB25.3 million.

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2016 increased to approximately RMB18.6 million (30 June 2015: approximately RMB17.4 million). The increase was mainly attributable to the significant growth in the electronic commerce business but offset by the decline in the axle business particularly due to the disposal of Kaifeng Changfeng and its subsidiary.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2016 decreased to approximately RMB26.9 million, as compared to RMB50.0 million for the corresponding period in 2015. The decrease was mainly attributable to the disposal of Kaifeng Changfeng and its subsidiary.

Finance costs

The Group incurred finance costs of approximately RMB23.8 million for the six months ended 30 June 2016, which represented approximately 10.2% (30 June 2015: approximately 93.7%) of its revenue. The decrease in percentage to revenue in 2016 was mainly due to changes in fair value on the derivative components of the convertible bonds with aggregate principal amount of US$10 million, as well as the significant increase in total revenue of the Group.

Taxation

The Group recorded income tax income of approximately RMB8.8 million (30 June 2015: approximately RMB4.5 million) for the six months ended 30 June 2016, mainly representing deferred tax recognised for the unused tax loss of the electronic commerce segment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately RMB123.2 million (31 December 2015: approximately RMB195.6 million).

As compared with the position as at 31 December 2015, cash and cash equivalents decreased by approximately RMB72.4 million, resulting from the net cash outflow from operating activities of approximately RMB48.3 million for the six months ended 30 June 2016 (year ended 31 December 2015: RMB45.1 million), the net cash outflow from investing activities of approximately RMB23.5 million for the six months ended 30 June 2016 (year ended 31 December 2015: net cash inflow of RMB57.4 million) and the net cash outflow from financing activities of approximately RMB3.7 million for the six months ended 30 June 2016 (year ended 31 December 2015: net cash inflow of RMB175.4 million).

As at 30 June 2016, net current liabilities of the Group amounted to approximately RMB105.7 million (31 December 2015: net current assets of approximately RMB59.6 million). As at 30 June 2016, the current ratio (representing total current assets divided by total current liabilities) of the Group was approximately 0.78 (31 December 2015: approximately 1.12). Despite the net current liability position as at 30 June 2016, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due in the foreseeable future.

As at 30 June 2016, total assets of the Group were approximately RMB598.4 million (31 December 2015: approximately RMB776.1 million) and total liabilities were approximately RMB557.5 million (31 December 2015: approximately RMB704.0 million). The debt ratio (representing total liabilities divided by total assets) as at 30 June 2016 was 0.93 as compared to 0.91 as at 31 December 2015.

As at 30 June 2016, the Group had total borrowings (including bank and other loans, secured notes and convertible bonds) of approximately RMB399.7 million (31 December 2015: approximately RMB380.6 million). The gearing ratio (representing total borrowings divided by total equity) was approximately 9.8 (31 December 2015: approximately 5.3). The convertible bonds with aggregate principal amount of US$10 million can be converted into ordinary shares of the Company at an initial conversion price of HK$1.06 per share (subject to adjustment) for the principal amount of US$6 million and HK$1.50 per share (subject to adjustment) for the principal amount of US$4 million. Assuming full conversion of the convertible bonds at the initial conversion prices at the exchange rate of US$1 = HK$7.75, a maximum number of 64,534,590 conversion shares may be issued.

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2016 were approximately RMB104.7 million (31 December 2015: approximately RMB49.5 million). The increase in balance was mainly due to the increase in revenue and the decrease in impairment losses made during the period.

Inventories

The inventory balance of the Group as at 30 June 2016 was approximately RMB67.0 million (31 December 2015: approximately RMB63.6 million).

Trade and other payables

Trade and other payables of the Group as at 30 June 2016 were approximately RMB152.3 million (31 December 2015: approximately RMB150.9 million).

Pledged assets

As at 30 June 2016, the Group had pledged assets of approximately RMB48.3 million (31 December 2015: approximately RMB52.4 million) to secure the bank and other loans.

The following assets and their respective carrying values as at the end of the reporting period were pledged to secure the Group's short-term bank and other loans:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
Property, plant and equipment	**22,615**	26,233
Lease prepayments	**11,623**	11,761
Trade receivables	–	14,422
Bills receivables	**14,094**	–
	48,332	52,416

Contingent liabilities and event after the reporting period

As at 30 June 2016, save as disclosed in the notes to the unaudited interim financial information in this announcement, the Group had no significant contingent liabilities and significant event after the reporting period.

Capital commitment

As at 30 June 2016, save as disclosed below, the Group had no significant contracted capital commitments which were not provided in the interim financial information in this announcement (31 December 2015: RMB Nil).

Pursuant to the terms of the agreement entered into with Treasure Ease and Chance Talent on 22 June 2016, the Company conditionally agreed to subscribe for 5,010 additional shares in Treasure Ease at the subscription price of RMB40,080,000.

Foreign exchange risk

The business of the Group is mainly located in the PRC and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 30 June 2016, the Group's net foreign currencies liabilities amounted to approximately RMB97.3 million (31 December 2015: net foreign currencies liabilities of approximately RMB26.6 million). During the six months ended 30 June 2016, the Group did not utilize any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there were no other significant investments held nor material acquisitions or disposals of subsidiaries during the reporting period and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2016 (30 June 2015: RMB Nil).

PROSPECTS

Electronic commerce business

The Group will continue to develop its electronic commerce business by strengthening its supplier network, exploring more famous brand suppliers, establishing long-term strategic cooperation relationship with the suppliers, and supplying products with different variety, high-quality and competitive prices.

In order to leverage the resources committed for the electronic commerce, the Group will continue to explore other related business opportunities, including provision of services to fit its customers' needs in their online business.

“Point-Connect” point-reward business

As disclosed in the Company’s announcement dated 25 July 2016 the Group is discussing with some famous business partners to set up a membership point alliance, to establish a “Point-Connect” point-reward system and platform, and to realise points from different industries for conversion to alliance points in the platform for operation. Based on the current plan, users can exchange their original points to alliance points, redeem points for customized merchandise for aggregation in the form of online and offline consumption, so as to strengthen the adhesiveness and loyalty of the users and to promote the market competitiveness of the alliance enterprises. The Group expects that the platform for this membership point alliance may create commercial synergies with the existing e-commerce business of the Group. The Group will continue to develop this business by introducing further investors and business partners and looking for new business opportunities to diversify its business and to strengthen the long-term growth potential and shareholder value.

Axle business

The Board will continue to review the axle business carried out in Longyan, the PRC and strive to improve the business operation and financial position of this business despite the declining demand for axle assembles and the challenging business environment in general. The Company will continue to explore business opportunities to maximize the revenue generated from the axle business and to review various alternatives that are in the best interest of the Company and the shareholders of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company. During the six months ended 30 June 2016, the Company has applied the principles of and has complied with all code provisions as set forth in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), save for the deviation as set forth below:

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Liu Erhfei, Mr. Wong Chi Keung and Mrs. Guo Yan were not able to attend the extraordinary general meeting of the Company held on 22 April 2016. Mr. Liu Erhfei and Mrs. Guo Yan were not able to attend the annual general meeting of the Company held on 20 May 2016.

Compliance

The Company has appointed a compliance adviser on an ongoing basis for a two-year period until 6 August 2016 as per the direction of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), details of which are set out in the announcement of the Stock Exchange dated 9 July 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2016.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2016 with the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.fortunetecomm.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the same websites in due course.

By order of the Board
Fortunet e-Commerce Group Limited
Mr. Cheng Jerome
Chairman

Hong Kong, 19 August 2016

As at the date of this announcement, the executive Directors are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director is Mrs. Guo Yan; and the independent non-executive Directors are Mr. Wong Chi Keung, Mr. Liu Erhfei and Mr. Chan Chi Keung Alan.

* *For identification purposes only*