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 2015

FINANCIAL HIGHLIGHT

- Revenue decreased by approximately 58% from approximately RMB218.6 million for the six months ended 30 June 2014 to approximately RMB92.5 million for the six months ended 30 June 2015.
- The Group recorded a loss of RMB726.4 million for the six months ended 30 June 2015 (six months ended 30 June 2014: a loss of RMB48.8 million).
- Cash and cash equivalents increased by approximately RMB266.7 million for the six months ended 30 June 2015.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.
- The auditors of the Company have qualified the Group's interim financial statements for the six months ended 30 June 2015.

The board (the "**Board**") of directors (the "**Directors**") of Fortunet e-Commerce Group Limited (the "**Company**") present herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015. These interim financial statements 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015-unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*4*	**92,490**	218,596
Cost of sales		**(220,839)**	(176,471)
Gross (loss)/profit		**(128,349)**	42,125
Other income	*5*	**6,653**	10,097
Selling and distribution expenses		**(17,426)**	(10,766)
Administrative expenses		**(50,028)**	(36,319)
Research and development costs		**(11,198)**	(11,053)
Impairment losses	*6*	**(443,864)**	(24,512)
Finance costs	*7(a)*	**(86,639)**	(16,850)
Loss before taxation	*7*	**(730,851)**	(47,278)
Income tax	*8*	**4,453**	(1,542)
Loss and total comprehensive income for the period		**(726,398)**	(48,820)
Attributable to:			
Equity shareholders of the Company		**(713,960)**	(51,539)
Non-controlling interests		**(12,438)**	2,719
Loss and total comprehensive income for the period		**(726,398)**	(48,820)
Loss per share			
Basic and diluted (RMB)	*9*	**(0.60)**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015-unaudited
(Expressed in RMB)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		**53,571**	302,098
Lease prepayments		**201,373**	203,763
Prepayment for acquisition of machinery		**–**	236
Intangible assets		**21,381**	–
Goodwill	*15*	**61,013**	–
Deferred tax assets		**15,108**	145
		352,446	506,242
Current assets			
Inventories		**103,999**	220,933
Trade and other receivables	*10*	**144,609**	349,749
Assets classified as held-for-sale		**117,480**	187,544
Tax recoverable		**4,139**	2,439
Pledged bank deposits		**516**	3,350
Cash and cash equivalents		**273,569**	6,858
		644,312	770,873
Current liabilities			
Trade and other payables	*11*	**349,903**	289,262
Bank and other loans	*12*	**165,870**	294,080
Income tax payable		**1,343**	1,343
		517,116	584,685
Net current assets		**127,196**	186,188
Total assets less current liabilities		**479,642**	692,430
Non-current liabilities			
Secured notes	*13*	**120,199**	–
Convertible bonds	*14*	**133,705**	–
Deferred tax liabilities		**5,890**	–
		259,794	–
NET ASSETS		**219,848**	692,430
CAPITAL AND RESERVES			
Share capital		**98,557**	53,560
Reserves		**114,524**	638,870
Total equity attributable to equity shareholders of the Company		**213,081**	692,430
Non-controlling interests		**6,767**	–
TOTAL EQUITY		**219,848**	692,430

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015-unaudited

(Expressed in RMB)

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Operating activities			
Cash used in operations		**(5,740)**	(6,595)
Income tax paid		–	(414)
Net cash used in operating activities		**(5,740)**	(7,009)
Investing activities			
Payments for purchases of property, plant and equipment		**(38,767)**	(2,053)
Deposits and proceeds from disposal of assets classified as held-for-sale		**101,229**	22,100
Proceeds from disposal of property, plant and equipment		**9,528**	12,456
Cash inflow from acquisition of a subsidiary	*15*	**3,275**	–
Acquisition of non-controlling interest in a subsidiary		**(2,000)**	(11,450)
Other cash flows arising from investing activities		–	1,000
Net cash generated from investing activities		**73,265**	22,053
Financing activities			
Proceeds of new bank and other loans		**57,940**	242,664
Repayment of bank and other loans		**(186,150)**	(273,350)
Proceeds from the issuance of shares, net of transaction cost		**156,964**	–
Proceeds from the issuance of secured notes, net of transaction cost		**118,683**	–
Proceeds from the issuance of convertible bonds, net of transaction cost	*14*	**59,278**	–
Decrease in pledged bank deposits		**2,834**	–
Borrowing costs paid		**(10,363)**	(16,850)
Net cash generated from/(used in) financing activities		**199,186**	(47,536)
Net increase/(decrease) in cash and cash equivalents		**266,711**	(32,492)
Cash and cash equivalents at 1 January		**6,858**	57,902
Cash and cash equivalents at 30 June		**273,569**	25,410

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

1 CORPORATE INFORMATION

Fortunet e-Commerce Group Limited (formerly Changfeng Axle (China) Company Limited) (the "Company") was incorporated in the Cayman Islands on 21 August 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 2015 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 import and distribution of goods abroad through a cross-border electronic distribution platform, www.CCIGMALL.com, 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 21 August 2015.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an 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 information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial information 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 report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2014 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 2014 are available from the Company's registered office. The Company's auditors have expressed a qualified opinion on those financial statements in their report dated 24 March 2015.

For the six months ended 30 June 2015, the Group had incurred net loss of RMB726,398,000 and net cash used in operating activities of RMB5,740,000. These condensed consolidated interim financial information 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 2015 because the directors of the Company are of the opinion that (i) of the net loss for the six months ended 30 June 2015, RMB670,856,000 was attributable to write-down of inventories, impairment losses on property, plant and equipment and receivables, and changes in fair value on the derivative components of the convertible bonds, which do not involve cash payment; and (ii) based on a cash flow forecast of the Group for the twelve months ending 30 June 2016 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 information on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

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

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

4 SEGMENT REPORTING

The Group has two operating segments for the six months ended 30 June 2015:

- 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 to Russia.

- E-commerce business: this segment imports goods from suppliers abroad and then distributes such goods to retailers and customers in the PRC through a cross-border electronic distribution platform, www.CCIGMALL.com.

	Six months ended 30 June 2015		
	Axle and train business	**E-commerce business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	**91,865**	**625**	**92,490**
Reportable segment gross (loss)/profit	**(128,403)**	**54**	**(128,349)**

	At 30 June 2015		
	Axle and train business	**E-commerce business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment assets	**637,511**	**184,084**	**821,595**
Reportable segment liabilities	**315,299**	**176,325**	**491,624**

	Six months ended 30 June 2014 Axle and train business
	RMB'000
Revenue from external customers and reportable segment revenue	218,596
Reportable segment gross profit	42,125

	At 31 December 2014 Axle and train business
	RMB'000
Reportable segment assets	1,306,476
Reportable segment liabilities	233,969

5 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment and assets classified as held-for-sale	**5,747**	48
Government grants	**550**	6,420
Others	**356**	3,629
	6,653	10,097

6 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**277,797**	3,951
Impairment losses on trade and other receivables	**166,067**	20,561
	443,864	24,512

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank and other loans	**10,696**	16,850
Finance charges on secured notes	**1,516**	–
Finance charges on convertible bonds *(Note 14)*	**851**	–
	13,063	16,850
Changes in fair value on the derivative components of convertible bonds *(Note 14)*	**73,576**	–
	86,639	16,850

(b) Staff cost

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**28,894**	27,975
Contributions to defined contribution retirement plans	**2,360**	1,067
Equity-settled share-based payment expenses in respect of share award scheme	**1,772**	–
	33,026	29,042

(c) Other item

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Depreciation and amortisation	**18,765**	20,341

8 INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current taxation	**–**	2,340
Deferred taxation	**(4,453)**	(798)
	(4,453)	1,542

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 2015 (six months ended 30 June 2014: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 (six months ended 30 June 2014: RMBNil).

The Company and 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 are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%). One of these subsidiaries has obtained approvals from the relevant tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2013 to 2015 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2015 (six months ended 30 June 2014: 15%).

9 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2015 is calculated based on the loss attributable to the equity shareholders of the Company of RMB713,960,000 (six months ended 30 June 2014: RMB51,539,000) and the weighted average of 1,195,395,000 ordinary shares (six months ended 30 June 2014: 797,168,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2015 and 2014.

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Trade receivables	**436,994**	442,651
Bills receivables	**21,757**	53,079
	458,751	495,730
Less: allowance for doubtful debts	**(339,312)**	(282,231)
	119,439	213,499
Prepayments and other receivables		
– Advances to suppliers	**109,801**	111,518
– Value added tax refundable	**17,904**	17,830
– Others	**12,758**	13,209
	140,463	142,557
Less: allowance for doubtful debts	**(115,293)**	(6,307)
	25,170	136,250
	144,609	349,749

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 E-commerce business, cash before delivery is generally required for all customers. Trade receivables related to the axle and train business are generally due within three to four months from the date of billings.

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 2015	At 31 December 2014
	RMB'000	*RMB'000*
Within 90 days	**78,614**	83,547
91 to 120 days	**40,825**	14,267
121 to 180 days	**–**	40,301
181 to 365 days	**–**	37,801
Over 365 days	**–**	37,583
	119,439	213,499

At the end of the reporting period, trade receivables with outstanding amount of RMB45,496,000 (31 December 2014: RMB37,500,000) has been pledged to a bank to secure the Group's short-term bank loans *(Note 12)*.

11 TRADE AND OTHER PAYABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Trade payables	**101,205**	58,299
Bills payable	**1,000**	17,850
	102,205	76,149
Deposits received for the disposals of assets classified as held-for-sale	**111,202**	92,000
Advances from third parties	**40,618**	42,799
Payables for construction and purchase of property, plant and equipment	**24,392**	12,755
Payables for staff related costs	**14,700**	15,297
Payable for acquisitions of equity interests in subsidiaries of the Group	**14,250**	12,550
Advances received from customers	**6,442**	7,500
Payables for miscellaneous taxes	**3,146**	7,342
Provision for warranties	**1,135**	1,063
Others	**31,813**	21,807
	247,698	213,113
	349,903	289,262

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 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 30 days	**25,971**	27,671
31 to 60 days	**11,594**	7,442
61 to 90 days	**17,709**	3,547
91 to 180 days	**34,105**	29,963
Over 180 days	**12,826**	7,526
	102,205	76,149

12 BANK AND OTHER LOANS

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

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Bank loans		
– Secured by land use rights and property, plant and equipment of the Group	**116,930**	186,550
– Secured by trade receivables of the Group	**17,940**	30,000
– Unguaranteed and unsecured	**3,000**	64,530
	137,870	281,080
Other loans from third parties		
– Unguaranteed and unsecured	**13,000**	13,000
	150,870	294,080
Add: Non-current portion of long-term bank loan repayable on demand *(Note 12(b))*	**15,000**	–
	165,870	294,080

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

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Bank loan guaranteed by a subsidiary of the Group	**15,000**	–
Less: Non-current portion of long-term bank loan repayable on demand *(Note 12(a))*	**(15,000)**	–
	–	–

The Group's long-term bank loan with principal amount of RMB15,000,000 are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. At 30 June 2015, the Group has breached certain covenants as stipulated in the long-term bank loan agreement, and accordingly, this loan has become repayable on demand and has been classified as short-term bank loan.

(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 and other loans

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Property, plant and equipment	**36,359**	86,309
Lease prepayments	**18,166**	232,606
Trade receivables	**45,496**	37,500
	100,021	356,415

(d) As 30 June 2015, the Group's banking facilities amounted to RMB179,540,000 (31 December 2014: RMB349,540,000) were utilised to the extent of RMB134,870,000 (31 December 2014: RMB259,530,000).

13 SECURED NOTES

On 3 June 2015, the Company issued secured notes (the "Notes") with an aggregate face value of United States Dollar ("USD") 20,000,000 (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 *(Note 14)* 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.

14 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	Liability components *RMB'000*	**Derivative components** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	–	–	–
Convertible bonds issued	**54,328**	**4,950**	**59,278**
Accrued finance charges for the period *(Note 7(a))*	**851**	–	**851**
Fair value changes on the derivative components *(Note 7(a))*	–	**73,576**	**73,576**
At 30 June 2015	**55,179**	**78,526**	**133,705**

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"), respectively, to Chance Talent. Both convertible bonds bear interest at 13% per annum and will mature on 3 June 2018. The two convertible bonds together with the Notes *(Note 13)* are secured by 505,581,818 ordinary shares in the Company owned by Century Investment.

Upon issuance, 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 the earlier of 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.

15 BUSINESS COMBINATION

On 26 September 2014, the Company entered into a share purchase agreement with Century East Network Limited ("Century East"), pursuant to which the Company agreed to acquire Century East's 51% equity interest in Century Network Holding Limited through the issuance of 122,121,000 ordinary shares in the Company as consideration.

Upon completion of the above acquisition on 25 March 2015, the Group recorded a goodwill of RMB61,013,000, as calculated below:

	RMB'000
Fair value of consideration *(Note (i))*	76,392
Less: fair value of identifiable net assets acquired *(Note (ii))*	(15,379)
Goodwill	61,013

Notes:

(i) Fair value of consideration

The fair value of the consideration was HK$96,476,000 (equivalent to approximately RMB76,392,000), which was calculated based on 122,121,000 ordinary shares in the Company issued for the acquisition and at the closing price of the Company's ordinary shares on the Stock Exchange of HK$0.79 per share (equivalent to approximately RMB0.63 per share) on 25 March 2015.

(ii) Fair value of identifiable net assets acquired

	Pre-acquisition carrying amounts *RMB'000*	**Fair value adjustments** *RMB'000*	**Recognised values on acquisition** *RMB'000*
Property, plant and equipment	9,585	–	9,585
Intangible assets	19,153	3,511	22,664
Deferred tax assets	10,099	–	10,099
Trade and other receivables	59,118	–	59,118
Inventories	705	–	705
Cash and cash equivalents	3,275	–	3,275
Trade and other payables	(64,560)	–	(64,560)
Income tax payable	(823)	–	(823)
Deferred tax liabilities	(4,601)	(878)	(5,479)
Total identifiable net assets	31,951	2,633	34,584
Less: Non-controlling interests			19,205
Fair value of identifiable net assets acquired			15,379

Pre-acquisition carrying amounts of the acquirees' assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of intangible assets, the directors of the Company have referenced the fair value adjustments to valuation report issued by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent professional valuer.

From the date of the above acquisition to 30 June 2015, the above acquisition contributed revenue of RMB625,000 and net loss of RMB23,312,000 to the Group for the six months ended 30 June 2015. Had the above acquisition been completed on 1 January 2015, the directors of the Company estimated the consolidated revenue and consolidated net loss for the six months ended 30 June 2015 would have been RMB92,874,000 and RMB738,167,000, respectively.

(iii) Net cash inflow arising on acquisition

	RMB'000
Cash and cash equivalents acquired	3,275

The directors of the Company consider the axle and train and railway business in the PRC are in severe competition during recent years and, by completing the acquisition, the Company will be able to diversify the Group's existing business to strive for growth potential and improve the financial position of the Group.

16 COMPARATIVE FIGURES

In view of the acquisition of a new line of business as mentioned in Note 15, certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has been changed for the six months ended 30 June 2015. Accordingly, certain comparative figures have been adjusted to conform to current period's presentation.

In addition, presentation and classification of certain comparative figures have been adjusted to conform to current period's presentation.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

The following is an extract of the auditor's review report on the Group's interim financial statements for the six months ended 30 June 2015:

Basis for qualified conclusion

Included in the Group's interim financial report for the six months ended 30 June 2015 are corresponding carrying amounts of property, plant and equipment and inventories related to the Group's train and railway business of approximately RMB220,354,000 and RMB34,367,000, respectively, as at 31 December 2014. The predecessor auditor's report on the Group's consolidated financial statements for the year ended 31 December 2014 was qualified due to their inability to obtain sufficient appropriate audit evidence as to whether any impairment in respect of the property, plant and equipment and the inventories related to the Group's train and railway business should be recognised for the year ended 31 December 2014, as the sales of train and railway components to the Group's only customer in Russia had been suspended since May 2014 and had not recommenced as at the date of that report. The predecessor auditor also expressed a qualified conclusion in their review report on the interim financial report as at 30 June 2014 in respect of the same matter.

In the preparation of the Group's consolidated interim financial report for the six months ended 30 June 2015, the Directors of the Company considered that there was a significant uncertainty in recommencing the sale of train and railway components to the Group's only customer in Russia and thus recognised impairment of RMB213,779,000 in respect of these property, plant and equipment and made write-down of RMB32,695,000 for inventories related to the Group's train and railway business. However, in the absence of sufficient evidence in connection with the carrying amounts of these property, plant and equipment and inventories as at 31 December 2014, we were unable to complete our review of the opening balances in respect of these amounts. Had we been able to complete our review of the opening balances, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information, as any adjustments to the carrying amount of these property, plant and equipment and the inventories as at 31 December 2014 would affect the loss for the six months ended 30 June 2015. In addition, the corresponding amounts for the consolidated statement of profit or loss for the six months ended 30 June 2014 may not be comparable to the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an independent axle component provider for China's medium duty truck ("**MDT**") and heavy duty truck ("**HDT**") aftermarket, and also an independent axle assembly provider for China's MDT and HDT original equipment manufacturers ("**OEM**") market. The Group is principally engaged in the manufacture and sales of axle assemblies and axle components in the People's Republic of China ("**PRC**"), and engaged in manufacturing and selling of train and railway components.

The Group's products cover all major axle components, including cast steel and punched steel axle housings, brake drums, axle shafts, axle differentials and reductors, steering knuckles and front axle beams. An extensive range of front, middle and rear axle assemblies and suspension assemblies are also manufactured. Train and railway components, including train bolster and train side frame, have been manufactured since 2013.

On 4 January 2015, the Group entered into an agreement to dispose of a parcel of land and the erected factories and other structures located in Kaifeng at an aggregate cash consideration of RMB102,690,000, details of which are disclosed in the Company's announcement on 5 March 2015.

On 25 March 2015, the Group diversified the existing business to electronic commerce business by acquiring 51% equity interests of Century Network Holding Limited and its subsidiaries, through the operation of a cross-border electronic distribution platform, www.CCIGMALL.com., where the Group sources, imports and channels authentic goods from suppliers abroad, and then distributes and resells such goods to domestic retailers in the PRC.

Axle and train business

The Group primarily 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 is 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 were sold to customers in the aftermarket through its extensive sales, marketing and services network across the PRC. For the six months ended 30 June 2015, revenue from the OEM market and aftermarket business segment amounted to approximately RMB91.9 million (30 June 2014: approximately RMB218.6 million) and accounted for approximately 99.3% (30 June 2014: 100%) of the Group's total revenue, representing a decrease of approximately 58.0% as compared with the corresponding period in 2014.

Due to the unstable political environment in the Commonwealth of Independent States ("CIS"), no revenue was generated from the train and railway market in the CIS (30 June 2014: RMBNil). The Board will continue to actively monitor the development of the Group's business and investment in this particular business and shall provide updates to shareholders as necessary.

Electronic commerce business

The Group started the electronic commerce business since March 2015, through the establishment of platform "www.CCIGMALL.com". Several agreements were entered into by the Group with some strategic partners, including CHINAUMS (a subsidiary of China Unionpay), Bank of China Limited, China Telecom Bestpay E-Commerce Limited, eBay International AG, Class Editori S.p.A, Class Editori S.p.A, Class China e-Commerce S.r.l., etc.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2015, the Group recorded a consolidated revenue of approximately RMB92.5 million (30 June 2014: approximately RMB218.6 million), representing a decrease of 58% as compared with the corresponding period in 2014.

Revenue from the Group's OEM market and aftermarket segment for the six months ended 30 June 2015 decreased by approximately 58% to RMB91.9 million from RMB218.6 million for the corresponding period of last year. The revenue from this segment was diminishing for the six months ended 30 June 2015 since the continuing depressed business environment of the above sectors. Price competition among competitors is also significant in the aftermarket segment.

Revenue from the Group's electronic commerce segment for the six months ended 30 June 2015 was RMB0.6 million (30 June 2014: RMBNil).

Gross profit

Gross loss for the six months ended 30 June 2015 of approximately RMB128.3 million as compared with the gross profit of approximately RMB42.1 million for the corresponding period of last year. The gross loss was mainly attributable to the significant write-down of the inventories made during the period ended 30 June 2015.

Other income

Other income of the Group for the six months ended 30 June 2015 amounted to approximately RMB6.7 million (six months ended 30 June 2014: approximately RMB10.1 million). This was mainly attributable to the disposal of the land in Kaifeng.

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2015 increased to approximately RMB17.4 million from approximately RMB10.8 million for the corresponding period of last year. The increase was mainly attributable to the business diversification of electronic commerce which the Group acquired on 25 March 2015.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2015 increased to approximately RMB50.0 million from approximately RMB36.3 million for the corresponding period of last year. The increase was mainly attributable to the business diversification of electronic commerce which the Group acquired on 25 March 2015 and the share-based payment granted during the period.

Finance costs

The Group incurred finance costs of approximately RMB86.6 million for the six months ended 30 June 2015, which represented approximately 93.6% (six months ended 30 June 2014: approximately 7.7%) of its revenue for the six months ended 30 June 2015. The increase in percentage to revenue in 2015 was mainly due to changes in fair value on the derivative components of convertible bonds amounted to RMB73.6 million and the significant decrease in total revenue of the Group.

Taxation

Income tax income of approximately RMB4.5 million was recorded for the six months ended 30 June 2015 (six months ended 30 June 2014: income tax expenses of approximately RMB1.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, cash and cash equivalents of the Group was approximately RMB273.6 million (as at 31 December 2014: approximately RMB6.9 million).

As compared with the corresponding period in 2014, cash and cash equivalents increased by approximately RMB266.7 million, which was mainly resulted from the net cash outflow from operating activities of approximately RMB5.7 million (30 June 2014: RMB7.0 million), the net cash inflow from investing activities of approximately RMB73.3 million (30 June 2014: RMB22.1 million) and net cash inflow from financing activities of approximately RMB199.2 million (30 June 2014: net cash outflow of RMB47.5 million).

As at 30 June 2015, net current assets of the Group was approximately RMB127.2 million (as at 31 December 2014: approximately RMB186.2 million). As at 30 June 2015, the current ratio (i.e. total current assets/total current liabilities) of the Group was approximately 1.25 (31 December 2014: approximately 1.32).

As at 30 June 2015, total assets of the Group were approximately RMB996.8 million (as at 31 December 2014: approximately RMB1,277.1 million) and total liabilities were approximately RMB776.9 million (as at 31 December 2014: approximately RMB584.7 million). The debt ratio as at 30 June 2015 (i.e. total liabilities/total assets) was 0.78 as compared to 0.46 as at 31 December 2014.

As at 30 June 2015, the Group had total borrowings of approximately RMB419.8 million (as at 31 December 2014: approximately RMB294.1 million). The gearing ratio (i.e. total borrowing/total equity) was approximately 1.91 (as at 31 December 2014: approximately 0.42).

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2015 were approximately RMB144.6 million (as at 31 December 2014: RMB349.7 million). The decrease in balance was mainly due to the decrease in revenue and the impairment loss made during the period.

Inventory

The inventory balance of the Group as at 30 June 2015 was approximately RMB104.0 million (as at 31 December 2014: approximately RMB220.9 million). The decrease was mainly due to write-down made on inventory.

Trade and other payables

Trade and other payables of the Group as at 30 June 2015 were approximately RMB349.9 million (as at 31 December 2014: approximately RMB289.3 million). The increase was mainly due to (i) the increase in deposit received for the disposals of assets classified as held-for-sale; (ii) the increase in payables for construction and purchase of property, plant and equipment and (iii) the acquisition of equity interests in subsidiaries of the Group on 25 March 2015.

Contingent liabilities

As at 30 June 2015, the Group had no significant contingent liabilities (as at 31 December 2014: RMBNil).

Capital commitments

As at 30 June 2015, the Group had no contracted capital commitment which were not provided in the financial statements (as at 31 December 2014: approximately RMB0.1 million).

DIVIDENDS

The Board has resolved not to recommend any payment of interim dividend for the six months ended 30 June 2015 (30 June 2014: RMBNil).

PROSPECTS

Axle and train business

Due to the continue depression in the MDT and HDT industries, which brought about under-utilization of production capacity of the Group's business in the axle and component of motor vehicles, and together with the keen price competition among competitors in the motor vehicles repair market, the income continue to decrease and the loss also worsened. The Board is now carefully assessing, reviewing, and adjusting axle business, and gradually reduces the proportion of OEM business which suffered loss, and will focus on the after-sale repair market, and continue to follow-up and concern about the train and railway business.

Electronic commerce business

At present, the Group have commenced practical businesses with hundreds of brand suppliers in Europe, which covering thousands of brand producers, and established strategic corporation relationships with famous brand groups such as Scotti, IF&B, Classeditori, Carrefour, FLA and Intermarche etc. Network resources of overseas suppliers which possess the scale effect have strengthened the upstream strategic advantage among the industry. Besides, the Group will continue to actively explore more famous brand suppliers, and establish long-term strategic cooperation relationship with them, and to provide import commodity with different variety, high-quality and competitive prices.

The Group will actively grasp the market opportunity and the development trend and develop strategic new business. Besides developing fast-moving products of high quality and consumer goods in overseas, it also plans to develop high-value added commodities through vertical proprietary channels such as grasping the demand of parallel imported vehicles and market opportunities in the domestic PRC; establish and construct an experienced professional vehicles team; discuss with famous vehicle manufactures to negotiate business corporation with them; plan a creative vehicle financial product with large-scale state-owned commercial bank; promote the online e-commerce sale of imported-vehicle.

The Group will focus on millions of physical entities of UnionPay, and will provide matching wholesale commodity combination based on the classifications and regional distributions of different entities, and O2O commodity experience can be achieved at the same time. At present, the B2B business has already been launched, the B2C business will be announced in the third quarter of 2015. The cross-border e-commerce operation platforms of CCIGMall support the multi-channel of PC browsers, smart tablet PAD and the mobile Apps.

In order to achieve a rapid growth of the business and to optimize the return for shareholders, the Group will put in more resources in the electronic commerce business.

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 2015, 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, Ms. Dong Ying, Dorothy, Mr. Feng Xiaohui, Ms Wu Ching and Mrs. Guo Yan were not able to attend the annual general meeting of the Company held on 21 May 2015.

Compliance

The Company has appointed a compliance adviser on an ongoing basis for a two year period 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

The Company has not redeemed any of its listed shares during the six months ended 30 June 2015. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2015.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 2015.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results for the six months ended 30 June 2015 of the Group with the management and the auditors of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at about.ccigmall.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2015 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, 21 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive directors of the Company are Ms. Dong Ying, Dorothy, Mr. Feng Xiaohui and Mrs. Guo Yan; and the independent non-executive Directors of the Company are Mr. Wong Chi Keung, Mr. Liu Erhfei and Mr. Chan Chi Keung Alan.