COGOBUY GROUP

科通芯城集團

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 400)

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

The board (the "**Board**") of directors (the "**Directors**") of Cogobuy Group (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2016 (the "**Reporting Period**") and comparison with the operating results for the corresponding period in 2015. These results were based on the unaudited consolidated interim financial statements for the Reporting Period, which were prepared in compliance with the Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In this announcement, "we", "us" and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

FINANCIAL PERFORMANCE HIGHLIGHTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business and Financial Performance of the Group

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

We operate the largest transaction-based e-commerce platform for integrated circuits ("**IC**") and other electronic components in China as measured by Gross Merchandise Value ("**GMV**") since 2013, according to Analysys International, an independent industry consultant. Through our e-commerce platform, including a direct sales platform, an online marketplace and a dedicated team of technical consultants and professional sales representatives, we provide our customers with comprehensive online and offline services across pre-sale, sale and post-sale stages. For the six months ended June 30, 2016, we fulfilled orders and derived a GMV of approximately RMB9.2 billion, of which 60.6% was derived from direct sales value, 26.5% from transaction value in online marketplace and 12.9% from loan value in supply chain financing business. We serve electronics manufacturers including small and medium enterprises ("**SMEs**"), which we believe represent a lucrative and fast-growing segment of the IC and other electronic components market with a significant demand for our services. We offer a wide selection of products at competitive prices through our e-commerce platform, which are sourced from approximately 8,000 suppliers, including some of the top brand-name suppliers in key product categories.

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

We derive our revenue substantially from direct sales of IC and other electronic components. We source high quality IC and other electronic components from leading suppliers around the world and sell them to both SME and blue-chip electronics manufacturers in China through our e-commerce platform and dedicated sales representatives, who work closely with our customers to understand their needs, provide technical consultation and help support their procurement function. We also operate an online marketplace that allows third-party merchants to sell their products to our customers through our e-commerce platform. We plan to further enhance our marketplace platform to complement our direct sales platform.

We have built a large community of engineers and technical professionals who are able to contribute to the procurement decisions of electronics manufacturers. The procurement decisions of a Chinese electronics manufacturer are often made by a handful of its key personnel, many of whom are engineers and technical professionals. Accordingly, we target our marketing efforts at those professionals, aiming to form and enhance the sense of community among them. For example, we hold new media marketing events, such as product launches and technology discussion forums, on various social networking platforms, including Weibo and TechWeb.

We also launched the INGDAN.com in September 2013. The Internet of Things ("IoT") is leading the information industry into a new era. The development of the IoT industry has now been raised as a national strategy by various countries, and many Information Technology ("IT") giants have been accelerating their pace to enter into this promising industry. According to the report of Essence International, in 2015, the global IoT market has reached USD350 billion, while the Chinese IoT market has also reached RMB750 billion. Positioning as a major innovation business platform in the IoT era, INGDAN.com has now been the largest intelligent hardware innovation business platform in China, and is committed to becoming the most successful one of its kind in the world to provide one-stop service on supply chain to innovation startups worldwide. By the end of June 2016, INGDAN.com has registered more than 13,000 intelligent hardware projects and over 12.5 million followers. Previously, we have defined five markets to be developed in depth to build an ecosystem, including robotics, smart cars, smart homes, new materials, and etc. Cogobuy and INGDAN.com have entered these industries, the deepen development of which will not only bring us more new business opportunities, but also further improve INGDAN.com's monetization strategies and enhance its industry reputation. INGDAN.com currently contributes 22.4% of our total GMV, and we believe that it will generate more GMV to the Group in the second half of the year.

We commenced supply chain financing business in September 2014 whereby we earn interest and service income for providing certain financial services to third parties manufacturers, including the provision of working capital financing programs. Our supply chain financing business is a good demonstration of our strength in generating new revenue streams by providing additional services based on our existing platform. During the Reporting Period, GMV contributed by the provision of loans in the supply chain financing business reached RMB1.2 billion.

Future Prospects

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

I. *Expand the SME Customer Base*

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

II. *Enhance Our Marketplace Platform to Complement the Existing Direct Sales Platform*

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

III. *Further Enhance Customer Loyalty and Increase Purchases Per Customer*

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

IV. ***Foster the Development of an Ecosystem Serving the Electronics Manufacturing Value Chain***

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

V. ***Pursue Strategic Partnerships and Acquisition Opportunities***

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

FINANCIAL OVERVIEW

First half of 2016 compared to first half of 2015

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

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

1. Overview

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

2. Revenue

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

3. Cost of Sales

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

4. Gross Profit

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

5. Other Income

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

6. **Selling and Distribution Expenses**

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

7. **Research and Development Expenses**

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

8. **Administrative and Other Operating Expenses**

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

9. **Income Tax**

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

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

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

11. **Liquidity and Source of Funding**

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

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

12. Capital Expenditure

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

13. Net Gearing Ratio

As of June 30, 2016, the net gearing ratio of the Group, which was calculated by dividing net debt (total bank loans minus cash and cash equivalents and pledged deposits) by the sum of net debt and total equity was –0.7% as compared with –7.8% as of December 31, 2015. The decrease was primarily due to an increase in bank borrowings for the expanding business of the Group.

14. Material Investments

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

15. Material Acquisitions and Disposals

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

16. Pledge of Assets

Except for the pledged bank deposits of RMB1,369.1 million and RMB1,247.0 million as of June 30, 2016 and December 31, 2015, respectively, the Group did not pledge any assets as of June 30, 2016. The pledged bank deposits were placed as security for credit facilities granted by several banks in Hong Kong.

17. Contingent Liabilities

Neither the Group nor the Company had any significant contingent liabilities as of June 30, 2016. As of June 30, 2016, the Company issued several guarantees to banks in respect of the banking facilities granted to subsidiaries of the Company. The maximum liability of the Company at the end of the reporting period under these guarantees issued is the outstanding amount of the bank loans drawn down by the subsidiaries. As of June 30, 2016, management of the Company did not consider it is probable that a claim will be made against the Company under any of the guarantees.

18. Foreign Exchange Exposure

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

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

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

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

19. Material Events

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

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

II. *Strategic cooperation*

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

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income — Unaudited
For the six months ended June 30, 2016

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

	Note	Six months ended June 30, 2016 RMB'000	2015 RMB'000
Profit for the period		**218,011**	175,933
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of entities with functional currency other than Renminbi		**29,007**	(1,726)
— Net movement in the fair value reserve of available-for-sale investments		**—**	3,323
Other comprehensive income for the period		**29,007**	1,597
Total comprehensive income for the period		**247,018**	177,530
Attributable to:			
Equity shareholders of the Company		**232,702**	167,880
Non-controlling interests		**14,316**	9,650
Total comprehensive income for the period		**247,018**	177,530
Earnings per share	*8*		
Basic (RMB)		**0.152**	0.124
Diluted (RMB)		**0.150**	0.123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

As of June 30, 2016

	Note	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
Non-current assets			
Property, plant and equipment		**8,934**	5,653
Intangible assets		**57,472**	63,508
Goodwill		**193,857**	184,260
Available-for-sale investments		**82,362**	114,330
Other non-current assets		**756**	670
Investment in an associate		**12,848**	—
		356,229	368,421
Current assets			
Inventories		**1,095,322**	609,172
Trade and other receivables	*9*	**1,306,741**	1,430,191
Loans receivable	*10*	**146,080**	276,754
Short term deposits		**12,149**	11,000
Pledged deposits		**1,369,055**	1,246,977
Cash and cash equivalents		**1,271,120**	1,024,269
		5,200,467	4,598,363
Current liabilities			
Trade and other payables	*11*	**877,897**	749,574
Bank loans		**2,625,977**	2,125,876
Amount due to a related party		**37,159**	35,687
Current taxation		**54,258**	43,334
		3,595,291	2,954,471
Net current assets		**1,605,176**	1,643,892
Total assets less current liabilities		**1,961,405**	2,012,313
Non-current liabilities			
Deferred tax liabilities		**9,304**	10,762
NET ASSETS		**1,952,101**	2,001,551
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**1,884,951**	1,921,199
Total equity attributable to equity shareholders of the Company		**1,884,952**	1,921,200
Non-controlling interests		**67,149**	80,351
TOTAL EQUITY		**1,952,101**	2,001,551

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

(a) The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of Cogobuy Group (the "**Company**") and its subsidiaries (the "**Group**") for the six months ended June 30, 2016, but is extracted from the unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for 1) new accounting policy applied by the Group as set out in note 1(b); and 2) the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out below.

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 December 31, 2015 that is included in the interim financial report as previous reported information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

(b) ***Associates***

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

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

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

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

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

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

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

2 Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group.

— *Annual Improvements to HKFRSs 2012–2014 Cycle*

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

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

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

The Group is principally engaged in the sales of IC and other electronic components. Starting from 2014, the Group is also engaged in the provision of supply chain financing services. Management considers that the revenue and profit are derived almost entirely from the wholesales of IC and other electronic components for the six months ended June 30, 2016 and 2015 and financial information regularly provided to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations does not meet the quantitative thresholds as set out in HKFRS 8, Operating segments, to be reportable. Accordingly, no segment information is presented in the interim financial report.

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

4 Revenue

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

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

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

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

5 Other income

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

6 Profit before taxation

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

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

Note:

Research and development expenses include staff costs of employees in the design, research and development function of RMB17,449,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB15,360,000), which are included in the staff costs as disclosed in note 6(b).

Research and development expenses also include operating lease charges in respect of property rentals of RMB1,558,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB2,191,000).

7 Income tax

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

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

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

(b) ***Hong Kong***

The entities that are incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the six months ended June 30, 2016 (six months ended June 30, 2015: 16.5%).

(c) ***The PRC***

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

In addition, Cogobuy.com E-commerce Services (Shenzhen) Limited, Shenzhen Cogobuy Information Technologies Limited, and Envision Communication Technology (Shenzhen) Company Limited, being qualified software enterprises, were each granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review) starting from the first profit making year from the PRC tax perspective under the then effective tax regulations during 2013. As a result, they are exempted from income tax for 2013 and 2014, and are subject to income tax at 12.5% from 2015 to 2017 and at 25% from 2018 onwards. During 2015, Qianhai Cogobuy.com (Shenzhen) Limited was also granted the same tax holiday, which exempts it from income tax for 2015 and 2016 and reduces the income tax rate to 12.5% from 2017 to 2019.

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

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

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

8 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB203,440,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB166,219,000) and the weighted average number of ordinary shares of 1,338,310,000 shares (six months ended June 30, 2015: 1,336,020,000 shares).

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

Weighted average number of ordinary shares

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

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB203,440,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB166,219,000) and the weighted average number of ordinary shares of 1,355,073,000 shares (six months ended June 30, 2015: 1,347,068,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

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

9 Trade and other receivables

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

During the reporting period, the Group was subject to several factoring agreements with banks under which the banks pay an amount net of discount to the Group and collect the factored trade receivable balances directly from the Group's customers without recourse. The costs of the factoring arrangement ranged from 2.2% to 2.9% (six months ended June 30, 2015: 1.7% to 2.5%) of the balances transferred and are included in "finance costs" for the six months ended June 30, 2016. The Group considered it has transferred the contractual rights to receive the cash flows of the trade receivables being factored and therefore records the transfers of trade receivables pursuant to the factoring agreements as sales. All of the factored trade receivables were accounted for as sales and derecognized upon transfer.

Aging analysis

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

	As of June 30, 2016	As of December 31, 2015
	RMB'000	*RMB'000*
Within 1 month	**968,762**	813,575
1 to 2 months	**179,989**	369,716
2 to 3 months	**91,301**	128,554
Over 3 months	**20,718**	84,287
	1,260,770	1,396,132

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

10 Loans receivable

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

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

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

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

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

11 Trade and other payables

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

	As of June 30, 2016 *RMB'000*	As of December 31, 2015 *RMB'000*
Within 1 month	**619,042**	673,406
1 to 3 months	**9,362**	22,235
Over 3 months	**10,188**	11,773
Trade payables	**638,592**	707,414
Accrued staff costs	**20,866**	22,006
Other payables	**218,439**	20,154
	877,897	749,574

CORPORATE GOVERNANCE CODE

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

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders. The Board is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for code provision A.2.1 as mentioned below during the period from January 1, 2016 to June 30, 2016.

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to regulate all dealings by the Directors of the securities in the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the six months ended June 30, 2016 and to the date of this announcement.

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

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2016. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, risk management and internal control with senior management members and the external auditor of the Company, KPMG.

The interim financial report of the Group for the six months ended June 30, 2016 has been reviewed by the audit committee of the Company and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

OTHER BOARD COMMITTEES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

The repurchases were effected by the Directors for the benefit of the Company and to create value to its shareholders. As of June 30, 2016, all the shares repurchased during the Reporting Period were cancelled, of which 3,417,000 shares were cancelled on February 12, 2016, 1,095,000 shares were cancelled on February 29, 2016, 3,604,000 shares were cancelled on May 31, 2016 and 1,812,000 shares were cancelled on June 3, 2016.

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

MATERIAL LITIGATION

As of June 30, 2016, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

INTERIM DIVIDEND

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The total gross proceeds from the listing of the Shares amounted to approximately HK$1,375 million. During the period between the Listing Date and June 30, 2016, the net proceeds were utilized in accordance with the purpose as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated July 8, 2014. The balance of funds would be utilized according to the purposes as set out in the prospectus.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cogobuy.com. The 2016 interim report of the Group for the six months ended June 30, 2016 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board
Cogobuy Group
KANG Jingwei, Jeffrey
Chairman and Executive Director

Hong Kong, August 17, 2016

As at the date of this announcement, the executive Directors of the Company are Mr. KANG Jingwei, Jeffrey, Mr. WU Lun Cheung Allen and Ms. NI Hong, Hope; the non-executive Director of the Company is Mr. GUO Jiang; and the independent non-executive Directors of the Company are Mr. ZHONG Xiaolin, Forrest, Mr. YE Xin and Mr. YAN Andrew Y.